

Supply Chain Council Award for Supply Chain Operational Excellence

Defense Logistics Agency (DLA)
Defense Distribution Center (DDC)
Developing and Leveraging DLA Supply Chains for improved Support to Southwest Asia (SWA)

DDC-J5

POC: Scott Rosbaugh
DSN 771-8074
Comm 717 770-8074
E-mail: scott.rosbaugh@dla.mil



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EXECUTIVE SUMMARY

The Defense Distribution Center (DDC) was established October 1, 1997, through the consolidation of the former Defense Distribution Region East (DDRE) and the former Defense Distribution Region West (DDRW).

The Defense Distribution Center, commanded by COL (P) Michael Lally, USA, is the Defense Logistics Agency's (DLA) lead center for distribution.

DDC responsibilities include receipt, storage, issue, packing, preservation, worldwide transportation, intransit visibility and redirecting in route when required, of all items placed under its accountability by the Defense Logistics Agency and the military services. The DDC's 26 distribution depots located throughout the United States and around the world store approximately 4.0 million stock numbers in 327 million square feet of storage space and process more than 26 million transactions annually. Clothing and textiles, electronics, industrial, general and construction supplies, subsistence, medical material and the military services' principle end items are among the commodities for which DDC is responsible.

In order to meet the critical sustainment needs of CENTCOM associated with Operation Iraqi Freedom (OIF), the DDC leaned forward and quickly developed and implemented a three-part integrated plan that has significantly improved distribution support and reduced costs. With aggressive logistics and procurement actions the DDC established a distribution operation in Bahrain comprised of CLASS IV material (construction and force protection material) and met critical Warfighter requirements throughout 2004. Second, DDC transitioned distribution support for customers in northern Iraq to our EUCOM depot in Germersheim, Germany delivering supplies from the north through Turkey. Finally, the DDC transitioned its CLASS IV operation in Bahrain to a fully operational depot to support all classes of supply in Kuwait via a contingency contract awarded to Public Warehousing Company (PWC) in July 2004.

In addition, with the infrastructure DLA was able to bring to the theater, the General Support (GS) Base at Camp Arifjan was absorbed into the DLA operation reducing theater redundancy through the elimination of intermediate inventories and freed up critical infrastructure at Camp Arifjan for CENTCOM/CFLCC missions to include ongoing maintenance operations (forward repair activities or FRAs), space to enable troop rotations associated with OIF, and the ability to relocate theater cross-docking operations at Camp Doha at the request of the Kuwait Government.

The fast reaction and innovation of DDC's critical logistical solutions have paved the way for continuing to provide critical sustainment support to Southwest Asia and is well positioned for future, flexible, responsive customer support. In addition, the precedent that the DDC has set by moving distribution operations closer to the warfighter will change future Joint Logistics Doctrine on how DDC can engage future contingency support operations as they may arise around the globe.

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SECTION 1: GENERAL INFORMATION AND PROJECT COMPLEXITY

1-1: Name of Submitting Organization

Defense Distribution Center (DDC)

1-2: Name of Responding Organizations

Defense Distribution Center, Directorate of Strategic Plans and Supply Chain Integration (DDC-J5), Directorate of Logistics Operations (DDC-J3/4), Directorate of Information Operations (DDC-J6), Directorate of Financial Operations (DDC-J8), and Directorate of Command Support Services - Procurement (CSS)

1-3: Brief Mission Description:

In meeting our primary objective of providing sustainment for the troops deployed in the Global War on Terrorism (GWOT) and Operation Iraqi Freedom (OIF), the Defense Distribution Center leveraged existing and developed new supply chain constructs to drastically improve the support to U.S. and Coalition Forces in the Southwest Asia theater of operations.

During OIF planning, DDC planners in coordination with CENTCOM J4 staff identified the need to forward position CLASS IV material (construction material used for force protection and U.S. base infrastructure) to meet critical theater shortages and to pre-position this support using surface lines of communication in lieu of high cost air which would be taxed during the deployment process or meeting other critical Warfighter needs.

