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13. ABSTRACT (Maximum 200 words) Defense Management Review Decision 903 directed changes in clothing and textiles (C&T) policies that would provide significant savings throughout DoD. This report identifies savings that can be achieved through reduced costs from improvements in the Army's clothing and textiles distribution process. Increased efficiencies in five key areas were identified for savings: management and control, inventory reduction, permanent issue of selected items of organizational clothing and equipment, retail distribution, and those resulting from improvements at the DoD level. Without changes in these key areas effective administration of the Army's current Q&T system in view of reduced budgets is doubtful. By implementing the recommendations of this report the Army can maintain or enhance soldier support while reducing costs by \$206 million over a five-year period.					
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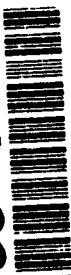
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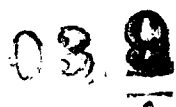
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Executive Summary

REDUCING THE COST OF ARMY CLOTHING AND TEXTILE DISTRIBUTION

Defense Management Report Decision (DMRD) 903 directed changes in clothing and textiles (C&T) policies and management processes that were to provide large savings throughout DoD. A majority of those savings were expected to come from the Army's budget authority. We examined the Army's current system for retail C&T distribution to identify potential savings that could be realized through improved business practices and streamlined operating processes without affecting the level of soldier support.

We found that the Army can reduce its costs for distributing C&T by improving its business practices in five key areas:

- Management and control
- Inventory reduction
- Permanent issuance of selected organizational clothing and individual equipment
- Retail distribution
- Wholesale/retail relationship.

Without changes in these key areas, we believe it will be difficult for the Army to continue to effectively administer its current C&T distribution system due to the directed budget reductions. We reached that conclusion after considering the C&T mission, its attendant distribution functions, and overall soldier satisfaction. We recommend the following Army actions in each of the five areas and also present a brief description of the weaknesses we uncovered:

- We found that responsibilities assigned to one clothing and individual equipment activity were often also assigned to another such activity. That condition has led to a duplication of effort and a lack of central management and control over the distribution process. The Army needs to put one activity in charge. It should establish a central activity to control and

manage clothing and individual equipment activities. The organization could be formed by the merger of the Project Office, Clothing and Services, the Army Support Activity, and the Project Manager-Soldier. The new organization would remain part of the Aviation and Troop Support Command and would be empowered by the Commanding General of the Army Materiel Command (AMC) with executive agent authority to act for AMC on all matters pertaining to clothing and individual equipment distribution management. The savings in personnel costs as a result of the proposed merger would amount to almost \$10 million over the 5-year period 1993 through 1997.

- The Army has multiple inventory layers with many excesses. The layers can be reduced through a combination of centralized management control, inventory consolidation, asset visibility, and single stock funding. Savings of \$35 million could be achieved over the 5-year period.
- Permanently issuing basic sets of organizational and individual clothing and a set specific to each military occupational specialty (MOS) can reduce civilian end strength and save between \$68 million and \$78 million over the 5-year period.
- Converting Government-operated clothing initial issue points and clothing issue facilities where appropriate to contractor operations could save the Army \$24 million over the 5-year period.
- Actions mandated in DMRD 903 can result in significant savings being passed on to the Army. Approximately \$65.3 million will come from price reductions resulting from improvements in wholesale operating practices. Another \$221.7 million could be restored in budget authority if the DoD Comptroller approves that option in pending proposals and elects not to pass on savings resulting from the one-time draw down of wholesale inventory to the Army in the form of reduced prices. The Army should pressure for approval of the latter option.

These short-term improvements should be considered in the context of the C&T distribution system of the future. Such a strategy should incorporate a single Army C&T manager with total asset visibility, centralized contractor-managed distribution with regionalized "superstores," and single-source funding. The system of the future needs to use cost minimization as its principal objective function and at the same time continue to accommodate its customer – the soldier – in a manner equal to or better than today's system.

By implementing these recommended improvements, the Army can maintain or enhance soldier support while trimming \$206 million over the 5-year period by correcting outdated business practices and inefficient operations.

CONTENTS

	<u>Page</u>
Executive Summary	iii
List of Tables	xi
List of Figures	xii
Chapter 1. The Clothing and Textile Distribution Process	1- 1
Introduction	1- 1
Objective and Scope	1- 3
Management Responsibilities	1- 3
Policy	1- 4
Strengths and Weaknesses	1- 4
Chapter 2. Assessment of Functions and Operating Processes	2- 1
The Clothing and Textile Environment	2- 1
Management and Control	2- 6
Recommended Action	2- 6
Current Management and Control Responsibilities	2- 6
Current Organizations	2- 7
Relationships of Organizations with DoD Activities	2- 8
Management and Control Weaknesses	2- 8
The Case for a Central Activity	2-11
Proposed Organization and Functions	2-13
Expected Benefits	2-13
Reductions of Installation-Level Inventories	2-13
Contingency Stocks	2-15
Central Issue Facilities	2-17
Military Clothing Sales Stores	2-18
Clothing Initial Issue Point	2-22
Army National Guard Clothing Issue Point	2-23
Stocks from Builddown of the Army	2-25
Permanent Issuance of Selected Organizational	
Clothing and Individual Equipment	2-25
Recommendation	2-25
Background	2-26
Objective	2-26
Assumptions and Constraints	2-26

CONTENTS (Continued)

	<u>Page</u>
Alternatives to the Status Quo	2-27
Analysis of Alternative Concepts	2-32
Retail Distribution	2-40
Recommendation	2-40
Current Environment	2-40
The Evolving Retail Distribution Environment	2-42
Short-Term Savings Solutions	2-44
Conclusion	2-46
DoD Savings Implications for the Army	2-46
Recommendation	2-46
Discussion	2-47
Expected Results	2-49
 Chapter 3. Improved Business Practices	 3- 1
Introduction	3- 1
Defense Program for Redistribution of Assets	3- 1
Recommendations	3- 1
Discussion	3- 1
Implications of the Sale of OCIE Items in the	
AMCSS Funding	3- 2
Recommendation	3- 2
Discussion	3- 3
Automation	3- 3
Recommendation	3- 3
Discussion	3- 3
Forecasting of Inventory Requirements at Clothing	
Initial Issue Point	3- 4
Recommendation	3- 4
Discussion	3- 4
Bulk Issue of Personal Clothing Items by the	
Army Clothing Sales Store	3- 5
Recommendation	3- 5
Discussion	3- 5
Sale of OCIE Items by the CIF	3- 6
Recommendation	3- 6
Discussion	3- 6

CONTENTS (Continued)

	<u>Page</u>
Chapter 4. A Blueprint for the Future	4- 1
The Objective System	4- 1
DBOF/Single Stock Fund Ownership	4- 2
Concept	4- 2
Organizational Consolidations	4- 3
Regionalization	4- 4
Distribution	4- 4
The Vision – A Challenge for the Future	4- 5
Modeling Distribution Alternatives	4- 6
Achieving Distribution Efficiency: A Global View	4- 7
Achieving Distribution Efficiency: A Micro Approach	4- 8
Push-Pull Management Systems, Centralized Operations	4- 9
Achieving Cost Reduction: The Paramount Goal	4-11
Chapter 5. Summary	5- 1
Quantifiable Benefits	5- 1
Other Benefits	5- 1
Management and Control	5- 2
Inventory Reduction	5- 2
Permanent Issue of Select CIE	5- 2
DoD Budget Implications for the Army	5- 2
Business Practices	5- 2
Blueprint for the Future	5- 3
Appendix. Implementation Plan	A-1 – A-7

