

## IOC "Cost Integrated Process Team" On Course to Savings

Just as the soldier uses a compass to set his course for the completion of his mission, the "Cost Integrated Process Team" at the Industrial Operations Command (IOC) has set a course to reduce unit costs by 30 percent by the end of Fiscal Year 2001. Any plan or goal starts with a vision. Our Vision at IOC is:

*"To be, by the year 2001, our Army's "link" between America's Fighting Forces and America's Defense Industry by providing Industrial Management and Logistics Power Projection."*

To achieve this vision, the IOC developed a strategic plan to get closer to our customers, to reduce unit costs, to organize the command more efficiently, and to continually improve our processes. We put together the Cost Integrated Process Team, which has the ability and the responsibility to significantly influence our cost. This cost reduction initiative resulted from our realization of the Army's need for more cost-effective power projection capabilities in our IOC mission areas. The IOC can best assure the Army's receipt of cost effective maintenance, manufacturing, and munitions and war reserve support by significantly reducing its unit cost. While providing our in-house logistics products and services at a lower cost, we will raise the standard for private contractors competing in the military logistics industrial base.

We gave ourselves an ambitious target to reduce unit cost by 30 percent by the end of Fiscal Year 2001. We based this target on the previous history of public/private and competition initiatives for commercial activities. History indicates that competed projects realize 30 percent cost reductions whether in-house activities or private contractors win the competition. We intend to lower the base point for any future competition. Our team developed eight goals to reduce cost. These goals cover the entire scope of our command.

**IOC Cost Saving Goals.** With these goals, we address the direct and overhead costs of our installations, our corporate headquarters cost, our management systems and processes, and the overall industrial base infrastructure. We will also include the emerging cost reduction efforts of the Army's Acquisition Reform Initiative as an integral aspect of our endeavor.



**1. Implement Reinvention and Share Successes.** Our first goal is to implement reinvention lab techniques and share our cost reduction success stories. We will assure that we make full use of the previously established programs for reinvention labs and idea sharing of Cost Busters initiatives.

**2. Improve Industrial Processes.** Our second goal is one of our more ambitious challenges. We will reduce our direct costs by improving our industrial processes. We will minimize excess stocks through our improved inventory management procedures. We are going to continue our streamlining of industrial processes by investigating improved methods and procedures in all of our mission areas. By acquiring capital improvements we will work more efficiently and lower our labor costs. We intend to invest in only those projects having significant returns on investment or that are absolutely necessary to accomplish our mission. We will consolidate our missions based upon our CORE XXI initiative. We cannot be competitive with unnecessary duplicate capabilities. We are going to take advantage of the outstanding talents and capabilities of our contractors by using performance specification techniques, where feasible. We are also going to encourage our maintenance customers to allow us to use performance specifications instead of depot maintenance work requirements. When it comes to facilities design, we plan to contract directly with architect engineers and eliminate a step with the Corps of Engineers.

**3. Eliminate Overhead.** With goal three, we are renewing our relentless attack to eliminate unnecessary overhead and improve those overhead processes that remain. We are approaching this by streamlining our installation overhead processes. If we can successfully expand the Armament Retooling and Manufacturing Support (ARMS) concept to other installations, we will be able to share our fixed overhead burdens with facility use contractors.

**4. Reduce HQ IOC Costs.** Our achievement of goal four will result in significant savings in our headquarters cost. This will require staffing reductions that we will achieve through improving processes and taking advantage of the full range of civilian labor force hiring appointments, as well as making appropriate use of outsourcing to meet our requirements. We finance a sizable portion of our headquarters through reimbursable orders from our depots and arsenals. We are seeking input from these customers to help us identify targets for reducing these support costs.

**5. Size Industrial Base.** Through goal five we will achieve additional resizing of our industrial base. We intend to take advantage of outsourcing and partnership opportunities with the private sector. At those installations where we currently have ARMS authority, we want to maximize the occasions to share our fixed base operations costs. We also intend to dispose of those installations that we no longer need.