To accomplish this critical task, DDC partnered with Maersk, Danish Camp Supply, and Defense Supply Center Philadelphia (DSCP) to let a contingency contract at the commercial port in Bahrain to establish a forward distribution center in Bahrain, complete with DDC's information technology backbone, the Distribution Standard System (DSS). This new distribution center, known as DDZZ, was stocked with 23 different National Stock Numbers (NSNs) with single-commodity, 20-foot containers of heavy and bulky Class IV items, avoiding unnecessary and expensive airlift of same materiel. DDZZ proved that DDC could quickly mobilize a team, establish a distribution center, and better support the Warfighter from forward locations whenever necessary. The efforts of the team at DDZZ reduced customer wait time by nearly 50 days for surface shipments and they were four days faster than flying items to the area. By having the stock supplied to DDZZ by ships, the cost of delivery was dramatically reduced. Every item that arrived at DDZZ was receipted, stowed, issued, packed, and transported all with DSS assistance, and therefore, accountable. Because of DSS and its already existing links to critical DoD in-transit visibility (ITV) information architecture, DDC's customers knew exactly what DDZZ had available for them and exactly when their shipments would arrive. This knowledge of what was in the pipeline along with what was available to the Warfighters drastically reduced re-ordering and stockpiling that takes

place in an environment of uncertainty. Used as a stepping stone to address the difficulty of providing “ugly and heavy” CLASS IV support vital to the protection of U.S. and Coalition Forces in Southwest Asia, DDZZ processed in excess of 30 million pounds of vital CLASS IV material to the Warfighter during 2004 with the end result of improving force protection for our Warfighters.

In January 2004, DDC planning personnel met with CENTCOM J4 planners to develop a way ahead for improved support for other classes of supply to include CLASS II (Clothing & Textile), CLASS III-Packaged (Packaged Petroleum Products), and CLASS IX (Repair Parts). Based on CENTCOM J4 guidance, on 15 March 2004 DLA Director VADM Keith Lippert approved and the DDC implemented the following plan for improved support to Southwest Asia as follows:

- Provide interim support leveraging Defense Distribution Depot Germersheim, Germany (DDDE) for warfighting units in Northern Iraq. (Operational Date: April 2004)
- Establish interim contingency contract for the establishment of a fully operational depot in Kuwait (Operational Date: August 2004)
- Assume the Army operated General Support (GS) Warehouse operations on Camp Arifjan to reduce overall logistics footprint in the theater. (Transfer Completed: November 2004-January 2005)

By leveraging ground transportation from Europe to Northern Iraq customers along with establishing a fully operational depot in Kuwait (DDKS), DDC pre-positioned high demand items closer to the Warfighter using surface lines of communication in lieu of air resulting in an estimated gross transportation cost avoidance of \$160 million at a greatly reduced customer wait time.

1-4 Category of Submission

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1-5: Description of the Proposed Supply Chain and Processes:

The Sustainment life cycle process from submission of a material release order (MRO) to receipt by the warfighting customer (D6S):

- Submission of Requisition
- Inventory Control Point (ICP) Processing
- Depot Processing (Offer to Transportation)
- Transportation
- Receipt Processing

1-6: Supply Chain External Partner Organizations:

- Danish Camp Supply
- Defense Supply Center Philadelphia (DSCP)
- CENTCOM J4
- CFLCC C4
- Public Warehousing Company (PWC), Kuwait

1-7 Internal Partners and Organizations:

- Office of the Commander
- Directorate of Strategic Plans and Supply Chain Integration (DDC-J5)
- Directorate of Logistics Operations (DDC-J3/4)
- Directorate of Financial Operations (DDC-J8)
- Directorate of Information Operations (DDC-J6)
- Directorate of Command Support Services- Procurement (CSS)
- Defense Logistics Agency (D, J3, J37, J35, J4)
- Defense Logistics Agency – Central (DLA-C)
- Defense Logistics Agency – Europe (DLA-E)

1-8 Primary POC Information for Each Supply Chain Partner:

- Mr. Kevin Burke, Contracting Officer, Defense Supply Center Philadelphia-European Region, kburke@europe.dla.mil, +49-6134-60-4554, Unit 29263, Box 9000, APO AE 09096
- Mr. Peter L. Moller, Area Manager, Danish Camp Supply ApS, pm@dcs.hr, telephone: +45 70 23 13 70, Virkelyst 11, DK-9400, Denmark
- Mr. Charles T. Switzer, General Manager-Organization, Public Warehousing Company, info@pwc.com.kw, telephone: +965 809222, PO Box 25418, Safat 13115, Kuwait
- BG Robert Radin, Coalition Forces Land Component Command C-4, Director of Logistics, Building 505, Camp Arifjan, Kuwait, DSN 318-430-5210
- MG William E. Mortensen, U.S. Central Command, CENTCOM J-4, 7115 South Boudry Blvd., McDill AFB, Florida 33621-5101, DSN 651-6539

SECTION 2: IMPLEMENTATION

2-1: Explain Why the Supply Chain Initiative was Undertaken and How it Was Selected:

Due to the urgency and magnitude of the efforts and the immediate requirement for improved sustainment support to the Southwest Asia (SWA) theater of operations with

the direct result in saving soldiers lives, DLA Director Keith Lippert approved the previously highlighted plan for implementation.

