



**Report to
Office of Management and Budget**

**Implementation of
Strategic Sourcing Initiatives**

United States Department of Defense (DoD)
Office of the Under Secretary of Defense for Acquisition,
Technology and Logistics (AT&L)



January 2006

I. Purpose

The Office of Management and Budget (OMB) has directed federal agencies to leverage spending to the maximum extent possible through strategic sourcing. Strategic sourcing is a collaborative and structured process of analyzing an organization's spend and using the information to make business decisions about acquiring commodities and services more effectively and efficiently¹. Through the DoD Wide Strategic Sourcing (DWSS) program, DoD has taken steps to meet OMB's priority of maximizing taxpayer value. This report provides an overview of those steps and lays out the future of strategic sourcing across the DoD.

II. Background

As the largest purchasing organization in the world, the Department of Defense spends over \$200 billion annually on purchases of good and services. While some view the acquisition function as a tactical operation in the support of our warfighters, senior leadership has determined that this function is strategic in nature and is vital to the success of the Department's efforts to provide reliable, responsive and cost effective support to our soldiers, sailors, airmen and marines worldwide. Although the Military Services and some of the DoD organizations have moved forward with component level activity in support of this initiative, DoD needs a more department-wide approach. This report addresses this new direction for the Department.

III. Current Activities

The 30 September 2005 memorandum entitled "Implementing Strategic Sourcing" from the Acting Director, Defense Procurement and Acquisition Policy to OMB (Appendix 1) outlines current strategic sourcing activities on-going within the DoD. Activities through December 2005 are outlined below and these activities will continue as the Department implements the DWSS model.

DoD-Wide Strategic Sourcing Program (DWSS)

In May 2003, the Department of Defense officially initiated strategic sourcing activities by establishing the DoD-Wide Strategic Sourcing Program (DWSS). The program began as a spend analysis and opportunity assessment study, but expanded to become an operational model for delivering enterprise strategic sourcing. The DWSS program leverages the lessons learned and successes of individual Service and Agency programs to achieve longer-term goals, including more efficient DoD-wide acquisition strategies, standardized acquisition processes, reduced total cost ownership, success in meeting socioeconomic goals, and improved skills of the DoD acquisition community. A Concept of Operations (CONOPS) was collaboratively developed and the Director, Defense Procurement and Acquisition Policy (DPAP) approved it in January 2005. That CONOPS provides initial guidance and structure for managing the DWSS Program. This document also outlines the stakeholders, governance, commodity teams and the process currently in place for DWSS.

Spend Analysis Tool

The GAO report entitled "BEST PRACTICES - Improved Knowledge of DOD Service Contracts Could Reveal Significant Savings" (report number GAO-03-661) recommended DoD adopt the spend analysis best practices of leading companies. The report also recommended that DoD's approach provide an agency-wide view of service contract spending and promote collaboration to leverage buying power across multiple organizations. Spend analysis is a key enabler to the strategic sourcing process and the DoD needed a method to capture, report and analyze the spend data across the Services and Agencies.

¹ Office of Management and Budget: "Implementing Strategic Sourcing" Memorandum, May 20, 2005



In April 2005, the Department completed the Acquisition Spend Analysis Pilot (ASAP) to automate the collection and analysis of essential, DoD-wide spend data. The ASAP Community of Interest (COI) included representatives from each of the military departments, the Missile Defense Agency, and the Office of the Secretary of Defense. ASAP used Commercial Off-the-Shelf (COTS) business intelligence software to obtain and organize Contract Line Item (CLIN) spend data for FY04 into a common data model directly from Army and Air Force business intelligence systems. Navy spend data was incorporated into the Air Force system and spend data from the Missile Defense Agency was incorporated into the Army system for this pilot. The pilot demonstrated the ability to gather spend data and, due to its success, is being followed by an initiative entitled, Acquisition Spend Analysis Service (ASAS). This will institutionalize lessons learned from the pilot into a program providing a more robust spend analysis/business intelligence system to the Department. Under the ASAS project, the Army is leading the creation of a DoD-wide data mart for contract spend data. The goal is to provide a streamlined method by which managers at all levels can gain access to relevant agency and department-wide spend data down to the contract sub-line item number level. This visibility will enable smarter acquisition decisions, and identify opportunities and points of leverage for supply chain improvement.

Commodity Councils

To date, the Department has established three DoD-wide commodity councils that support the acquisition of services. The councils are:

- ❑ Clerical Support Services, led by the Navy, with \$160 million in spend;
- ❑ Handheld Wireless Communications Devices and Services, led by the Army and Air Force, with \$198 million in spend; and
- ❑ Medical Health Care Services, led by the Army, with \$781 million in spend.

In addition, The Office of the Deputy Undersecretary of Defense for Logistics and Material Readiness established two pilot commodity teams in June 2005 designed to serve as “learning laboratories” about how to pursue Department-wide strategic sourcing in commodities which have a direct impact on weapons system availability. The two initial pilot areas selected were Bearings and Microelectronics. The Assistant Deputy Under Secretary of Defense for Strategic Sourcing and Acquisition Processes (ADUSD (SS&AP)) will oversee these initiatives through the Strategic Sourcing Directors Board (SSDB). The products of the councils will provide improved value for the services and lessons learned concerning creating and managing commodities across the Department. The SSDB will establish milestones and future reporting requirements in the second quarter FY06.

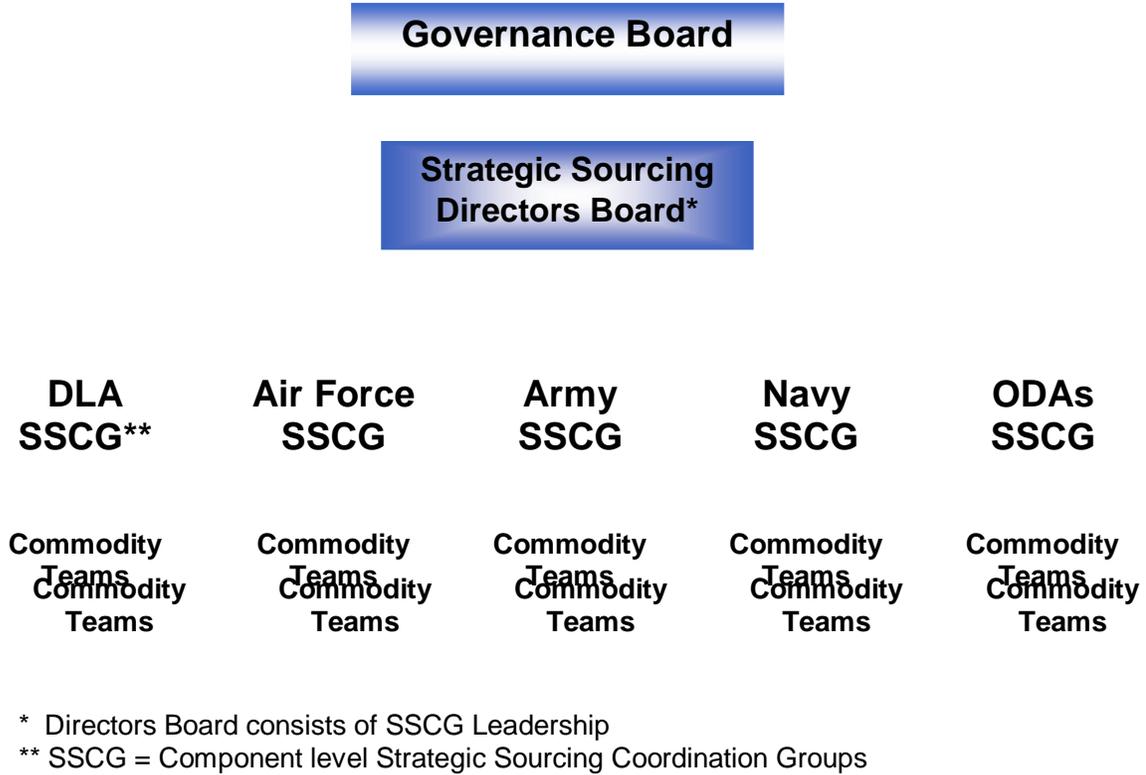
Each of the Military Services and major Defense Agencies have updated the initiatives previously addressed in the 30 September 2005 memo. Appendix 2 presents that update along with other DoD strategic sourcing activities, including details of the activities of DoD-wide councils/initiatives and individual component initiatives/councils.