TABLES

	<u>Page</u>
2-1. Functions and Responsibilities	2-12
2-2. O&M Funding	2-15
2-3. MCSS Inventory Growth Over Time	2-21
2-4. Combined CIF and MCCS Inventory	2-23
2-5. Basic Set of OCIE	2-28
2-6. Infantry Set of OCIE	2-29
2-7. Armor Set of OCIE	2-29
2-8. Potential CIF Savings Under Alternative 2 (Per Year)	2-33
2-9. Cost to Outfit Soldiers Without OCIE	2-36
2-10. CIF Administrative Time	2-38
2-11. Cost Summary of Alternatives for the 5-Year Period 1993 Through 1997	2-39
2-12. Potential CIIP Savings Resulting from A-76 Study	2-46
2-13. Potential CIF Savings Resulting from A-76 Study	2-46
2-14. Total Operating Authority	2-47
5-1. Potential Savings for the Period 1993 Through 1997	5- 1

FIGURES

	<u>Page</u>
2-1. Army Clothing and Individual Equipment	2- 3
2-2. Current Structure	2- 9
2-3. Proposed Structure	2-14
2-4. Proposed Consolidated Organization	2-14
2-5. Installation Inventories	2-15
2-6. MCSS Inventory Provided by CIF and CIIP	2-19
2-7. MCSS Inventory Provided by CIF	2-19
2-8. Retail Inventories at Installation	2-20
2-9. Consolidation of CIIP Inventory	2-24
2-10. Permanent Issue of OCIE	2-31
4-1. Clothing and Textiles Framework for Improvement	4- 2
4-2. CIE Distribution Blueprint for the Future	4- 5

CHAPTER 1

THE CLOTHING AND TEXTILE DISTRIBUTION PROCESS

INTRODUCTION

The DoD-wide clothing and textiles (C&T) mission is to distribute more than 30,000 national stock number (NSN) items of clothing and individual equipment. Those items accounted for over \$1.2 billion in sales and \$2 billion in inventory for FY92 and were categorized as follows:

- Dress clothing
- Footwear
- Clothing accessories
- Special-purpose clothing
- Chemical protective clothing
- Camouflage clothing
- Organizational clothing and individual equipment (OCIE)
- Chemical protective gear
- Insignia/flags/pennants
- Tentage
- Textile materiel.

The Army is the largest C&T customer within DoD, with provisioning of clothing, individual equipment, and textiles representing a major annual Army investment. Procurement of clothing and textiles approaches \$600 million annually. In FY92 alone, the budgeted amount for personal clothing approximated \$250 million in the Military Personnel, Army appropriation. In that same fiscal year, operations and maintenance (O&M) appropriation expenditures for OCIE were about \$350 million. Inventories of C&T in the various major command (MACOM) Defense business operations fund (DBOF) accounts were valued at slightly over \$1 billion.

The Army plans to expend \$316 million of the initial issuance of new/modernized clothing and individual equipment (CIE) over the next 5 years (FY93 through FY97).

The processes of equipping and sustaining the clothing, textile, and individual equipment needs of the U.S. Army are complex and highly decentralized, with no activity below Headquarters, Department of the Army (HQDA) having single overall authority or responsibility for coordinating and directing the provision of clothing and individual equipment. The Defense Logistics Agency (DLA), through the Defense Personnel Support Center (DPSC), provides inventory management and maintains the wholesale supply stockages for the Services. It contracts directly with the manufacturers for the specification items it provides to the Army. The Army and Air Force Exchange Service (AAFES) purchases and stocks "optional" items of clothing and accouterments in its military clothing sales stores (MCSSs) located on Army installations. It also stocks specification items for replacement of personal items. Initial issue of personal items is provided the incoming recruit by clothing initial issue points located at the Training and Doctrine Command training centers. Limited OCIE items are loaned to the recruit for the duration of his basic and advanced individual training. Upon arrival at his permanent duty station, the new soldier will be issued a permanent set of OCIE from the installation central issue facility. Replacement OCIE is frequently stocked in the AAFES military clothing sales stores.

The need to reduce the cost of providing C&T resulted in Defense Management Report Decision (DMRD) 903, *Implementation of Clothing and Textile Policy Change Through Item Size Reduction, Standardization, Use of Commercial Specifications, Consolidation of Specification Development and Reduced Inventory Growth*, in 1989 and an updated DMRD 903 in 1990. The revised DMRD directed implementation of the policy changes proposed in the original. Those changes required DLA to offset 50 percent of the inventory growth of recent years; required the Services to budget for new items prior to any procurement action; and directed aggressive pursuit of commercial specifications, reduction of sizes and increased standardization, and consolidation and centralization of specification development at the DPSC. The revision anticipated that the changes would result in lower costs in FY91 and subsequent years and reduced prices to the Services in the out years. DMRD 903 estimated that the Army's share of estimated savings to be achieved was \$490 million.

The goals stated in the original DMRD 903 could not be fully achieved through wholesale reductions as originally estimated. The revised DMRD stressed the need to aggressively implement these savings by looking at new ways of doing business. In response to the DMRD, the Army Deputy Chief of Staff for Logistics (DCSLOG) directed the Army Materiel Command (AMC) to contribute to the effort by identifying improved practices that would generate savings. AMC delegated this effort to its major subordinate command having an interest in C&T, the Troop Support Command (TROSCOM) [now the Aviation and Troop Command (ATCOM)], at St. Louis. This study supports that effort by analyzing the current business practices and processes for distribution of C&T within the Army.

OBJECTIVE AND SCOPE

The objective of this study is to develop a plan to reduce the cost of retail clothing distribution in the Army by improving business practices, operating processes, and customer service. To do so, we do the following:

- Analyze current business practices and processes
- Develop recommendations to improve policy, methodologies, business practices, and procedures to achieve DMRD savings
- Present a strategy for executing and developing the cost reduction plan and suggest milestones for implementing that plan.
- Estimate the potential savings resulting from recommended actions, the time frames during which that savings would begin, and the cost to implement the recommended savings.

MANAGEMENT RESPONSIBILITIES

Wholesale materiel management for clothing and equipment throughout DoD resides with DPSC. These responsibilities include item management, specification development, cataloging, procurement, directing item receipt, storage and issue, etc. The Army exercises virtually no management responsibility for the daily wholesale supply of CIE. Its primary role today is that of a customer of the wholesale system, making its needs known both for new items and items already in the inventory so that DPSC can fulfill them.

Several organizations within the Army structure, however, play a primary role in this needs-generation process. Two of those organizations are the combat

developer and the materiel developer. The Training and Doctrine Command (TRADOC) and its proponent, the Infantry School, are the combat developer or determinant of the need for new items; AMC is the materiel developer through ATCOM, one of its major subordinate commands. Five organizations and activities subordinate to ATCOM play a direct role in this process: Program Manager-Soldier (PM-S); Army Support Activity - Philadelphia; Project Office, Clothing and Services; the General Materiel Branch (GMB) of the Troop Systems Division of the ATCOM Materiel Management Directorate [formerly the Materiel Management Division of the General Materiel and Petroleum Activity (GMPA)]; and the Natick Research and Development Center (NRDC). Further description of these activities is found in Chapter 2.

POLICY

Army Regulations (ARs) 710-2, 700-84, 700-86, and common table of allowances (CTA) 50-900 are the principal documents that promulgate policy on CIE.¹ Along with MACOM regulations and local regulations, those ARs disseminate the many policies that specify the manner in which retail stocks are to be distributed and clothing and equipment issue points are to be operated. While most of the policies are fully supportive of efficient and effective clothing and textile operations, a few tend to work at cross-purposes to each other and to the most efficient operations. We discuss the effects of these policy conflicts in this report and offer appropriate recommendations for changes.