**6. Eliminate Barriers.** Through goal six, we intend to make doing business with our IOC installations more appealing to our customers. By streamlining our techniques for processing orders, we will make IOC workloading more customer friendly.

**7. Implement New Tools.** Goal seven will help us search for more effective tools to manage costs. We are developing an overall metric system to evaluate our unit cost, as well as ways to evaluate specific unit cost reductions.

**8. Evaluate IOC Competitiveness.** Goal eight will not help us reduce cost, but it will let us and others understand the true nature and status of our competitiveness. We are evaluating our labor and overhead rates with the private sector and we are analyzing the results of previous competitions. Our preliminary results suggest that, in reality, we may be very competitive already and our real challenge is to build upon this competitive position and to expose a common myth suggesting that our installations are too costly.

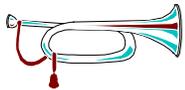
**IOC: The Preferred Source.** We are facing the challenge to significantly reduce our cost to the point that we provide the Army the best financial value for industrial products and services. It is our intent that the efficiencies and value of our products will compel our customers to look to us as their preferred source for industrial support. By fulfilling our goals, we will reduce our costs and remain on our course to success.

POCs: Mr. Tim Simmons  
HQ IOC/AMSIO-RM  
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## \*\*\*SUCCESS STORIES\*\*\*

### IOC Creates Cost Busters Database

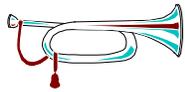


The IOC took the AMC Cost Busters Program a step farther. To support the IOC's strategic plan to reduce unit costs 30 percent by the year 2001, we created an IOC Cost Busters database. By replicating the database created by HQ AMC we can capture and share all cost savings initiatives within IOC. We made this IOC database and

the AMC Cost Busters database available on the Internet by creating a Lotus Notes Domino Server page. All HQ IOC offices and installations can view and enter efficiencies to the IOC database through the Internet. By using the Internet approach, we avoided the cost of purchasing Lotus Notes software for all users.

POC: Mrs. Felicia Sevedge  
HQ IOC/AMSIO-RMP  
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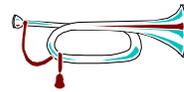
**Look for AMC COST BUSTERS on the World Wide Web at  
<http://www.amc.army.mil/amc/rm/costbust.html>.**



## IOC Wins with ARMS

The IOC Armament Retooling and Manufacturing Support (ARMS) Team worked with eleven of the Government Owned Contractor Operated (GOCO) facilities to market the ammunition plants and promote the capabilities and infrastructure as "assets" to commercial and industrial companies. These facilities vary in size and capabilities similar to industrial parks. Potential users include chemical manufacturers, primary metal industries, fabricated metal producers, warehouse personnel, distributors, or aviation/marine companies. We view this cooperative effort between industry, the Army, and surrounding communities as an alternative to base closure. It promotes job creation, economic development, and saves tax dollars by offsetting maintenance costs at these facilities. In its fourth year, the ARMS Program realized 150 commercial tenants on-site at 11 plants. These tenants account for more than 2,000 jobs, approximately \$60M in wages and more than \$36M in economic benefits to the surrounding communities. Meanwhile, we maintain the ammunition industrial base and retain critical defense production skills. For example, we retained 32 of 33 critical skills needed to produce ammunition through employment for commercial efforts at Indiana Army Ammunition Plant. Further, we reduced the Government ownership costs and eliminated maintenance costs at some plants. Another added benefit was the reduction in defense item/product costs at the active plants -- an 18% reduction at one facility. It's a win-win situation for the Army, industry, and the community.

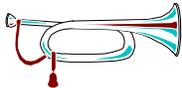
POC: Ms. Trudy A. Hallgren  
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## IOC Partners to Resolve Contract Disputes

HQ IOC made history in August 1996 when they signed an alternative dispute resolution agreement with Lockheed Martin Ordnance Systems (LMOS), the Hydra 70 Rockets contractor. Under a partnering idea, IOC and LMOS have set up an alternative means for resolving any disputes that might arise over the life of the contract. The goal is to settle disputes mutually without resorting to time-consuming and expensive litigation. We think this will become IOC's preferred way of doing business.