Governance

The Strategic Sourcing Directors Board (SSDB) oversees the Defense-Wide Strategic Sourcing (DWSS) initiatives. As depicted in Figure 1, the SSDB will interface with other governance bodies as needed.

Figure 1



This governance structure enables strategic decision-making and oversight of the strategic sourcing program across the Department. To ensure the objectives and goals of the DWSS Program are met, each governance body has specific roles and responsibilities. Section IV of the CONOPS outlines the roles and responsibilities for each group.

Goals and Objectives

The DWSS was established with five core objectives, which can be found in the CONOPS. They include:

- 1) Establishing department wide, cross-functional acquisition strategies
- 2) Reducing Total Cost Ownership for Acquired Goods and Services
- 3) Improving fulfillment of socio-economic acquisition
- 4) Standardizing acquisition business processes
- 5) Improving skills of the DoD acquisition community



Performance Measures

To meet the initial goals of the DWSS, the following program-level metrics were established:

Program Level Metrics	
Metric	Description
Number of Commodity Teams Initiated	<ul style="list-style-type: none"> Total number of commodity teams that continuously engaged in managing a commodity
Number of Commodity Strategies Developed	<ul style="list-style-type: none"> Total number of strategies developed by commodity teams
Number of Strategies Implemented or being implemented	<ul style="list-style-type: none"> Number of strategies that have moved beyond the strategy phase, gained approval, and are in the implementation phase or have completed implementation
Total Spend Covered by Commodity Teams	<ul style="list-style-type: none"> Total spend volume covered – based on business case
Total Savings Identified	<ul style="list-style-type: none"> In comparison to the spend volume, saving identified through the business cases
Total Savings Achieved	<ul style="list-style-type: none"> In comparison to the savings identified, savings achieved (or implemented)
Number of Contracts Consolidated with Individual Suppliers	<ul style="list-style-type: none"> For suppliers with multiple contracts across the department, number of contracts that have been consolidated
Small Business Utilization Impact	<ul style="list-style-type: none"> For commodities being sourced through commodity teams, total impact on small business spend (increased, decreased, etc.)
Number of Staff Trained	<ul style="list-style-type: none"> Staff across the DoD who have been trained on at least some aspect of strategic sourcing
Overall Customer Satisfaction	<ul style="list-style-type: none"> For customers procuring commodities that have been sourced strategically, overall customer satisfaction rating
Measurement of Support to Warfighter	<ul style="list-style-type: none"> Identify the changes in metrics that reflect level of support to the warfighter: backorder reduction, decrease in cycle time, increased availability, and increases in mean time between failures.

As an initial step, these metrics will be applied to the five DoD-wide commodity teams and all future strategic sourcing activities. These program level metrics will be collected and reported by the ADUSD (SS&AP). We will continue to integrate efforts department-wide to measure strategic sourcing progress.



Training

OSD collaborated with the Defense Acquisition University (DAU) to create two Continuous Learning Modules (CLMs) that focus on strategic sourcing. These will be available on-line in January 2006. The first CLM provides an overview of strategic sourcing and details each of the steps in the process. The second CLM provides an enhanced understanding of the spend analysis that is required to assess strategic sourcing opportunities and offers a review of various spend analysis techniques. DAU is also incorporating the tenets of strategic sourcing into other elements of the curriculum. The introductory course in the contracting series (CON 100) was recently updated to include information on strategic sourcing and spend analysis. Additionally, in recent offerings of the capstone contracting course (CON 353), students formed a team to research and discuss strategic sourcing as their team project within the course. The DWSS Program plans to utilize these offerings to support strategic sourcing education for DoD employees. The Strategic Sourcing Directors Board (SSDB) will continue to work with DAU to identify the appropriate employees across the Department for this education and will put the necessary communication vehicles in place to encourage personnel to participate in these courses.

IV. ADUSD Strategic Sourcing and Acquisition Processes

In a show of commitment to the strategic sourcing initiative, the Under Secretary of Defense for Acquisition, Technology and Logistics (AT&L) created a new position on 9 January 2006 to drive strategic sourcing capabilities at the Department level. The Assistant Deputy Under Secretary of Defense for Strategic Sourcing and Acquisition Processes (ADUSD (SS&AP)) will oversee the transformation of business operations into a unified end-to-end business process for defense-wide strategic sourcing.

ADUSD (SS&AP) chairs the Strategic Sourcing Directors Board (SSDB) and will be the single point of contact within the Department for all Federal strategic sourcing initiatives, including the Federal Communities of Practice for Strategic Sourcing, Federal Strategic Sourcing Initiatives (FSSI) and the Chief Acquisition Officer (CAO) Council Strategic Sourcing Sub-Group. This dedicated senior-level focus will help mature the DWSS governance, management, and execution beyond the descriptions provided in this report.

The ADUSD (SS&AP) will provide the senior leadership and direction for the strategic sourcing efforts across the DoD. This new level of organizational oversight and management will drive this initiative at the enterprise level, providing unparalleled support to the warfighter and greater accountability to other stakeholders. As such, all previous and current direction and policy regarding strategic sourcing will be evaluated and updated as appropriate. As this role matures, aspects of the current DWSS program and CONOPS will be reviewed and updated as necessary to meet the evolving goals and objectives of the Department. The ADUSD (SS&AP) will align the goals for the DWSS to those of the Under Secretary of Defense for Acquisition, Technology and Logistics (AT&L) to create greater process and management efficiencies. AT&L goals include:

- 1) High Performing, Agile, and Ethical Workforce.
- 2) Strategic and Tactical Acquisition Excellence.
- 3) Focused Technology to Meet Warfighting Needs.
- 4) Cost-Effective Joint Logistics Support for the Warfighter.
- 5) Reliable and Cost-Effective Industrial Capabilities Sufficient to Meet Strategic Objectives.
- 6) Improved Governance and Decision Processes.