While continued to maintain support through DDZZ for CLASS IV material, DDC coordinated with DDDE to immediately begin support for northern Iraq units via ground transit initiating from the depot in Europe to end consignees in northern Iraq. The required the use of EUCOM contractual tenders which allowed for trucks of critical supplies to be loaded at DDDE, transit through Europe to Southwest Asia crossing into Iraq at the Turkish border. As of December 2004, over 5,000 trucks each composed of two (2) twenty-foot containers have made their way via this route.

To provide a viable depot operation in Kuwait, DDC prepared a contingency procurement package and awarded a contingency contract to Public Warehousing Company (PWC) in July 2004. Due to space and infrastructure constraints in Kuwait, the depot in Kuwait known as Defense Distribution Depot Kuwait, Southwest Asia (DDKS) marked the first time in DDC history for a depot to be established using a commercial footprint.

In October 2004, DDC moved remaining CLASS IV material from its location in Bahrain to the newly established depot in Kuwait, standing down the interim CLASS IV operation known as DDZZ.

In the first quarter for FY04 alone, DDKS processed over 25 million pounds of sustainment to the U.S. and Coalition Forces resulting in a net cost avoidance of \$16.5 million.

With the infrastructure DLA was able to bring to the theater, the General Support (GS) Base at Camp Arifjan was absorbed into the DLA operation reducing theater redundancy through the elimination of intermediate inventories and freed up critical infrastructure at Camp Arifjan for CENTCOM/CFLCC missions to include ongoing maintenance operations (forward repair activities or FRAs), space to enable troop rotations associated with OIF, and the ability to relocate theater cross-docking operations at Camp Doha at the request of the Kuwait Government.

These critical accomplishments were all performed in accordance with Joint Doctrine (JP 4-01.4), Joint Tactics, Techniques, and Procedures for Joint Theater Distribution which states that “Under a distribution-based logistic system, the COCOM’s Logistics Directorate (J-4) can designate Service, Component Commands, **or Agencies** to manage specific distribution operations.” Major General William Mortensen (CENTCOM J4) reviewed the plan and VADM Keith Lippert approved the plan for implementation on 15 March 2004.

The fast reaction and innovation of these critical logistical solutions paved the way for continuing to provide critical sustainment support to Southwest Asia and have developed the path for how DDC can engage future contingency support operations as they may arise around the globe.

2-2: Indicate the Duration of the Project. Note if the Project was a Pilot that is Being Rolled out. Note if the Project is Ongoing/Still in Progress:

As stated above, CLASS IV operations in Bahrain (DDZZ) continued until October 2004, when the balance of the CLASS IV material was re-distributed to newly established, fully capable operation in Kuwait (DDKS).

DDKS was established contractually in July 2004, and began full operations for CLASS II, CLASS III (P), CLASS IV, and CLASS IX in August 2004.

Bulk material, primarily CLASS IV and subsistence, originating from our depot operations in DDDE continue to transit to Iraq leveraging northern lines of communication as appropriate.

While these operations continue to evolve based on input from the warfighting customers and situational awareness, DDC will continue to operate through the duration of the current contingencies.

2-3 Describe in Detail the Process Used to Complete the Evaluation:

As largest contributor to Warfighter sustainment, DLA planners participated in the early development of sustainment support plans for Operation Iraqi Freedom (OIF). As a result, CENTCOM identified critical shortages of CLASS IV material to meet operational requirements. VADM Keith Lippert requested and OSD granted DLA an additional \$500 million in obligation authority for the procurement of critical warfighting requirements, to include CLASS IV material. Over a period of two weeks, DDC personnel supported by DSCP procurement personnel developed the procurement package and let the contingency contract to the newly established partnership of Maersk/Danish Camp Supply. During this time, 23 NSNs were identified, stuffed at the depots inside the continental United States (CONUS) for material already in stock or at the vendor locations for newly procured items, provided the necessary Radio Frequency Identification Tagging as mandated by CENTCOM, and forwarded to the DDZZ operation in Bahrain. Upon requisition, CLASS IV items were selected and shipped north utilizing existing commercial transit, and in some cases, using CENTCOM provided lift assets such as TSVs/LSVs. Only three months were used from concept to implementation.