STRENGTHS AND WEAKNESSES

In the course of our study, we have found a number of strengths and weaknesses in the current system. We describe them in detail in the following chapters and summarize them here.

The single major strength of the current C&T distribution process is its responsiveness to those who need the items. The process routinely meets the goal of 100 percent satisfaction in providing bag items to recruits. However, large inventories are held at the issue point level to meet this goal. In instances in which

¹AR 710-2, *Supply Policy Below the Wholesale Level*, 31 January 1992; AR 700-84, *Issue and Sale of Personal Clothing*, 31 January 1992; AR 700-86, *Life Cycle Management of Clothing and Individual Equipment*, 14 December 1990; CTA 50-900, *Clothing and Individual Equipment*, 1 August 1990.

the correct sizes are not available, substitute sizes are provided and items are exchanged when the correct size is available. Soldiers are accommodated on the spot unless they have unusual or abnormal requirements. The MCSS operations are similarly customer oriented. The clothing sales staff has been thoroughly indoctrinated with the idea that service to the customer is their most important task. They also satisfy customers' needs on the spot or accommodate them through a wide network of retail stores and a mail order system that is highly efficient, effective, and timely. Clothing issue facilities (CIFs) endeavor to provide a similar level of service. However, budget cuts, staff reductions, and inadequate and antiquated facilities have hampered their efforts in providing the same high degree of customer satisfaction as the other activities.

The major weaknesses we identified where savings could be generated:

- Lack of a single manager or control agency for the Army
- Lack of clarity and definition in the roles and missions of the various organizations
- Layered organizations and large inventories of stocks for meeting stated goals
- Lack of central visibility over stockages
- An inflexible distribution system
- Lack of integration of the several systems employed (active, National Guard, and reserve)
- Lack of established redistribution mechanisms throughout the Army
- Duplication of effort and inventory at the points of sale
- Absence of control over costs, with provisioning often being a function of timing of funding allocations
- Inadequacies in customer satisfaction and soldier support at the CIFs
- Lack of a process for continuous improvement.

In this study, we initially focus on the short-term improvements needed to generate the savings mandated by DMRD 903. Areas for which dollar savings can be realized are identified. Other recommendations for implementation offer potential for improved effectiveness or better service to soldiers. We then provide a long-term blueprint for the future: the "objective system" and a vision that offers the best hope

for a more effective and efficient system for providing CIE support to the soldier, at lower cost over the long run.

The recommendations we make for the short term to achieve the savings mandated by the DMRD are discussed in subsequent chapters and are summarized below:

- The Army should establish a single organization to coordinate the management and control of all Army activities involved in providing retail clothing and individual equipment. The new organization would serve as the single point of contact for the Army on matters related to CIE. It would provide the full range of Service Item Control Center (SICC) responsibilities, including determining operational stock and war reserve requirements; justifying, obtaining, and programming the resources necessary to field new items and replacements; coordinating and managing the introduction and improvement of items; and maintaining visibility of, and making recommendation on, the redistribution or disposal of excess assets. The new organization would also maintain oversight of AAFES MCSS operations and Army-owned stocks in AAFES possession. It would have visibility of the status of inventories and their locations and would serve as the single coordinating point with DPSC for CIE materiel management. While the savings to be realized from adoption of this recommendation are in themselves relatively low (\$9.5 million), management consolidation provides a catalyst for carrying out recommendations described below and a means for identifying further process improvements that will generate additional savings.
- The Army needs to eliminate or reduce duplicative and redundant levels of inventories at its installations. Central ownership of contingency stocks; capitalization of CIF stocks into the single stock fund; consolidation of duplicative inventories maintained by the MCSSs, CIFs, and clothing initial issue points (CIIPs), centralized stockage of fringe items held by the CIIPs; greater support of the reserve components by active duty installations; and reissuance of stocks from the Army builddown are initiatives that will contribute to this recommendation. Reducing or eliminating layers of inventory, applying residual stocks to present and projected requirements, and obtaining credits for turn-ins to wholesale sources present savings opportunities of \$35.3 million that will lead to further operational improvements Armywide.
- The increased availability of OCIE stockages resulting from drawdowns gives the Army an opportunity to issue selected items of OCIE to soldiers for the duration of their Army service. CIF activity will then be reduced throughout the Army and the individual soldier will be better served. It will help instill pride in ownership, increase the soldier's professionalism through improved care and maintenance of the OCIE, and save money by

decreasing item consumption. We estimate the Army can save \$73 million by adopting this initiative.

- The expected reductions in the uniformed and civilian forces, offer the Army opportunities to accommodate reduced end strengths and at the same time save money. Clothing and textile operations at installation level present one such opportunity. Public-private competition for operation of CIFs and CIIPs has demonstrated savings opportunities that the Army can capitalize upon while accommodating the soldiers' needs. Based on the Army's experience in public-private competition to date, we believe savings of approximately \$23.5 million could be generated from this initiative.
- As a result of the DMRD deliberations, the Army can expect to receive back \$65.3 million in price reductions. Additionally, the potential exists for the Army to recoup an additional rebate resulting from inventory reductions at the wholesale level. The Army should actively pursue this restoration in addition to the \$65.3 million that it can reasonably expect to receive.

In this era of dwindling resources, adoption of the recommendations provided in this study will assure the availability of more funds to support the readiness and sustainability of the force.

CHAPTER 2

ASSESSMENT OF FUNCTIONS AND OPERATING PROCESSES

To provide the reader with a sufficient background of the nature of the C&T provisioning processes, we begin this chapter with a description of the clothing and textile environment and then review the following individual areas, which we believe demonstrate the greatest potential for savings or improvement.

- Management and control
- Inventory reduction
- Permanent issuance of selected items of organizational clothing and individual equipment
- Retail distribution
- Areas of DoD savings.

THE CLOTHING AND TEXTILE ENVIRONMENT

Army CIE includes all uniforms in the initial and supplemental clothing allowances for enlisted personnel, required uniforms for officers, and optional uniforms for all soldiers; organizational clothing issued to the individual with ownership retained by the Army [including cold weather clothing; nuclear, biological, chemical (NBC) protective clothing; overshoes; and food-service uniforms], individual equipment issued to soldiers with ownership retained by the Army (including load-bearing equipment, canteens, first aid and ammunition pouches, helmets, and protective goggles), centrally procured heraldic items in the initial and supplemental clothing allowance, and all uniforms and Reserve Officer Training Corps (ROTC) insignia that are also worn by the Active Army. Those items of clothing and individual equipment are authorized for issue and retention by a Headquarters, Department of the Army, document, *Common Table of Allowances 50-900*, which also provides the basis of issue of each item of CIE used by elements of the Army.

Equipping and sustaining the clothing, textile, and individual equipment needs of the U.S. Army soldier is a complex and highly decentralized process, with no

activity below HQDA having single overall authority or responsibility for coordinating and directing the provision of clothing and individual equipment. DLA is assigned the mission of procuring, stocking, issuing, and managing items clothing and individual equipment for all of the Services. A subordinate command, the DPSC, in Philadelphia, provides that support. Army requirements for day-to-day needs are made known through the standard Army demand-based requisitioning system to DPSC, which fills the requirements from one of its several depots located in CONUS. Typical order-and-shipping time has been reported to average 2 to 4 weeks.