V. Next Steps

Under the leadership of the ADUSD (SS&AP) more emphasis will be placed on developing DoD-wide commodity councils and strategies. DoD will enhance the value and benefits of strategic sourcing and leverage its buying power by obtaining greater visibility of spend data, working more frequently and routinely with the Strategic Sourcing Directors Board (SSBD) to develop processes and standards to help drive initiatives, and leveraging the successes of the department-level programs to foster buy-in for DoD-wide activities. These processes and standards will be documented with support from the recently created Business Transformation Agency (BTA). The ADUSD (SS&AP) and the BTA will support the development of department-wide capabilities to make strategic sourcing activities more readily available and standard across the Department. This will benefit all DoD components that are involved in the acquisition process.

Communication will become a cornerstone of the DWSS efforts, resulting in a unified approach to communicating DoD strategic sourcing activities. With the size of the Department, the main challenge will be reaching all the appropriate parties who need to be informed of strategic sourcing efforts.

The office of the ADUSD (SS&AP) will manage outreach. Communication activities will utilize the Strategic Sourcing Directors Board (SSDB), which serves as the primary linkage to the appropriate DoD communities. Communication activities will focus on strategic sourcing awareness, contract notices, and policy announcements. Additional communication channels will include participation in conferences and forums and working with other related governance boards throughout the DoD, including the Defense Business Systems Management Committee (DBSMC). Finally, the Defense Acquisition University knowledge sharing portal will be utilized as a means to communicate completed, on-going, and future activities of the DWSS Program.

Strategic sourcing is a key initiative within the DoD. With senior level support and executive leadership, this program will provide enhanced capabilities to the workforce and benefits to the warfighter.

Questions

Direct any questions regarding this report to my point of contact, Mr. Mark E. Krzysko, Assistant Deputy Under Secretary of Defense for Strategic Sourcing and Acquisition Processes (ADUSD (SS&AP)) at 703-614-3883, mark.krzysko@osd.mil.



APPENDIX 1 – COPY OF SEPTEMBER 30th MEMORANDUM



OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

SEP 30 2005

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

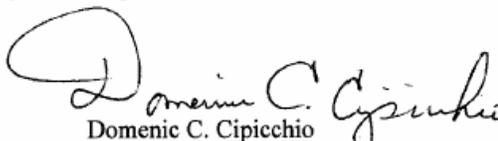
MEMORANDUM FOR ACTING ADMINISTRATOR, OFFICE OF FEDERAL
PROCUREMENT POLICY
OFFICE OF MANAGEMENT AND BUDGET
EXECUTIVE OFFICE OF THE PRESIDENT

SUBJECT: Implementing Strategic Sourcing

In response to the Deputy Director for Management, Office of Management and Budget, memo dated May 20, 2005, requesting the identification of at least three strategically sourced commodities, I am pleased to present the strategic sourcing initiatives of the Department of Defense (DoD). As described in the attached document, several efforts are underway at a DoD-wide level as well as numerous strategic activities being conducted within our Components.

To provide a focused collaboration and governance over our strategic sourcing efforts, we established a Strategic Sourcing Directors Board, with senior leadership from Office of Secretary of Defense (Acquisition, Technology and Logistics) staff and from each of the major Components. The Department is also engaged in the Federal Communities of Practice for Strategic Sourcing; working with our federal agency partners in sharing lessons learned, collaborating on potential federal-wide opportunities, and addressing workforce development and training needs. Additionally, the Defense Acquisition University established a knowledge sharing portal, open to all federal agencies, on its Acquisition Community Connection site. This portal provides an on-line repository of spend analysis data, acquisition strategy development information, sample contracts, lessons learned and best practices.

I hope the information provided herein gives you insight into our strategic sourcing activities and assures you that we see this as a worthy endeavor. I will supplement this information with a full report of our plans, progress, and lessons learned, due in January 2006. Should you have any questions regarding our efforts, please contact either Linda Nielson (linda.nielson@osd.mil or 703-697-8334) or Nancy Gunderson (nancy.gunderson@osd.mil or 703-614-8338 x105).


Domenic C. Cipicchio
Acting Director, Defense Procurement
and Acquisition Policy

Attachment:
As stated



**Attachment
Department of Defense
Strategic Sourcing Initiatives and Activities**

1. DoD-Wide Initiatives for the Acquisition of Services:

Based on a spend analysis concluded in 2004, the Department of Defense (DoD) initiated joint commodity councils for three service commodity areas; Clerical Support Services, Handheld Wireless Communications Devices and Services, and Medical Health Care Services. A product of this analysis and the establishment of these three commodity councils was the DoD-Wide Strategic Sourcing (DWSS) Concept of Operations (CONOPS), which was approved by the Director, Defense Procurement and Acquisition Policy and the Senior Procurement Executives of the Military Departments, Defense Logistics Agency, and Defense Contract Management Agency in January 2005.

The strategies associated with each of these commodity areas are in varying degrees of progress. For example, the Administrative Clerical Support services strategy – led by the Navy and expected to be used DoD-wide in the Philadelphia, PA; Washington, DC; and Norfolk, VA regions – is under revision based on industry feedback on the initial request for proposals. This strategy, initially planned as a small business set-aside, includes a supplier collaboration concept that will allow the government to work one-on-one with the awarded contractors to collaboratively lower overall supply chain costs by reducing the costs the contractors incur in doing business with the government. While this strategy will essentially remain intact, we are evaluating options for enhancing the ability of HUBZone and other special socioeconomic groups to be more competitive.

Currently, the Army and Air Force are jointly preparing the DoD-wide acquisition strategy for Handheld Wireless Communications Devices and Services. The Army is leading the Medical Services Strategy Council, which has recently completed its analysis and has begun to target specific labor categories to explore for strategic sourcing. Once established, these sub-councils will focus on addressing the supply/demand imbalance for key medical labor categories such as nurses, dentists, and radiologists.

We plan on reporting our objectives, progress, and lessons learned for each of these commodity strategies in our January 2006 report. The report will also include our overarching vision and approach for governing the Department's strategic sourcing efforts, our workforce development and training plans, and our business system initiatives that will further enable enterprise spend analysis and strategic sourcing capabilities.

2. Information Technology Initiatives:

A. DoD-Wide:

For Information Technology (IT) requirements, several initiatives are being accomplished. The DoD Enterprise Software Initiative (ESI) is a joint project of the Military Department and the Component Chief Information Officer (CIO) representatives working as a team with IT acquisition professionals to establish a new DoD business process to manage IT software throughout its life cycle as DoD assets. ESI has led to common licenses and standards to software and system integration requirements. ESI also leverages the DoD buying power to benefit both large and small purchases. The Champion for ESI is the Deputy CIO for DoD.