Success of this operation along with CENTCOM J4's desire for a viable depot in the theater to meet Warfighter requirements, DDC planners met in HQ CENTCOM and developed the way ahead for improved support to Southwest Asia as follows:

- **Provide interim support leveraging Defense Distribution Depot Gernersheim, Germany (DDDE) for warfighting units in Northern Iraq. (Operational Date: April 2004)**

- DDC already had a fully functional depot operation in Europe to support EUCOM requirements. Since the majority of troops that it normally supported in garrison were deployed in Iraq, the breadth and depth of material across the classes of supply were already in stock at DDDE. Fifteen (15) customer DODAACs were selected in coordination with CENTCOM/CFLCC, surface lines of communication using EUCOM tenders, and immediate sustainment relief to northern Iraq customers commenced. As stated previously, over 5,000 trucks of sustainment provided critical sustainment support to northern Iraq locations (Note: in order to meet CENTCOM guidance, each truck is composed of two (2) twenty-foot containers).

- **Establish interim contingency contract for the establishment of a fully operational depot in Kuwait (Operational Date: August 2004)**

- On 15 March 2004, VADM Keith Lippert directed DDC to proceed with establishment of a new depot operation in Kuwait, to be known as Defense Distribution Depot Kuwait, Southwest Asia. What is normally a 12-18 month procurement cycle was reduced to six (6) months as DDC prepared a procurement package and let a contingency contract to Public Warehousing Company (PWC) to provide 1 million square feet of covered storage, 1 million square feet of uncovered storage for the purpose of operating a receipt, stow, and issue mission in support of U.S. and Coalition Forces in Kuwait/Iraq theater of operations. Opening in August of 2004, DDKS through December 2004 has provided shipments in excess of 25 million pounds to the Warfighter across the classes of supply.

- **Assume the Army operated General Support (GS) Warehouse operations on Camp Arifjan to reduce overall logistics footprint in the theater. (Transfer Completed: November 2004-January 2005)**

- Through the partnership of Army Material Command (AMC) and the Defense Logistics Agency (DLA) and at the direction of CENTCOM J4, DLA and AMC personnel identified sustainment currently in the General Support (GS) Base at Camp Arifjan and developed a plan of action and milestones to absorb the candidates into newly operational depot at DDKS. While DDKS provided CENTCOM with the viable depot operation needed, this action reduced theater redundancy and streamlined the sustainment support generating from Kuwait to the Warfighter. Customer Wait Times (CWT) from DDKS have been consistently lower than those from the former GS Base at Camp Arifjan. In addition, DDKS has provided the critical support at a much lower cost as the GS Base operation was funded through the Army LOGCAP program.

While efforts are underway to continually evolve and maintain this level of support, nowhere in the history of DoD Logistics has an Agency moved this rapidly and this close to the Warfighter with critical sustainment support which has earned the praise of CENTCOM and the all of its component units. The bottom line, quicker is not only better...It saves lives.

2-4 Identify Significant Challenges Encountered, the Process for Resolution, and the Solutions. Identify any Best Practices Employed or Developed:

Some of the more significant challenges faced by the Defense Distribution Center (DDC) in this endeavor include:

- Streamlining the procurement process and the forwarding of critical CLASS IV material to DDZZ operations in Bahrain to meet critical CENTCOM J4 timelines.
- Establishing distribution operations in Southwest Asia with unknown Force Protection and business practices.
- Working with the warfighting customers to develop requirements for sustainment to ensure critical supplies were procured and forward positioned in a timely manner.
- Partnering with commercial providers and leveraging their best business practices to ensure end states were fully integrated into DDC operations.
- These efforts constituted DDC's first major endeavor at performing distribution services in an austere theater of contingency operations.
- Leveraging contracted solutions, DDC faced and worked through both language and customs of a foreign provided supply chain solution.
- While providing sustainment support to the Warfighter since 1991, the DDC was faced for the first time of dealing with daily operational issues associated with being in what is often a hostile theater of operations.

2-5 Identify the Metrics Used to Measure Progress and Success:

- The Defense Distribution Center (DDC) measures hundreds of operational metrics, but focus on key metrics to include:
 - Customer Wait Time (CWT): The entire time it takes from the submission of the requirement to the receipt of the material.