In response to orders received against DPSC contracts, clothing manufacturers ship required items to the Defense depots where they are stocked until a demand is placed by the Army "retail system." The retail system itself is composed of the following CIE distribution points supporting the Army soldier-customer:

- Six CIIPs
- Eighty-four CIFs
- One hundred thirty-three military clothing sales stores (MCSSs)
- Fifty-three Army National Guard clothing issue points (CIPs)
- Two hundred seventy-six ROTC battalions
- U.S. Army Reserve (USAR) units.

Depending upon the type item requisitioned, the customer may be a CIIP, an installation CIF, a National Guard CIP, an MCSS, or any number of individual requisitioners, such as a USAR unit or ROTC Detachment. Figure 2-1 describes the C&T process.

Retail CIE is issued at the installation level; that installation's headquarters then provides the management direction and funding. In the case of the MCSS headquarters provides management oversight. The installations operate a number of different retail outlets for CIE to to the individual soldier. Many installations operate CIFs (some with either military personnel or contractors), which issue OCIE items authorized by CTA 50-900 on a hand-receipt basis or upon an individual soldier's arrival at the installation. Many installations also replace lost or worn out items. The Army operates approximately 84 such central issue facilities today, and 45 percent of them are located in CONUS. The CIFs report average inventory levels of \$513 million of military occupation speciality (MOS)-specific OCIE. The CIF's

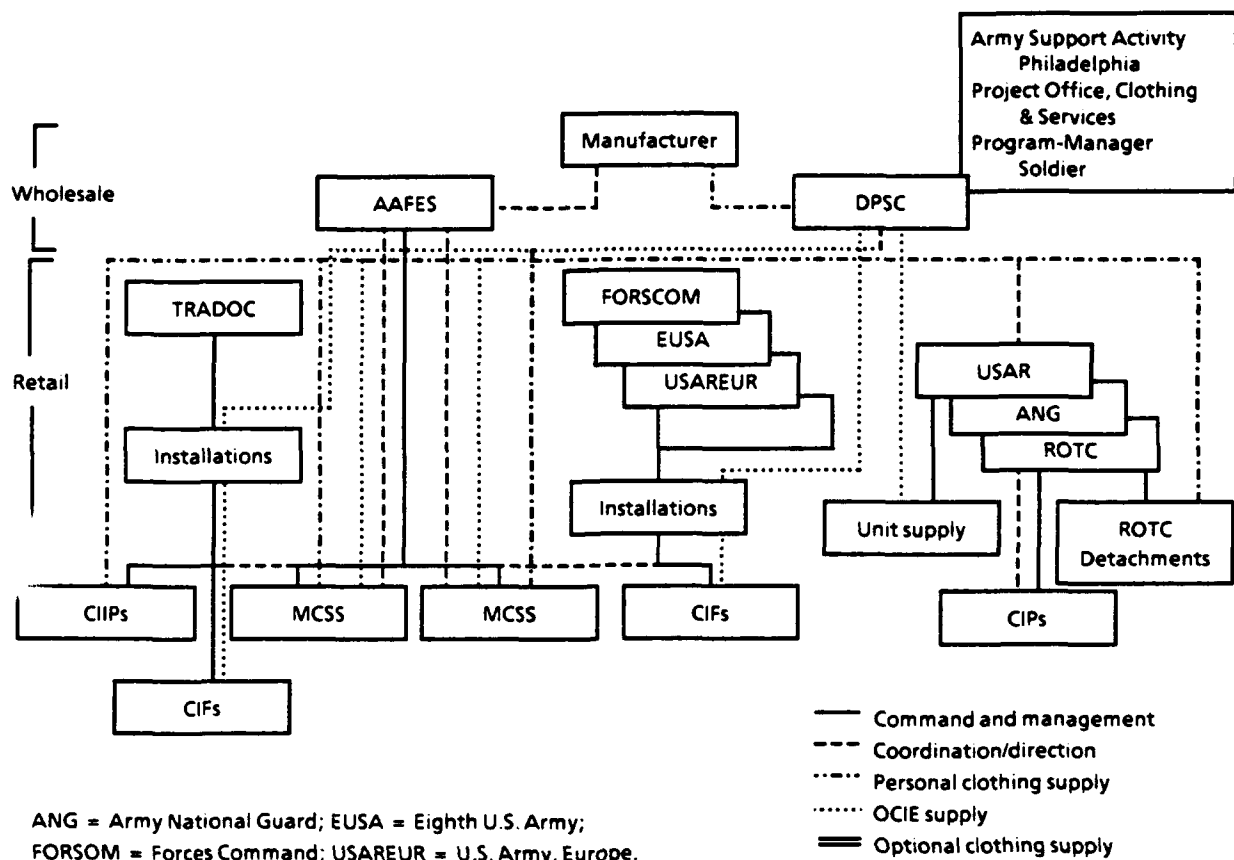


**FIG. 2-1. ARMY CLOTHING AND INDIVIDUAL EQUIPMENT
 (Organizational/supply relationships)**

employ approximately 950 civilian or military personnel. Their stocks are divided into two basic groups, the authorized strength level and the operating level. The authorized strength level represents that portion of the inventory normally issued and in the hands of the troops, while the operating level stock consists of items located on the shelf at the CIF to cover daily operations such as issue, repair, laundry, and sizing variances. Unit or organization commanders have discretion in determining what specific items they wish stocked. The CIF must account for the issuance, receipt, classification, repair, and disposal of all OCIE material. Soldiers must report to the CIF each time they report to or transfer from an installation. The issuance and processing of OCIE items through the CIF is a time-consuming, inconvenient process for the soldier.

The six CIIPs are located at the TRADOC basic training centers at Fort Benning, Ga.; Fort Jackson, S.C.; Fort Knox, Ky.; Fort McClellan, Ala.; Fort Sill, Okla.; and Fort Leonard Wood, Mo. They issue the individual recruit the initial personal military clothing items and accouterments such as dress uniforms, battle dress uniforms, shoes and boots, overcoats, underwear, and the like. Those items are commonly referred to as the "clothing bag" or simply "bag" items. They are initially issued in two increments: Phase I issue occurs normally within 72 hours of the recruit's arrival at the reception station, and Phase II occurs in the fifth week of basic training. In Phase I, the Army issues those items needed immediately: battle dress uniforms, boots, underwear, caps, etc. In Phase II, it issues components of the dress uniform: blouses, trousers, shoes, overcoats, hats, etc. Two of these CIIPs are contractor operated, and the other four are operated in house.

The AAFES military clothing sales stores (MCSSs), operating as organizational entities of the local post exchange, are managed by AAFES, Dallas, under a memorandum of understanding (MOU) between the Army and the AAFES. The AAFES procures selected specification items from DPSC and stocks them in its retail stores to meet replenishment demand for them. The items consist of CIIP personal clothing (bag) and selected organizational clothing and equipment. The MCSS orders these items through AAFES, Dallas Headquarters; and they are distributed to the MCSSs through the DLA wholesale distribution system. AAFES Dallas imposes a management surcharge on all DPSC-managed items it sells. That surcharge was recently found to range from 13.98 percent to 18 percent. Additionally, AAFES procures optional bag items that are available only in the MCSS. Those optional items are AAFES-owned and are ordered and distributed by AAFES using its own distribution system.

The MCSSs provide for the retail sale of replacement personal clothing items and accouterments as well as selected OCIE items, such as entrenching tools, canteens, ammunition pouches, load-bearing equipment, etc., to the individual soldier. They provide an outlet at which the soldier may purchase the replacement items at his/her own expense or by using the clothing replacement allowance provided. National Guardsmen, Reservists, and active duty soldiers all have access to these facilities. Today, approximately 133 MCSSs worldwide support the Army.