B. Department of the Army:

The Army is building upon its proven process of centralized management of IT procurements with decentralized orders in the field. The Army Small Computer Program Office utilizes an advanced e-business web site that links field offices to Master IT contracts established by the Army's Information Technology, E-Commerce and Commercial Contracting Center (ITTEC4). The Army is currently expanding these capabilities by adding a consolidated buy capability to its current process. This consolidated buy process leverages the current infrastructure, aggregates volume and establishes more consistent hardware configurations.

C. Department of the Air Force:

The Air Force's latest IT initiative is the Network-Centric Solutions (NETCENTS) effort, a multiple award Indefinite Delivery/Indefinite quantity suite of contracts for all Air Force and DoD customers to acquire voice/video/data communications hardware/software and system engineering, installation, and integration for networking, telephony, and security solutions. The Air Force had also moved to a quarterly buy approach to implement a repeatable enterprise-wide "bulk buy" approach using quantity price breaks and online "e-buying. Benefits of this approach at the Air Force included a reduction of desktop/laptop configurations from more than 1000 to 4 with configurations updated quarterly to reflect technology changes.

D. Department of the Navy:

The Navy's IT program is centered on the Navy-Marine Corps Intranet (NMCI). NMCI is a comprehensive, enterprise-wide initiative that will make the full range of network-based information services available to sailors and marines for day-to-day activities and in war. NMCI will give the Navy and Marine Corps secure, universal access to integrated voice, video and data communications. It will afford pier-side connectivity to Navy vessels in port. And it will link more than 360,000 desktops across the continental United States as well as sites in Alaska, Hawaii, Puerto Rico, Iceland, the Far East and Cuba. The Navy has consolidated its ashore Microsoft software agreements via the NMCI contract. In addition, Navy has two sets of large, consolidated IT services agreements, managed by the IT Umbrella Program: Voice, Video and Data (ViViD) contracts for network support, and Information Technology Support Services (ITSS) support services Blanket Purchase Agreements that provide a wide range of IT support services such as networks, Web development, communications, training, systems engineering, integration, consultant services, programming, analysis and planning.

3. Military Department Unique Initiatives:

A. Department of the Army:

The Army Materiel Command (AMC) is planning a joint service Purchasing and Supply Management (PSM) pilot program at the U.S. Army Aviation and Missile Command. The 15-month pilot program is scheduled to begin in the second quarter of Fiscal Year 2006, and will focus on depot-level repairable (DLR) helicopter rotorblades and drive train mechanisms. Multi-functional commodity and supplier management teams will be formed to migrate AMC from "tactical" to "strategic" supply chain management processes. Business rules, program metrics, spend analyses and lessons learned from the pilot program will be used to proliferate DLR PSM practices AMC-wide.



B. Department of the Air Force:

In August 2004, the Air Force implemented its Medical Services Commodity Council. The Air Force Medical Services Commodity Council has developed a strategy to acquire Clinical Care Services for all Air Force Medical Treatment Facilities and is in the process of source selection to execute that strategy. Benefits of this Air Force-wide strategy include reduced management and general and administrative (G&A) costs compared to existing contracts, increased access to credentialed, qualified resources and decreased response time filling clinical care personnel requirements.

Since January 2004, the Air Force has also implemented eight commodity councils at the Air Force Material Command Air Logistic Centers that account for 92% of total AFMC spend. These councils focus on the following Sustainment areas: Aircraft Accessories, Aircraft Engines, Instruments, Aircraft Structural, Communications, Support Equipment, Secondary Power Systems and Landing Gear. Commodity strategies that have been developed to date include:

- Aircraft Accessories: Competitive strategy reduces 286 contracts to 5 strategic contracts
- Landing Gear: Sole source spiral acquisition reduces Acquisition Lead Time (ALT) by 85% by deploying 1034 NSNs to strategic contracts; Multi-award competitive award decreases ALT by 25% and actively engages small business
- Support Equipment: Honeywell family of contracts acquisition strategy approved; Oscilloscopes strategy reduces 190 NSNs to 3 common configurations

C. Department of the Navy:

In March 2005, the Navy implemented its commodity strategy for cellular voice and data requirements. An acquisition policy document was issued, mandating that all Department of the Navy mobile (cellular) phone services, mobile data services (personal data assistant (PDA)), and combined mobile phone and data device be obtained from either the Nationwide-Department of Navy Wireless Contracts awarded by Fleet and Industrial Supply Center, San Diego, or the Navy Marine Corps Intranet contract. At present, approximately 22040 cell phones and 6,590 PDAs are under contract. In September 2005, a related policy document was issued covering the issuance, use, and management of Government provided cellular equipment and services. Together, these two policy documents implement a strategic approach to managing the Department's cellular requirements. A recent cost analysis conducted by ACNO(IT) indicates that 15 to 20 percent cost avoidance across the Future Year Defense Program (FYDP) for cellular and PDA usage is possible under one of these contracts. Currently, this cost avoidance cannot be realized until individual command's services can be shifted to the new contract at the end of FY05. By the second quarter of Fiscal Year 2006 we will have a more accurate analysis of the yearly cost savings to the Navy.

The Navy has two ongoing commodity councils that are developing strategic sourcing solutions for office supplies and office furniture. The office supplies commodity strategy has been developed and is awaiting approval. The strategy will allow the Navy to standardize its ordering process; take advantage of lower prices resulting from economies of scale; provide business intelligence on demand that will be used to further refine the value proposition; and maximize small business opportunities. The office furniture commodity council issued a Request for Information (RFI) in August 2005 to determine industry capabilities, gather information on furniture lines, and obtain industry/manufacturer information. The RFI closed in September 2005 with 11 responses. The council is reviewing the results and intends to incorporate the industry input into a proposed strategic sourcing solution to procure office furniture on a Navy-wide basis.



In December 2004, the Marine Corps completed an analysis of Fiscal Year 2003 spend data. The Marine Corps developed a simple 7-step Commodity Team Process based on the DWSS CONOPS and on the Marine Corps war fighting rapid planning process (MCWP 5-1). Internal Marine Corps approval to launch commodity teams was received in late March 2005. Every internal Marine Corps Commodity Team must make a specific recommendation about broadening the effort into a Navy Department wide or Defense-wide Commodity Council. The Marine Corps is focused on using strategic sourcing to free up funding for its future war fighting requirements. A June 2005 Opportunity Assessment led the Marine Corps to launch an IT Commodity Team (CT) with results due in late October 2005. Two abbreviated efforts dubbed "Quick Hit" CT's were also launched. The Quick Hit CT's are due to report at the end of October and are focused on office equipment and on clothing. The probability of the Clothing CT growing into a DoD Commodity Council has been recognized informally within DoD and the Department of the Navy. The Marine Corps has also approved the launch of a Professional Services CT and a Maintenance of Equipment CT and expects these CT's to activate in January 2006.

