

July 2011

INFORMATION PAPER

Subject: Secretary of Defense Logistics Efficiencies

1. Purpose: To provide information on the Secretary of Defense Logistics Efficiencies, specifically Logistics Efficiency #7, “Defense Transportation Coordination Initiative (DTCI) Expansion and Transportation Efficiencies.”

2. Background:

- In 2008, the Department’s Defense Transportation Coordination Initiative transformed the reliability, predictability and efficiency of the Department of Defense freight movements across the Continental United States (CONUS). Employing a commercial third-party logistics (3PL) business model, Defense Transportation Coordination Initiative:
 - Achieves high performance metrics for pick-up, delivery, and damage and loss-free goods
 - Exceeds small business goals
 - Streamlines business processes by creating a single contact for installation transportation officers vice multiple carrier contacts
 - Achieves millions in cost avoidances, freeing Military Services’ funds for other priorities
- The Defense Transportation Coordination Initiative is a key initiative of the Department’s Strategic Management plan.

3. Discussion:

- In 2010, due to increasing budget constraints and pressures, the Secretary of Defense required the Department to uncover more than \$100 billion in Department of Defense overhead savings over the next five years. In 2011, he revised the savings requirement to \$178 billion through the elimination of unnecessary or underperforming practices and the implementation of better business practices.
- In response to the Secretary’s requirement, the Principal Deputy Assistant Secretary of Defense for Logistics and Materiel Readiness, in coordination with the Department of Defense Components via the Departments Joint Logistics Board (JLB), established a series of Logistics Efficiencies. One of the efficiencies approved by the Secretary is Logistics Efficiency #7, “Defense Transportation Coordination Initiative Expansion and Transportation Efficiencies.”
- A joint, Military Service team explored and continues to explore third-party logistics and transportation efficiency opportunities through various levels of analysis. The

joint, Military Service team concluded that while some transportation areas may lend themselves to a 3PL concept, other areas do not. They also concluded that some transportation areas are ripe for process improvement.

- To build on the successes of the Defense Transportation Coordination Initiative, the Joint Logistics Board approved the following initiatives and process improvements:
 - Including First Destination Transportation movements with Free On Board (FOB) origin terms into the existing Defense Transportation Coordination Initiative contract
 - Improving United States European Command intra-theater truck freight movement processes
 - Transitioning Arms, Ammunition and Explosives (AA&E) movements from tenders of service to stand-alone Federal Acquisition Regulation-based contracts
- The Joint Logistics Board also supported:
 - Funding a Business Case Analysis to explore a third-party logistics concept for the movement of DoD household goods
 - Improving the methodology for calculating fuel surcharges on Department of Defense shipments
 - Improving the process related to the movement of Arms, Ammunition and Explosives within the CONUS including optional use of security escort vehicles for certain type shipments
 - Exploring the modification of First Destination Transportation contract terms from FOB destination to FOB origin
 - Using the Departments third party payment system to pay commercial non-temporary household goods bills
- Defense budget pressures will continue to require ongoing efforts to identify additional transportation efficiencies.
- The Department will continue to communicate with industry, ideally through the National Defense Transportation Association and its modal committees. Industry input and feedback are important to the successful implementation of these efficiencies and process improvements.