DDKS currently has a CWT of 15 days...4 days lower than CENTCOM goal of 19 days.

- Cost Per Line: The cost of distribution operations divided by the number of transactions (receipts and issues).

Contract cost for DDKS operation is approximately 80% lower than Army LOGCAP contract that provided support prior to DDKS.

- Inventory Accuracy: The percentage of line items in the proper location in the proper amount.

Inventory Accuracy for DDKS is 99.8%...performing as one of the best in the DDC's portfolio (26 Depots).

Operational metrics aside, DDC measures its success on the impact that initiatives have on the Warfighter and his corresponding readiness. There is no doubt that DDC support has improved all facets of our Warfighters' abilities to perform their critical missions in support of OIF.

2-6 Document and Quantify Cost and Performance Benefits, Including the Project's Return on Investment and Changes in the Value of One or More of the SCOR Level 1 Metrics:

- **Supply Chain Delivery Reliability: Delivery performance and fill rate metrics**
 - Leveraging DDC's expertise in global distribution, initiatives put forth as highlighted above ensure supply chain reliability as all customer orders are filled utilizing CENTCOM mandated process to include Radio Frequency Identification (RFID), customer address master files, and routing plans.
- **Supply Chain Responsiveness: Velocity and order fulfillment lead time metrics**
 - As an enterprise, initiatives greatly enhanced DLA's ability to meet Warfighter requirements with the greatest velocity possible. As stated above, all initiatives met or exceeded CENTCOM goal of 19 days total CWT to the theater.
- **Supply Chain Flexibility: Agility and supply chain response time metrics**
 - Leveraging commercial solutions and progressive procurement practices, end state solutions offer the warfighting stakeholders the greatest agility and provide them with the least supply chain response time. DDC has effectively overcome a contingency problem by

leveraging existing and emerging contingency solutions.

- **Supply Chain Costs: Value added productivity and total supply chain management costs metrics**
 - Initiatives put forth in this nomination have saved the Warfighters and ultimately the taxpayers millions of dollars. Through these initiatives DDC has been able to provide not only better support, but faster and cheaper support.

- **Supply Chain Asset Management Efficiency: Asset turns and inventory days of supply metrics**
 - By forward positioning, DDC has provided the acquisition community the opportunity to seriously reduce the overall materiel necessary to support the OIF contingency. Through velocity and resultant customer wait time, the overall amount of material necessary in the logistics pipeline has, and will continue, to greatly reduce.

2-7 Outline How the Success of the Organization Supports the Organizations' Objectives Described in Section 1, Item 3:

This effort clearly illustrates DDC's dedication and primary mission of responsive, highest quality support to the soldier. The DDC has supported these initiatives with countless hours of planning, with in theater support teams, and with organizational leadership to ensure that when it comes to sustainment, the Warfighter are receiving the best support both the DoD and its commercial partners can provide. DDC continues to evolve existing logistical support solutions and seek further opportunities to provide the highest level of support as long as requirements exist.

DDC has exceeded customer expectations by providing immediate response to these urgent requirements, working 24/7 to ensure that our Warfighters receive the very best sustainment support to complete their mission.

SECTION 3: KNOWLEDGE TRANSFER

3-1: Describe the Efforts to Share Lessons from this Effort with Other Internal Organizations:

As DOD's sole source for Joint Wholesale Distribution, DDC has shared the lessons learned throughout the DLA enterprise. Critical lessons learned have paved the way for developing future distribution paradigms that will allow DLA and the DDC to meet current contingency distribution requirements in CENTCOM along with the ability to leverage logistical practices to other COCOM's as the need may arise.

DDC, through deliberate planning with other COCOMs, is in the process now of institutionalizing its recent efforts in CENTCOM in existing and emerging OPLANs. This will ensure that in the future all Warfighters get the benefit of the improved support that DDC has developed through its collaboration with CENTCOM on supporting Operation Iraqi Freedom (OIF).

3-2: Explain How This Initiative(s) can be Transferred to Other Organizations and Specify the Likely Candidates for Transference:

DDC shares the critical successes of these efforts with other government services as well as private industry through DoD, DLA, and commercial conferences, symposiums, and other forums in order to demonstrate the possibility of circumventing the “normal supply chain process” to meet the needs of our soldiers whether in contingency...or peacetime.