4. Other DoD Agencies and their Initiatives:

A. Defense Logistics Agency.

The Defense Logistics Agency (DLA) is currently working toward a major transformation effort referred to as Supplier Relationship Management (SRM). The focus of the SRM initiative is to transition from managing supplies to managing suppliers as a way to better serve the warfighter. This enhanced relationship with DLA's suppliers will allow the Agency to achieve the underlying goal of having "the right part, at the right time, at the right price." DLA is currently responsible for 3.6 million hardware items from various suppliers, and Strategic Material Sourcing (SMS) is the primary SRM tool being used to manage these items. The SMS primary focus is on establishing Long Term Contracts (LTC) for readiness and sales drivers, leveraging competition, establishing supplier relationships, and minimizing costs. To date, 434,000 items are targeted in SMS, of which 40 percent are on LTC.

Two other tools being used by DLA to ensure the success of SRM are Strategic Supplier Alliances (SSA) and Supply Chain Alliances (SCA). SSAs are long-term partnerships that are formed with DLA's key suppliers that allow the Agency and the supplier to work together by sharing information and jointly working problem areas. The results are added value for both parties and improved support to the warfighters. Each alliance is assigned a Supplier Relationship Manager whose primary responsibility is the maintenance and success of the partnership. To date, DLA has formed SSAs with 29 companies. There is a large opportunity to form relationships with the next tier of suppliers using SCAs. These partnerships do not require the same level of involvement and management as do SSAs. However, they are important to DLA's ability to continue to improve customer support and control cost. Three SCAs have been formed to date, and nine more are scheduled for Fiscal Year 2006.

B. Defense Information Systems Agency.

The Defense Information Systems Agency (DISA) is responsible for planning, engineering, acquiring, fielding and supporting global net-centric solutions and operating the Defense Information System Network to serve the needs of the President, Vice President, Secretary of Defense, Joint Chiefs of Staff, Combatant Commanders and other DoD components under all conditions of peace and war. Strategically, DISA provides the Department's seamless, secure and reliable web of communications networks, computers, software, databases, applications and other capabilities that meet the information processing and transport needs of the DoD.



C. Unites States Transportation Command.

The United States Transportation Command (USTRANSCOM) is the DoD's single manager for transportation. USTRANSCOM and its three Component Commands, the Air Mobility Command (AMC), the Military Sealift Command (MSC), and the Strategic Deployment Distribution Center (SDDC), have been effectively engaged in the strategic sourcing of DoD's transportation requirements for the three distinctive transportation modes; specifically air, sea and surface.

USTRANSCOM, in coordination with the Defense Logistics Agency (DLA) and the Military Departments, is conducting the Defense Transportation Coordination Initiative (DTCI) to acquire services for transportation management, network optimization, and related services for DOD freight shipments originating and terminating at DoD traffic management offices, distribution depots, and DoD contract vendor sites with the contiguous Continental United States (CONUS). The DTCI vision is to develop a long-term partnership with a world-class coordinator of transportation management services to improve the reliability and predictability of the movement of DoD.

To provide the DoD with additional airlift capacity to support transportation needs during a contingency or war, several of AMC's international and domestic airlift acquisitions require contractors to commit their aircraft and operational assets to the Civil Reserve Air Fleet (CRAF). Major programs that are strategically sourced and support the CRAF Program include GSA City Pair Program, International Charter Airlift for passengers and cargo, and World Wide Express (WWX). Strategic sourcing efforts for domestic and international small package freight are also underway, further leveraging DoD business to obtain optimum pricing and performance.

Lastly, USTRANSCOM's MSC international sealift program is strategically sourced provides the DoD's sealift capability and is a key element in the Voluntary Intermodal Sealift Agreement (VISA), which provides surge sealift contingency capability. DoD sealift requirements are consolidated and leveraged to obtain greater efficiencies, gain effectiveness in the transportation system and intermodal capabilities, and create a "one face to industry".



APPENDIX 2 – UPDATE ON DoD STRATEGIC SOURCING ACTIVITIES

DoD Wide Initiatives/Councils	Current Status	Expected Result/Benefits
<p><i>Clerical Support Services Commodity Council (Commodity Strategy Officials: DASN ACQ)</i></p>	<p>Currently, the Commodity Team has resolved outstanding issues around small business participation, and is awaiting final SBA and Navy Counsel signoff on the updated strategy, involving specific set-aside levels and provisions.</p> <p>The team expects the following timeline milestones:</p> <ul style="list-style-type: none"> - Release of revised Solicitation – NLT January 1st 2006 - Pre-Proposal Conference – January 13th, 2006 - “Road Show” to communicate new vehicle in each Pilot region – March 2006 - Proposal Submission and Evaluation – February 2006 – April 2006 - Contract award - May 2006. 	<p>Upon implementation, the newly developed strategy is expected to provide the following benefits to DoD:</p> <ul style="list-style-type: none"> - Reduction in Total Cost of Ownership through more efficient pricing, collaborative cost reduction, and improved demand management - Improvement in meeting Socio-economic goals through total small business set-aside - Standardization of acquisition business processes through use of Seaport-E ordering Portal
<p><i>Handheld Wireless Communications Devices and Services (Commodity Strategy Officials: Army ITEC4, SAF/AQC)</i></p>	<p>The Army and Air Force are jointly planning to award four, five year, BPAs to cover the major national cell phone service providers. The source selection team is currently in the Solicitation/Proposal Review stage of acquisition.</p> <p>Future Milestones are:</p> <ul style="list-style-type: none"> - Army and Air Force prepare negotiation position by early January 2006. - Negotiations are conducted by the Army Contracting Officer between mid-January 2006 and mid-March 2006. - Expected awards to begin by end of March 2006 	<p>Outcomes/benefits of this acquisition include;</p> <ul style="list-style-type: none"> – reduction in cost per unit (lower airtime service and handset costs); – change in consumption/volume (increased standardization of handset models/types); – improved operating efficiencies (streamlined ordering and payment processes); and – improved performance and spend monitoring.



DoD Wide Initiatives/Councils	Current Status	Expected Result/Benefits
<p><i>Medical Services(Commodity Strategy Officials: Army ITECA)</i></p>	<p>Led by the Army, this council is beginning to target specific labor categories to explore for strategic sourcing. These sub-councils will focus on the supply/demand imbalance for key medical labor categories.</p>	
<p><i>OSD/Logistic and Materiel Readiness (L&MR) Bearings Commodity</i></p>	<p>The Bearings team is composed of representatives from all Services, DLA and OSD, and identified opportunities to reduce lead times, eliminate complexity in item management and team will work on contract consolidation and streamlining, as well as identifying the bearings suppliers who will become part of SCA's. DLA will lead this effort, as it has the largest share of the Department's bearings business.</p> <p>L& MR plans to develop a road map for Department-wide commodity teams which will address items used in direct warfighter support, identifying:</p> <ul style="list-style-type: none"> - which organizations and subject matter experts should be engaged in commodity teams, and the right structure and number for these teams; - the best practices in managing commodities which are critical to weapons system performance, and -changes and additions to policy which will make strategic sourcing a key element of the Department's factory to foxhole warfighter support strategy. <p>This plan should be available by September 2006.</p>	<p>Reduced lead times, leading to reduced backorders, and decreased administrative expense.</p>