The CIIPs, CIFs, and MCSSs are all under the direct or indirect supervision of the installation commander, and with the exception of bag items that commander

determines which items are to be stocked and issued or sold at the facilities. CIF stockage quantities are based on troop strengths, authorized overages to accommodate different size items and replacement needs, and repair and laundry cycles. CIIP stockages are based on forecasts of recruit induction into the training center. Different size items are stocked on the basis of standard tariffs and other requirements. The established customer satisfaction goal is 100 percent. The AAFES's MCSSs stock on the basis of demand experience but do not usually stock all sizes. Items not stocked are normally available through special order within 48 hours. AAFES operating officials report that their stores accommodate 80 percent of their demand from 20 percent of their stockages.

The ROTC detachments rely on the Installation Supply Divisions of the Directorate of Logistics for CIE support. They make their requirements known through funded requisitions that are processed through the installation's Standard Army Intermediate Level Supply System (SAILS) to the wholesale system. The requisitions are filled from a servicing DLA depot and usually shipped directly to the ROTC unit. The ROTC cadets typically do not have access to the MCSSs unless they are close to graduation and commissioning. At that time they may purchase items in anticipation of active or reserve component duty. The United States Property and Fiscal Officer, located at each National Guard state headquarters, operates a CIP from which its members may obtain replacement uniforms and individual equipment to meet their needs. The Army National Guard is served by 53 CIPs.

Individual clothing (bag) items are funded by the personnel appropriations (Military Personnel Army, Reserve Personnel Army, and National Guard Personnel Army). They are initially procured from the wholesale system by the TRADOC business area of the DBOF. Upon receipt from the wholesale source, the items are stocked at the CIIPs, awaiting issue to the individual recruit. When the items are actually issued to the recruit, the appropriate personnel appropriation reimburses the TRADOC DBOF business area to replenish the cash it expended in the purchase from the wholesale supply source.

Items of OCIE (sleeping bags, shelter halves, individual load-bearing equipment, etc.) are requisitioned from the wholesale source by the installation supply officer for the CIF to stock, using the MACOM DBOF business area, which is reimbursed by O&M funds. The MACOM business area of the DBOF reimburses the wholesale division of the DBOF for the issue to the CIF. The CIF is sometimes

provided O&M funding from the units and organizations for whom the items are obtained. Otherwise, the funding is centrally handled by the installation for all its assigned and tenant units. Specification (DPSC) items stocked in the MCSSs at the installations are owned by the AMC (ATCOM) DBOF and are assigned to AAFES as its agent. When AAFES makes a sale, the DBOF is reimbursed. In addition, the Army reimburses AAFES from direct appropriation for the expenses it incurs operating the MCSSs (13 to 18 percent of sales).

MANAGEMENT AND CONTROL

Recommended Action

The Army needs to designate a single organization to centrally manage and control CIE. Logically, the new organization should be formed through the merger of the Project Office, Clothing and Services; the Army Support Activity, and the Project Manager-Soldier and relocating the resulting organization to one location. We recommend the new organization remain part of ATCOM and be empowered by the Commanding General, AMC, with executive agent authority to act for AMC on all matters pertaining to CIE distribution management.

Current Management and Control Responsibilities

Responsibilities for management and control over CIE below the DA level are divided principally among three ATCOM activities: PM-Soldier, Woodbridge, Va.; the Project Office, Clothing and Services, Fort Lee, Va.; and the Army Support Activity, Philadelphia, Pa. In addition to those three agencies, ATCOM's General Materiel Branch in the Materiel Management Directorate, located with the U.S. Army Petroleum Center, New Cumberland, Pa., on occasion redistributes CIE as part of the Army's excess redistribution program and as support in the fielding of new equipment managed by DLA or General Services Administration (GSA). Our analysis of the overall distribution process under the current management arrangements revealed a number of areas for improvement that can largely be resolved through centralized management and tighter control over the distribution process. Additionally, we found duplication and overlap in responsibilities assigned the three CIE activities. Those conditions have resulted in duplication of effort and a lack of central management and control over the distribution process.

In the remainder of this section, we describe our recommendation for a single CIE management activity and provide the rationale and supporting data to justify its establishment.

Current Organizations

The following provides a description of each of the three Army organizations involved in the day-to-day management of CIE that are proposed for merger.

PM-Soldier

This organization has a staff of 18, had an operational budget of approximately \$1.2 million in FY92, and is divided into a management division and a technical division. Its primary mission is to coordinate and manage the introduction and improvement of items used by the individual soldier. Those items include CIE, fire protection clothing, individual rations, etc. It serves as a single point of contact for those items. Its responsibilities include ensuring product maintainability and reliability of CIE items; directing and approving planning, programming, and budgeting for the CIE program; evaluating requirements to ensure they are compatible with the life-cycle development and production contracts for CIE items; and implementing and managing the central fielding and funding program for CIE. The workload of PM-Soldier is expected to increase as it assumes responsibility for complex items included in the Soldier Enhancement Program.

Army Support Activity

The ASA consists of about 68 people involved in computing requirements for fielding new items, computing war reserve and operational requirements, and distributing Army medals and insignia and general-officer-unique items. It also performs the functions of the Service Item Control Center for designated Federal Supply Class (FSC) groups. The activity is organized into three divisions: Support Services Division, Modernization and Logistics Data Management Division, and Contingency Materiel Management Division. Its operational budget for FY92 was \$3.5 million, but its workload is expected to decline as the Army downsizes and war reserve and other operational stocks are reduced. Several ASA functions should be considered for transfer to other agencies or to commercial contractors. For example, war reserve computations and operational stock computations could be transferred to DPSC and responsibilities for supplying medals and other insignia items to AAFES.

Project Office, Clothing and Services (PO, C&S)