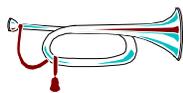
POC: Ms. Sue Crisp  
 HQ IOC/AMSIO-ACC  
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**Anniston Army Depot Improvement Earns Hammer Award**

Communication was an important element in the improvements achieved by the Turbine Engine Assembly Team at Anniston Army Depot. Team members worked to open lines of communication with fellow team members and cross-functional and support personnel. The team accomplished many process and component improvements. Because of parts shortages, team members started their team actions by visiting the Defense Reutilization and Marketing Office and recovered many items valued close to \$100,000. The team's success was recognized by presentation of Vice President Gore's Hammer Award.

POC: Ms. Becky Byrant  
 ANAD/Product Assurance Division  
 DSN 571-6505



**Army Ideas for Excellence Program Saves Big**

Last year IOC suggesters saved \$7.6M, and received \$374K as a reward for their creativity and initiative. This is a great return on our money. We approved almost half of the ideas submitted. Here are our top three Suggesters of the Year:

- Mr. Phillip Kimble, Rock Island Arsenal, along with an ACALA and an ARDEC employee, saw the need to standardize inspection of small arms in the Army and saved \$621K.

- When Mr. Randolph Stec, HQ IOC, realized we could purchase firing pins for practice bombs instead of buying the entire end item, he saved us \$385K.

- Mr. Tommie Caulkins, HQ IOC, checked on getting a cannon through an agreement to test 75mm and 105mm blank ammunition and saved \$150K in shipping costs.

POC: Ms. Shirley Cruzen  
 HQ IOC/AMSIO-RMP  
 DSN 793-5442



**McAlester Army Ammunition Plant Recycling Saves**

While conducting a Value Engineering study on consolidation and disposal of hazardous materials, McAlester Army Ammunition Plant discovered we could sell materials to qualified buyers. We identified eligible materials and contacted the Defense Reutilization Marketing Office (DRMO) personnel to find buyers for these materials. Standard practice was to pay a certified hazardous waste contractor to dispose of these materials through the DRMO. This resulted in one-time savings of \$1.834M. This study shows you can achieve savings through improved reuse/recycle procedures.

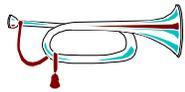
POC: Mr. Scot Johnson  
 HQ IOC/AMSIO-RMV  
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### Tooele Army Depot Cuts Costs in Half

Tooele Army Depot applied teaming ideas to reduce the backlog and cost of receipt inspections for Condition Code K material (returns from customers at post camps and stations worldwide). We completed more than 4,400 inspections in just six months after initiating the team. We reduced inspection cost per lot by 53 percent, from \$279 to \$131. This self-managed team found success in streamlining and reducing redundant activities.

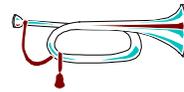
POC: Mr. Rod Huff  
TEAD/SIOTE-AO  
DSN 790-2181



### Ammunition Operations Consolidated

We approved Lake City Army Ammunition Plant's effort to consolidate five different operations/buildings into one. We were performing these operations at less than 20 percent capacity. This effort has an initial investment of approximately \$11M over three years. We expect to break-even during the fifth year of operation, with estimated savings of \$4M per year based on current projected out-year requirements. We also estimate a cost avoidance of \$30M over the next 10 years. Other benefits include improvements in processes and safety, i.e., primer handling improved, reduced personnel exposure, cellular manufacturing, and automated on-line inspection systems.