Department of Navy Initiatives/Councils	Current Status	Expected Result/Benefits
<p><i>Information Technology – Hardware (USMC)</i></p>	<p>The USMC Strategic Sourcing program is part of USMC’s Strategic Purchasing Initiative (SPI), which was chartered in Oct. 2004. The IT Hardware Commodity Team was one of three initial USMC Commodity Teams, and was chartered in July 2005. The team focused on IT Hardware that was legitimately outside of the purview of the large Navy-Marine Corps Intranet (NMCI) initiative, including non-NMCI laptops, desktops, servers, and peripherals.</p> <p>The team has completed a detailed analysis of current usage and requirements, and a thorough analysis of the market that provides these types of products, to develop a USMC-wide strategy for acquiring IT Hardware. The strategy has been officially approved by a cross-functional and organizational USMC Commodity team, and is awaiting higher-level USMC approval. However, final approval is not restricting the team from implementing many aspects of the developed strategy.</p> <p>The team expects the following timeline milestones:</p> <ul style="list-style-type: none"> - Brief Executive Steering Group on strategy – NLT January 2006 - Initial Strategy Implementation– January - April 2006 	<p>Upon implementation, the newly developed strategy is expected to provide the following benefits to USMC:</p> <ul style="list-style-type: none"> - Reduction in Total Cost of Ownership through more efficient pricing, improved demand management, enhanced supplier collaboration, and increased coordination between End Users and the Contracting Community - Improvement in meeting Socio-economic goals through increased small business utilization - Reduction in procurement process turnaround times through increased visibility and reduction in manual data entry



Department of Navy Initiatives/Councils	Current Status	Expected Result/Benefits
<p><i>Office Supplies Commodity Council</i></p>	<p>The Office Supplies team has been formed to look at how the Navy purchases Office Supplies. The team has completed it's analysis and developed a strategy that will include mandatory usage of DoD-EMall for Office Supplies purchases.</p> <p>An acquisition policy memo implementing the teams' recommendation is currently being routed for approval – a final decision is anticipated by February 2006.</p> <p>It is anticipated that the Fleet and Industrial Supply Center, San Diego will be formally designated Navy Office Supply Commodity Manager. In addition, the Commodity Council is continuing to recommend purchase cardholders and other shoppers to register on the DoD-EMall. Since the Purchase Card Announcement (P-CAN) in Oct, DoD-EMall has registered more than 1000 new Navy users. Navy currently has 4,147 active users. This is only a small percentage of the more than 15,000 Navy purchase cardholders worldwide and efforts will continue as we await the implementation.</p>	<p>Upon implementation, the newly developed strategy is expected to provide the following benefits to Navy:</p> <ul style="list-style-type: none"> - Reduction in Total Cost of Ownership through enhanced Demand Management and negotiation of discounts based on Navy volume leverage - Improvement in meeting Socio-economic goals through greater understanding of potential small business manufacturers and suppliers



Department of Navy Initiatives/Councils	Current Status	Expected Result/Benefits
<p><i>Office Furniture Commodity Council</i></p>	<p>The Office Furniture team has been formed to look at how the Navy purchases Office Furniture. It is anticipated that the final sourcing strategy will be adopted Navy-wide.</p> <p>The Commodity Council continues to meet and review results of market analysis and possible sourcing strategies. The council has been surveying small businesses to better understand manufacturing capability and niches and where small business will be accommodated in sourcing solution. A commodity strategy recommendation is expected before the end of February 2006.</p>	<p>Upon implementation, the newly developed strategy is expected to provide the following benefits to Navy:</p> <ul style="list-style-type: none"> - Reduction in Total Cost of Ownership through enhanced Demand Management and negotiation of discounts based on Navy volume leverage - Improvement in meeting Socio-economic goals through greater understanding of potential small business manufacturers and suppliers



Department of Navy Initiatives/Councils	Current Status	Expected Result/Benefits
<p><i>Office Equipment</i></p>	<p>The USMC Strategic Sourcing program is part of USMC’s Strategic Purchasing Initiative (SPI), which was chartered in Oct. 2004. The Office Equipment Commodity Team was one of three initial USMC Commodity Teams, and began in August 2005. The team focused on Copiers, Printers, Fax Machines, Scanners, and Multi-Function Products (MFPs). Only items that were legitimately outside the purview of NMCI were addressed.</p> <p>The team has completed an analysis of current usage and requirements, and an analysis of the market that provides these types of products, to develop a USMC-wide strategy for acquiring both large-scale Multi-Function Copiers, as well as smaller printers, fax machines, scanners, and other multi-function products. The strategy is currently being socialized across USMC, and is awaiting higher-level USMC approval. Also, a formal data request is expected to be executed in order to gather additional information on current usage of Office Equipment.</p> <p>The team expects the following timeline milestones:</p> <ul style="list-style-type: none"> - Brief Executive Steering Group on strategy – NLT January 2006 - Execute Formal Data Request – NLT January 2006 - Work with potential supply base to ensure certification – March – May 2006 - Conduct acquisition – June – September 2006 	<p>Upon implementation, the newly developed strategy is expected to provide the following benefits to USMC:</p> <ul style="list-style-type: none"> - Decrease total costs through volume commitments and greater emphasis on demand management - Reduce purchase prices and decreased “maverick” spending



Department of Navy Initiatives/Councils	Current Status	Expected Result/Benefits
<p><i>Clothing (USMC)</i></p>	<p>The USMC Strategic Sourcing program is part of USMC's Strategic Purchasing Initiative (SPI), which was chartered in Oct. 2004. The Clothing Commodity Team was one of three initial USMC Commodity Teams, and began in July 2005. The team focused on understanding all segments of USMC Clothing including Uniform Clothing, NBC (Nuclear Biological Chemical) Gear, and Combat Clothing & Equipment. The analysis focused on areas that USMC had direct sourcing control, with the understanding that many initiatives will require close coordination with DLA (Defense Logistics Agency).</p> <p>The team has completed a detailed analysis of current usage and requirements, as well as a thorough analysis of current inventory management processes, to identify opportunities for improvement. The findings have been socialized across USMC, and a follow-on study is being initialized to focus directly on current inventory management issues within Class II Clothing. The study is expected to identify specific areas where inventory management changes would provide significant value.</p> <p>The team expects the following timeline milestones:</p> <ul style="list-style-type: none"> - Brief Executive Steering Group on strategy – NLT January 2006 - Initiate Follow-up Study – February 2006 - Provide recommendations based on Follow-up Study – May – July 2006 	<p>Upon implementation, a newly developed strategy is expected to provide the following benefits to USMC:</p> <ul style="list-style-type: none"> - Optimization of overall inventory management, resulting in improved product availability and reduced total costs - Improved demand planning and sharing of information with suppliers as well as with other entities