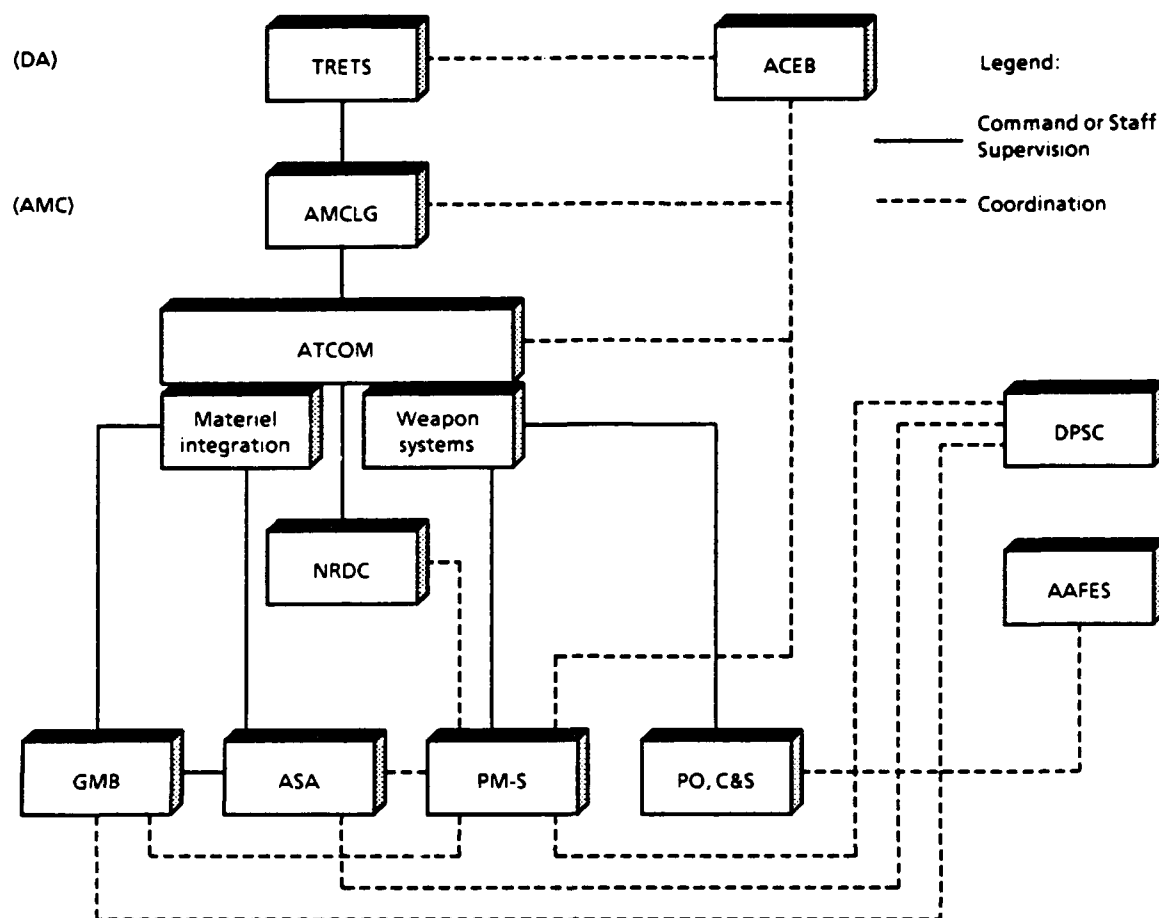
This activity was originally part of the former Army Troop Support Agency. Its mission is to draft Army policy and provide functional overview of MCSSs, CIFs, and laundry and bath units and activities. It has a staff of six people and had an operational budget in FY92 of about \$800,000. In the past, it has offered management assistance to the individual facilities to the extent afforded by its budget. A key function is the administration of the MOU with AAFES. Its workload can be reduced by eliminating management reviews and the associated travel and having the individual MACOMs monitor their respective CIFs, CIIPs, laundry/bath units, and facilities through inspections by Command Logistics and Review Teams (CLRTs) and other techniques.

Relationships of Organizations with DoD Activities

In addition to the three principals, there are several other Army and DoD organizations with major CIE responsibilities. The GMB of ATCOM's Troop Systems Division of the Materiel Management Directorate computes and stocks war reserves, excluding C&T; manages the Army's excess redistribution program; and oversees the fielding of new equipment managed by DLA and GSA under the auspices of the Soldier Enhancement Program, except for equipment fielded by the ASA, Philadelphia. NRDC provides operations research, systems analysis, concept design and evaluation, and front-end analysis of clothing and individual equipment to meet projected user requirements. Figure 2-2 shows the organizations managing the CIE distribution process and their relationships.

Management and Control Weaknesses

Our analysis indicates that consolidation of functions and responsibilities under one single activity would be a major improvement. Once established and given appropriate authority, the new activity would be positioned to strengthen the distribution process and address the following weaknesses, many of which will be minimized with implementation of the Defense Total Asset Visibility (DTAV), the



Notes: The Army Clothing and Equipment Board (ACEB) is an intra-Army board that reviews the requirements for any new or improved CIE policies pertaining to wearing new or improved clothing and heraldic items; AMCLG = AMC DCSLOG; TRETs = the Transportation, Energy and Troop Support Directorate, DA DCSLOG.

FIG. 2-2. CURRENT STRUCTURE

Objective Supply Capability (OSC) and the expanded use of the Defense Program for Redistribution of Assets (DEPRA).¹

- The current management structure does not easily adapt to changing conditions. Examples are its reported difficulties in meeting Operation Desert Storm requirements, its present difficulty in handling excesses resulting from the Army's drawdown in Europe and elsewhere, and its need to resort to extraordinary efforts in coping with these and other excesses and applying them to requirements. The management structure should have the

¹Deputy Assistant Secretary of Defense (Logistics) [DASD(L)] Memorandum, *Increasing Visibility and Utilization of DoD Materiel*, 29 October 1992.

necessary management control over the process to respond quickly to sudden changes resulting from emergencies and other unanticipated events.

- Requirements are neither aggregated nor reviewed to determine whether they are available elsewhere in the Army before requisitions are passed to the DPSC. Without central management or control, DPSC could be buying items that are already excess or available elsewhere in the Army.
- Visibility over CIE assets within the Army is extremely limited, and control of the assets is made more difficult since responsibility for them is divided among AAFES, the separate installations, the National Guard, and the MACOMs. Asset visibility is essential in gaining control over the assets, facilitating their redistribution, and maximizing their utilization. A single activity should have the full CIE picture of inventories and their locations and serve as a single Army point of contact with DPSC.
- Assets contained in war reserve stocks, operational project stocks, and other contingency stock, including those at installations, require centralized control and should be considered when determining Army retail requirements. Today, only a portion of the assets are visible from a total Army perspective. The stocks should be reconciled periodically and evaluated to determine their adequacy in meeting readiness, legal, financial, and other management guidelines.
- A central CIE management data base is needed by the Army. Currently, management information for monitoring CIE distribution is divided among several activities, the installations, and DA. Establishment of a central management data base is a logical step in improving control and management while establishing a basis for continuous improvement over the CIE distribution process.
- The distribution process is fragmented and a move to an integrated distribution system is needed. CIE materiel flows through two separate channels: one principally supports the active Army, ROTC, and reserves and the second supports the National Guard. Initial issue items are provided soldiers and units through active Army retail activities (installation supply offices, CIIPs, and CIFs) in the first case. For replacement items, the practice now is for individual active and reserve soldiers to obtain (purchase) them from the MCSSs; many reserve units use the MCSSs as the source of bulk issues for their units. Elimination of the duplications between the two distribution channels and elimination of duplications between the retail distribution activities would reduce inventory, promote efficiency, and reduce costs. Specific recommendations for accomplishing these improvements are contained later in this chapter.

The Case for a Central Activity

Responsibilities

The Army ODCSLOG in its Operation Desert Storm sustainment report² covering lessons learned highlighted the need for improved management in the following statement:

A National Inventory Control Point (NICP) is needed to manage clothing commodities. The present method of managing clothing between the Project Manager's Office, the Army Support Activity, and DA, ODCSLOG, did not provide the proper degree of unified effort in support to the theater.

The present distribution system will be improved with implementation of DTAV, OSC, and the expanded use of DEPRA, but even with those improvements the system will be handicapped if a single agency is not assigned responsibility for the overall distribution of CIE. Such an agency is needed with authority to monitor, to intervene when necessary, and to serve as a single point for coordinating day-to-day questions with DPSC customer activities, AAFES, and others. It would be positioned to monitor the performance of the distribution system and to establish a basis for continued improvements by further reducing inventories, order- and- shipping times, and overall costs and improving responsiveness. It would calculate and maintain cognizance over contingency stocks and war reserves located at the respective installations and other locations to ensure their periodic review and their adequacy to meet changing conditions. This would be largely the extent of its material management responsibilities. It would not take on the asset management responsibilities of an NICP but would coordinate with DPSC item managers in reallocating pockets of assets when they occur or in other special cases. Planning would be another area where the organization would contribute both in designing the distribution system and making recommendations to DA for changes in policies, as well as anticipating and developing plans to cope with extraordinary situations like the disposition of excesses from Operation Desert Storm and the downsizing of the Army.

²*Operation Desert Storm Sustainment*, Office of the Deputy Chief of Staff for Logistics, Headquarters, Department of the Army (undated).