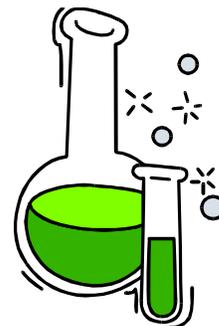
POC: Mr. Steven Hampton  
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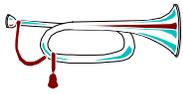


### CCAD Recognized for Success

Corpus Christi Army Depot (CCAD) saves over \$2M a year through hazardous materials control. Although many steps were involved, we successfully started a material management system in about one year. We gathered all excess new and used chemicals, storing usable materials in a hazardous material shed and disposing of the rest. We moved usable hazardous materials and chemicals to new material issue points, installed computer hardware and software at all issue stations, and trained personnel on the system. The benefits from this are improved productivity and elimination of waste. We learned that manufacturers could package products in smaller containers. With digital scales and barcode scanners, the issue clerks track the amounts of chemicals used, the remaining shelf life, and where they are located on the depot. If a particular item is out of stock, the issue clerk can borrow products from other stations on the depot. CCAD received the FY96 DOD Environmental P2 Award. The Pollution Engineering Magazine and the Hazardous Technical Information Services Bulletin featured their success.

POC: Daryl Brandt  
CCAD/SIOCC-IR-SE  
DSN 861-2940





## IOC Maximizes Automation and Technology

- Watervliet Arsenal is now electronically storing information using the latest in scanning technology. The records contain firing status and statistics over the life of the weapon. We realized a cost avoidance of \$3.8K the first year besides eliminating almost 250 square feet of secured floor space.

POC: Mr. Brian McGovern

WVA/SIOWV-QAQ/DSN 974-4326

- Rock Island Arsenal started a system that provides automated access to about 6,400 Material Safety Data Sheets (MSDS). Previously, the Safety Office maintained hard copy MSDS in about 100 loose-leaf binders and made changes manually. Customers can now see the MSDS database via the Rock Island Arsenal Internet server, and can search the database by categories such as product name, stock number, manufacturer, or ingredient.

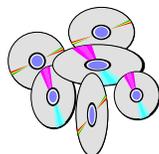
POC: Ms. Nancy Carlson

RIA/SIORI-SF/DSN 793-1381

- Tobyhanna Army Depot submitted an approved Value Engineering Proposal that reduced the costs of training direct labor employees by using CD-ROM Interactive Training Programs. The programs reduce the amount of time required for mandatory safety training. Total three-year net savings are \$4.59M after an initial cost of only \$79K. Increased use of virtual training offers great potential for lowering costs at Army installations.

POC: Mr. Scot Johnson

HQ IOC/AMSIO-RMV/DSN 793-5017



- Rock Island Arsenal initiated a project through the Advanced Research Projects Agency (ARPA) for expansion of the Iowa Communications Network (ICN) to Rock Island Arsenal and all Iowa National Guard Armories. We teamed up with the Eastern Iowa Community College District, local and state governments, and several federal agencies to accomplish the project with available ARPA funds. Each participant saved more than \$200K by sharing fiber cable runs. The ICN provides computer collaboration and training to every school, college, and university in Iowa. Through this project, Rock Island Arsenal coordinated Research and Development efforts with others and provided responsive support to reserve component units.

POC: Mr. Keith Wiley

RIA/SIORI-ITI/DSN 793-8000

- The Defense Ammunition Center (DAC) Munitions Items Disposition Action System (MIDAS) Team supports the IOC by creating technical data packages on munitions offered for commercial demilitarization. Previously, this amounted to printing paper bound copies of engineering drawings and detailed reports. With assistance from Argonne National Laboratory and Rock Island Arsenal, the team developed technical data packages for two IOC commercial demil solicitations on CD-ROM. Putting contract solicitations on CD is cheaper than printing paper bound copies and saves postage costs. This allows users to access more information from one source and they have more flexibility to share munitions data via personal computers and networks. After successfully launching the IOC solicitation CD-ROM, the team will produce a CD-ROM in support of alternative technology development for chemical munitions disposal.

POC: Mr. Todd Vesely

USADAC/SIOAC-TD/DSN 585-8359