Department of Air Force Initiatives/Councils	Current Status	Expected Result/Benefits
<p><i>IT Commodity Council – Desktop/Laptop Strategy (Commodity Strategy Officials: AF/XC and SAF/AQC)</i></p>	<p>This Air Force strategic sourcing initiative established “mainstream” buying standards for Desktop and Laptop computers and established a Quarterly Enterprise Buy (QEB) process to leverage Air Force buying power and help enforce purchase of new mainstream configurations. The Air Force awarded seven Blanket Purchase Agreements (BPAs), (five years at \$100M/each) on 1 Oct 04.</p>	<p>This initiative has reduced the average price for a mainstream desktop CPU from approximately \$1100 (two years ago) to less than \$650 today and avoided up to \$32M in desktops and laptops costs in FY05 (\$53M total since Jul 03); and reduced configurations from 1000+ to 4. Additionally, the Air Force established a 6% small business goal for all QEB purchases of desktop and notebook computers, which the Air Force has exceeded in FY04 (9.1%) and is on track to surpass it again in FY05 (17.1%).</p>
<p><i>IT Commodity Council – Enterprise-wide Microsoft Agreements (Commodity Strategy Officials: AF/XC and SAF/AQC)</i></p>	<p>This strategic sourcing initiative consolidated 38 previously decentralized software contracts and nine support contracts into one centralized standard licensing arrangement for the service. The Air Force awarded a six year, \$441M delivery order on 30 Jun 04 which it competed amongst existing DoD BPAs.</p>	<p>Based on a comparison of what the USAF MAJCOMs planned to spend prior to the Microsoft Enterprise-wide License Agreement (MS-ELA) and the estimated cost of licenses priced under the new MS-ELA, the Air Force expects to realize \$100M in cost-avoidance over a 6-year period.</p>



Department of Air Force Initiatives/Councils	Current Status	Expected Result/Benefits
<p><i>Network Centric Solutions (NETCENTS) (Commodity Strategy Officials: AF/XC and SAF/AQC)</i></p>	<p>NETCENTS is a multiple award ID/IQ suite of eight contracts for all Air Force and DoD customers to acquire voice/video/data communications, hardware/software and system engineering, installation, and integration for networking, telephony, and security solutions, with a \$9B ceiling. The ordering period is 10 Sep 04 through 9 Sep 09 and is currently in the second year of the ordering period. There is a mandatory use policy in effect for Air Force IT requirements related to infrastructure installation and configuration.</p>	<p>Of the eight contracts, four were small business set-asides. Expected improvements in operating efficiencies include 1) reduced procurement related operating expense, 2) increased small business participation.</p> <p>-Reduced Procurement Related Operating Expense: The NETCENTS standardized procurement process has allowed contracting agencies to reduce procurement times for complex task order requirements from several months to only a few weeks and has organized file documentation by storing all relevant data under the solicitation tracking number for easier review and printing. In addition, the portal reduces the time it takes to communicate with contractors by providing a central place to post Q&As so all contractors have access to all information at the same time.</p> <p>-Increased small business participation: Since the contract offers de-centralized ordering, ordering agencies receive credit against the respective command's socio-economic goals for NETCENTS orders. The NETCENTS Contract Program Management office tracks overall contract performance in this area. The contract goal is 20% of total dollars obligated on contract shared among the four small business prime contractors; of the remaining dollars obligated to the large business primes at least 20% will go to small business subcontractors. In FY05, NETCENTS far exceeded its goal: 48% of the obligated dollars went to small business prime contractors and 20% of the subcontracted dollars went to small businesses who subcontracted to large businesses – a total of \$258M, 58% of the total obligated dollars, went to small business.</p>



Department of Air Force Initiatives/Councils	Current Status	Expected Result/Benefits
<p><i>Medical Services Commodity Council – Clinical Care Strategy (Commodity Strategy Officials: AF/SGR and AFPEO/CM)</i></p>	<p>On 16 Nov 05 the Commodity Council issued five, ten year, \$380M/each (\$1.9B total) Multiple Award Task Order contracts to fulfill requirements and centralized acquisition support and management of the contracts.</p>	<p>- Expected results/outcomes are a reduction in cost per unit due to lower unit price; reduced “gold plating” as medical treatment facilities use standardized Statements of Work (SOWs) for staff; improved operating efficiencies through increase emphasis on Return on Investment (ROI) measures; ease of task ordering process; standardized surveillance of contractor performance; increased service quality through focus on customer satisfaction; on-time delivery of services; and reduced dependence on external DoD agencies for procurement.</p> <p>-All socio-economic goals are satisfied since 100% of awarded contracts are small business set asides: two small business; one women-owned, small disadvantaged business (Other); one small disadvantaged business (Hispanic American), one veteran-owned, small disadvantaged business (Hispanic American); and one Hub-Zone.</p>
<p><i>Digital Printing & Imaging (DPI) Strategy (Commodity Strategy Officials: AF/XC and SAF/AQC)</i></p>	<p>The DPI strategy encompasses printers, copiers, scanners, fax machines, multi-function devices (MFDs), associated consumables (toner, ink, etc.) software, and related services.</p>	<p>Outcomes/benefits of this acquisition include reduction in cost per unit (lower initial cost of devices and consumables; disposition of costly aged devices, right size output support), change in consumption/volume (standardization of devices, reduced output); and improved operating efficiencies (establish centralized management and funding processes and standard procedures and automated tools to monitor and improve performance). Additionally, with this initiative the Air Force gains Centralized Management of DPI devices; is able to assess device fleets (for right-sizing); can standardize management, maintenance, support and consumable purchase processes; and raises awareness of variable O&M and network vulnerability costs of DPI items.</p>