Functions

Because the functions of the three agencies are so closely allied, combining them is a logical step toward improving CIE management. CIE is the core of the business of all three organizations and is shown to be closely interwoven when the principal functions of the organizations are synthesized. Table 2-1 shows this functional relationship. Each activity is heavily dependent on the other in carrying out its respective function as reflected in the amount of coordination conducted among the activities as shown in Figure 2-2. A comparison of their detailed functions³ further reflects their interdependence. Consolidation of the three activities would foster coordination of actions, facilitate better control, and improve management. Our view is that a consolidated activity could comfortably absorb the CIE functions and continue to efficiently carry out other, secondary functions not directly related to CIE.

TABLE 2-1
FUNCTIONS AND RESPONSIBILITIES

Distribution ^a	New items ^b	Asset management	Other ^c
ASA GMB ^e	ASA PM-Soldier GMB	ASA ^d	ASA PM-S

^a Redistribution occurs only when excess material is reported since visibility of stocks throughout the Army is limited; that restricted visibility is especially true for stocks that are funded by O&M through the individual MACOMs or installations.

^b Introduction of new items and control over the up-front funding for the items (central funding and fielding) is done by PM-Soldier in conjunction with ASA.

^c Represents minor portion of workload for the two agencies; i.e., decorations and general officer items for ASA and coordination of non-CIE items by PM-Soldier.

^d Involves asset management principally for war reserves and operational project stocks (subsistence and CIE).

^e General Materiel Branch, part of ATCOM's Materiel Management Directorate, handles the redistribution of all general classes of material; CIE is redistributed in cooperation with ASA.

We recognize that combining the activities joins a project management activity (PM-Soldier) with activities traditionally associated with material integration

³AR 700-86, *Life Cycle Management of Clothing and Individual Equipment*, 14 December 1990, and TROSCOM Regulation 10-1, *Organization and Functions*.

functions. We feel the action is necessary to achieve savings now and to pave the way for continuous improvements in the future. The PM-Soldier office does not have the contracting responsibilities of a traditional PM; DPSC performs the contracting task. Combining the activities in a single agency enables greater economies of scale to be obtained than could otherwise be achieved, while simultaneously improving CIE support to the Army.

Proposed Organization and Functions

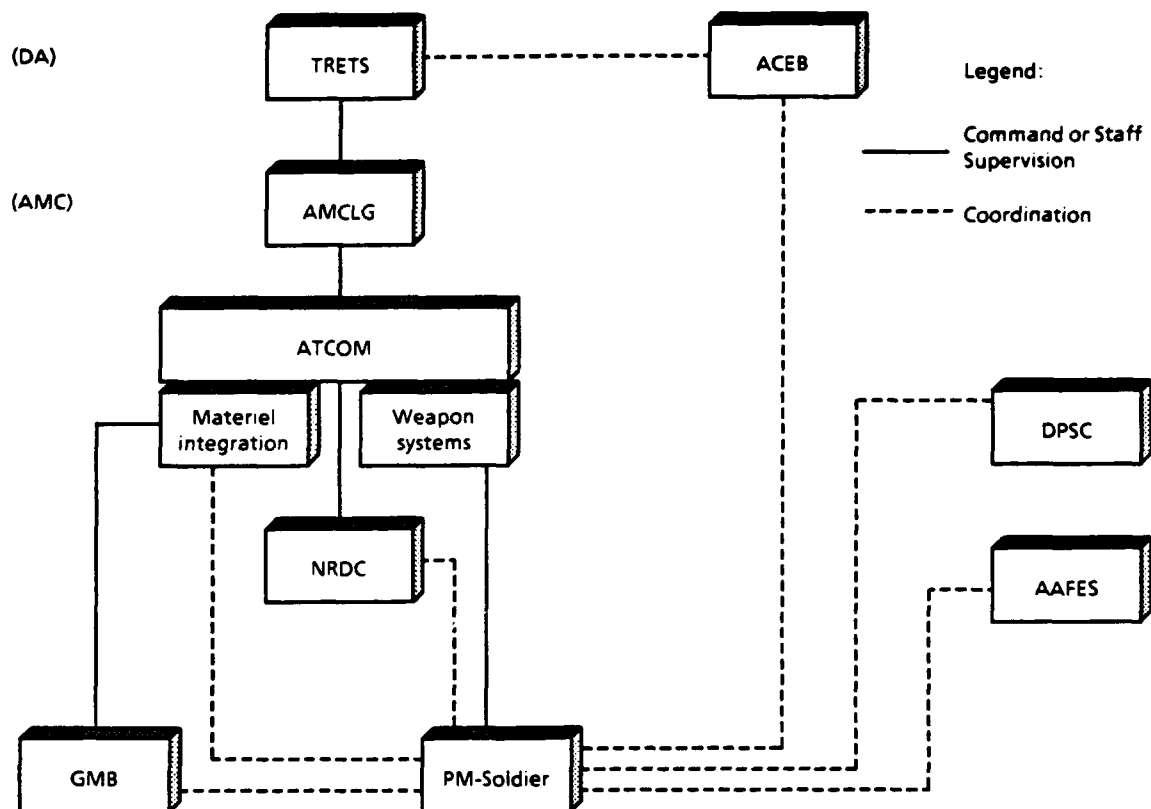
The expanded PM-Soldier organization would become the recognized manager of CIE distribution and would assume responsibilities previously held by the three separate activities before the merger. The resulting organization and its working relationship with other CIE activities is shown in Figure 2-3, and its composition is shown in Figure 2-4.

Expected Benefits

The greatest benefit arising from the establishment of a central agency will be the central control and discipline it will bring to the CIE distribution process. Other benefits will occur because of its ability to implement the other recommendations of this report and make the process a more integrated and efficient one. An agency such as the central activity described here is absolutely essential for implementation of proposed long-term distribution plans and to gain the attendant benefits. In the short run, based on data available, we believe the Army can expect to realize about \$1.9 million in annual O&M funds by reducing operational costs of the three activities through the merger (see Table 2-2).

REDUCTIONS OF INSTALLATION-LEVEL INVENTORIES

In this section, we identify ways to eliminate or reduce the levels of inventories and estimate the results. Our analysis shows inventory control as the management area with the largest and most obvious potential for CIE savings and cost avoidance. The area includes eliminating or reducing inventory layers, applying residual stocks to present and projected requirements, and gaining credits from turn-ins made to wholesale sources. Our on-site visits identified a number of savings opportunities that should lead to operational improvements as well.



Notes: Establishment of the expanded PM activity will permit one contact with DPSC on all CIE matters where formerly (see Figure 2-1) they were numerous. Similarly, with AMC executive agent authority for CIE, the PM-Soldier will become the focal point for all matters relating to CIE with authority to deal directly with the ACEB under TRET sponsorship.