Department of Air Force Initiatives/Councils	Current Status	Expected Result/Benefits
<p><i>Air Logistics Centers – Support Equipment Commodity Council (Commodity Strategy Officials: HQ AFMC/A4 (S) and HQ AFMC/PK)</i></p>	<p>The council has initiatives for an oscilloscope strategy and Support Equipment Strategies that support the F-15, C-130, and B-52.</p> <p>On March 14, 2005, the Air Force awarded a five year \$1.52M requirements contract to Tektronix for the oscilloscope strategy.</p> <p>On February 28, 2005, the Air Force awarded a \$457.7M, nine year Sole Source Basic Ordering Agreement to Honeywell for the F-15, C-130, and B-52 Support Equipment Strategy.</p>	<p>The Oscilloscope Strategy reduced 190 National Stock Numbers (NSNs) to 3 common configurations. The expected outcome is an Acquisition Lead Time (ALT) reduction from 180-210 days to 30 days.</p> <p>For the F-15, C-130, and B-52 Support Equipment Strategy, remanufacturing turn-around-time has reduced from over 1,400 days to an average of less than 50 days and over \$6.2M of fall out funds were captured to support vital form/fit/function replacement actions. Continued expected results include: administration days reduced from 200+ days to an average of 15 days, contract actions reduced from 209 to 13, and 2.8 days for shipment (no previous metric to compare).</p>
<p><i>Air Logistics Centers – Landing Gear Commodity Council (Commodity Strategy Officials: HQ AFMC/A4 (S) and HQ AFMC/PK)</i></p>	<p>This commodity council is in the planning stage of the acquisition cycle with 3-8, ten year IDIQ multiple award contracts/award term, totaling \$1.5B and scheduled for award by Nov 06 for landing gear.</p>	<p>Outcomes/benefits of this acquisition include ALT reduction from 148 to 30 days or less; PLT reduction from 461 to 392 days ; reduction in the number of contracts from 270 to 3 - 8; and annual MICAP hour reduction of 24% . The Air Force expects to make this a competitive 100% small business set-aside.</p>
<p><i>Air Logistics Centers – Propulsion Commodity Council (Commodity Strategy Officials: HQ AFMC/A4 (S) and HQ AFMC/PK)</i></p>	<p>This commodity council is in the planning stage of the acquisition cycle with a sole source, ten year, \$490M fixed price requirements contract w/ award fee scheduled for award by Jun 06 for TF33 Engine Parts.</p>	<p>Outcomes/benefits of this acquisition include ALT reduction from 149 to 56 days ; PLT reduction from 444 to 417; reduction in the number of contracts from 55 to 1; number of contract actions reduced from 100 to 15.</p>
<p><i>Air Logistics Centers – Aircraft Accessories Commodity Council (Commodity Strategy Officials: HQ AFMC/A4 (S) and HQ AFMC/PK)</i></p>	<p>This commodity council is in the planning stage of the acquisition cycle at least three, ten year, FFP IDIQ task order contracts, totaling \$1.9B and scheduled for award by Jan 07 for Spare and Repair Items.</p>	<p>Outcomes/benefits of this acquisition include ALT reduction from 178 to 45 days; PLT reduction from 446 to 223 days; number of contracts reduced from 1648 to less than 10; number of contract actions reduced from 2346 to 175; The Air Force expects to make this a 100% small business set-aside.</p>



Department of Air Force Initiatives/Councils	Current Status	Expected Result/Benefits
<p><i>Air Logistics Centers – Secondary Power Systems Commodity Council (Commodity Strategy Officials: HQ AFMC/A4 (S) and HQ AFMC/PK)</i></p>	<p>This commodity council is in the planning stage of the acquisition cycle with a ten-year, \$1.7B FFP contract scheduled for award by Aug 06 for Auxiliary Power Units.</p>	<p>Outcomes/benefits of this acquisition include an ALT reduction from 132 to 20; on-time delivery increase from 58% to 90%; and increased organic depot repair capability from 45% to 100% over the life of the contract.</p>

Department of Army Initiatives/Councils	Current Status	Expected Results/Benefits
<p><i>Army Material Command – Purchasing and Supply Management (5 Commodity Councils) (Commodity Strategy Officials: Army Materiel Command)</i></p>	<p>The Army Material Command effort to establish five commodity councils is currently in the planning stages due to some changes in senior leadership and sponsorship of the program.</p>	<p>To migrate from tactical to strategic supply management processes.</p>



Defense Logistics Agency (DLA) Initiatives/Councils	Current Status	Expected Results/Benefits
<i>Supplier Relationship Management (SRM)</i>	SRM was established in March 2004. SRM is a strategy to build two-way relationships with key suppliers as a way to evaluate and manage supplier capability and jointly solve problems. At DLA the primary SRM initiatives are Strategic Material Sourcing (SMS), Strategic Supplier Alliances (SSA), and Supply Chain Alliances (SCA).	<ul style="list-style-type: none"> - Through the SMS and SSA programs, DLA achieved its FY05 gross inventory savings target of \$48 million. - In FY02 and FY03, there were approximately \$938 million in small business obligations. In FY04 and FY05, small business obligations increased to approximately \$3 billion.
<i>Supplier Relationship Management (SRM) – Strategic Material Sourcing (SMS)</i>	SMS is a DLA initiative under SRM is primarily a spend analysis management program identifying a population of items that are sales drivers for the agency and focusing procurement efforts to place these items on long-term contracts. SMS targets a relatively small subset (434K items) of the 3.6 million hardware items managed by DLA. These 434K items account for only 12% of DLA managed hardware items, but they account for 88% of hardware procurement actions and 87% of hardware sales. DLA’s total FY05 SMS long term contract obligation rate was 55.4%, which is 4% higher than in FY04.	<ul style="list-style-type: none"> - Administrative Lead Time (ALT) and Production Lead Time (PLT) reductions. ALT and PLT reductions of 75.2% and 14.9%, respectively in FY05 for items in the SMS population.



Defense Logistics Agency (DLA) Initiatives/Councils	Current Status	Expected Results/Benefits
<p><i>Supplier Relationship Management (SRM) – Strategic Supplier Alliances (SSA)</i></p>	<p>The SSA initiative focuses on long-term partnerships with suppliers. These alliances are designed to incorporate all the sole source items these companies provide to DLA. The long-term focus of SSA’s facilitates relationships with companies that have significant strategic value resulting in benefits to the customer, supplier, and DLA. To date, DLA has formed SSA’s with 29 suppliers. DLA measures supplier performance using the same metrics. As of July 2005, the metrics used are NSN growth, ALT and PLT change, Quality, Backorders, Price Control, and Delivery.</p>	<p>- In FY05, an average price reduction of 1.2% was realized across the SSA’s. Eleven of the twenty-nine SSA’s achieved price reductions of greater than 10% for the range of items they supply DLA.</p>
<p><i>Supplier Relationship Management (SRM) – Supply Chain Alliances (SCA)</i></p>	<p>SCA’s will expand the alliance possibilities to suppliers of a predominately competitive nature, as well as Original Equipment Manufacturer (OEM) suppliers not included as an SSA. To date five SCA’s have been established with seven more planned for FY2006. Each SCA and SSA supplier is assigned an SRM manager who serves as the primary point of contact within DLA.</p>	<p>- Decreased lead times, more efficient and accurate information regarding supply availability, and reduction in costs.</p>



USTRANSCOM Initiatives/Councils	Current Status	Expected Results/Benefits
<p><i>Strategic Sourcing Efforts as the DoD Distribution Process Owner (DPO)</i></p>	<ul style="list-style-type: none"> - USTRANSCOM is effectively engaged in strategic sourcing efforts for DoD's transportation, distribution, and services supporting transportation needs. - USTRANSCOM, in coordination with the Defense Logistics Agency (DLA) and the Military Departments, is responsible for the Defense Transportation Coordination Initiative (DTCI) Program designed to acquire CONUS transportation, transportation management, network optimization, and related services for DoD freight shipments originating and terminating at DoD traffic management offices, distribution depots, and DoD contract vendor-sites within the contiguous Continental United States (CONUS). - USTRANSCOM's strategic sourcing efforts also include airlift and sealift services, acquired under the Long Range International Airlift and Universal Services Programs. 	<ul style="list-style-type: none"> -The DTCI vision is to develop a long-term partnership with a world-class coordinator of transportation management services to improve the reliability and predictability of the movement of DoD. -The leveraging of DoD's transportation requirements enables USTRANSCOM to service customer needs more effectively and efficiently while obtaining optimum pricing and performance.