FIG. 2-3. PROPOSED STRUCTURE

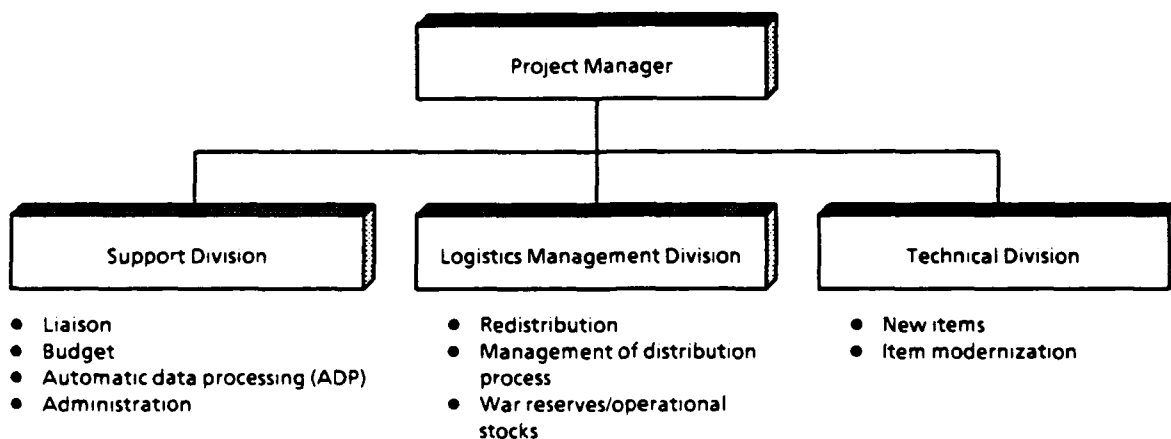


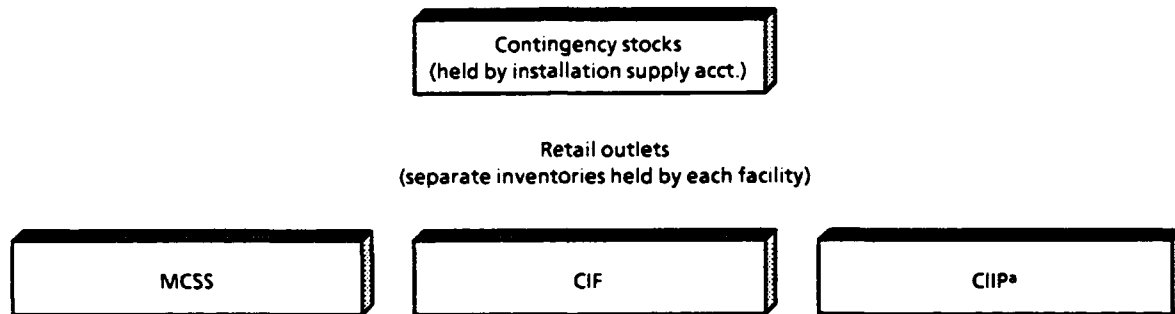
FIG. 2-4. PROPOSED CONSOLIDATED ORGANIZATION

TABLE 2-2
O&M FUNDING

Funding area	FY92 base case	Proposed	Savings
Personnel	94	53	41
Personnel salaries	\$2.6 million	\$1.6 million	\$1.0 million
Other O/M costs	\$1.7 million	\$0.8 million	\$0.9 million

Note: O&M = operations and maintenance.

Figure 2-5 shows the layers of inventory found today at the installation level throughout the Army.



* Located at reception stations only.

FIG. 2-5 INSTALLATION INVENTORIES

In the following subsections we first discuss contingency stocks and then the retail-level outlets: the CIFs, MCSSs, and CIIPs. We also discuss Army National Guard (ANG) CIP. For each outlet, we first present our recommendation and then a discussion and expected results from implementation of our recommendation.

Contingency Stocks

Recommendation

We recommend all contingency stocks at the installation level be brought under centralized, national-level control. To do so will involve a concerted effort by the Army to identify, purge, and take other actions to fully account for the items. The Army must develop a process it can use to determine which contingency stocks are

duplicative to requirements. Those stocks should then be transferred from installation management to the proposed ATCOM C&T central agency management. They should be stock funded and managed along with other war reserve and operational project stocks in a central data base maintained by ATCOM where they can be continuously balanced with the operational needs of the Army. These actions, which are in consonance with the Army single stock fund concept of ownership down to the installation level (discussed later in this report), will facilitate cross-leveling and redistribution between installations and MACOMs and bring about further and improved utilization of contingency assets. We believe this recommendation conforms with the provisions of the General Accounting Office (GAO) report on financial management.⁴ We further recommend locating the stocks regionally to improve their accessibility to the maximum number of potential users. Inventory duplications among installations should be eliminated. Any residual assets remaining after completing these actions should be applied to known or expected requirements or disposed of through normal disposal channels. The latter includes maximum use of DEPRA under the recently revised DoD guidelines, discussed later.⁵

Discussion

Contingency stocks are held by supporting installations for use by organizations in carrying out their respective contingency missions. They are not used by units in training. Rather, they are O&M funded, accounted for on consolidated property books of the installations, and intended solely for use by units in performing their contingency missions. They are not recognized as DA operational project stocks and have no visibility at the national level. The lack of national visibility along with their O&M financing hampers redistribution and flexibility in their use. At one installation, we were advised of 12 to 13 warehouses of items returned from Operation Desert Storm, made up largely of general material and repair parts and now categorized as contingency stocks. We were told, although we were unable to confirm, that many units that returned from the Persian Gulf brought back and still retain considerable amounts of CIE within the units or by their

⁴GAO Report, *Financial Management, Immediate Actions Needed to Improve Army Financial Operations and Controls*, August 1992.

⁵DLA (DLA-LM), *Revised Joint Approved MILS Change Letters (AMCLs) 42A (MILSTRIP) and 51A (MILSBILLS), Inter-Service Lateral Redistribution Program*, 6 November 1992. [MILSTRIP = Military Standard Requisitioning and Issue Procedure; MILSBILLS = Military Standard Billings and Fund Transfer Procedures.]

supporting installations. It is these inventories and other similar stocks not visible at the national level that our recommendation addresses.

Expected Results

Expected savings will come from redistribution of the contingency stocks and from reductions in maintenance and storage costs as overall stockage requirements are centralized and reduced. While it is difficult to quantify the total savings resulting from these actions, the potential savings can be extrapolated by the quantities of the stocks reported by one of the larger installations we visited. At Fort Bragg, N.C., the total value of the contingency stocks held by the Directorate of Logistics at the time of our visit was valued at about \$19 million:

- Garden Plot equipment – valued at about \$12 million and consisting of riot and chemical gear
- Premobilization equipment – valued at about \$7 million and consisting of cold weather equipment.

Central Issue Facilities

Recommendation

We recommend the stock at CIFs be capitalized under AMC stock fund procedures in the same manner used for CIE items placed in the MCSSs. This recommendation is in accord with the single stock fund concept and conforms with the GAO proposals mentioned previously.⁶ The requisition objective (RO) should be negotiated between AMC and the installation following the guidelines given in AR 710-2. Any excess stocks resulting from these actions should be reported using excessing procedures with the assets redistributed within the Army, or DoD, using the latest DEPRA procedures.

Discussion

The CIF inventories are O&M funded, accounted for on the consolidated property books and accounted for on individual's clothing records upon issue. AR 710-2 prescribes the current stockage policy in Paragraph 214e, which states, "The total stockage of an OCIE item at a CIF utilizing an automated central issue facility system will consist of authorized strength level, sizing float level, laundry

⁶Ibid.

and repair cycle level (minus the quantity in the hands of the soldiers) safety, order-and- shipping time (OST) level, and an operating level." Our discussions and visits revealed that except for new items that are now centrally funded and fielded by the Army, stockage is determined more by the availability of funds than by the published stockage policy. The funding comes directly from installation funds or the funds of the individual units being supported by the CIF. Despite that situation, we were repeatedly told by CIF managers that AR 710-2 stockage criteria are unworkable and are not closely followed. At one installation, the RO had been doubled to ensure enough stockage to avoid any chance of zero balances. A negotiated RO then should bring the on-hand inventory to a more realistic and economical level, enabling the installation to maintain acceptable performance levels without having to resort to extreme and often costly methods to achieve acceptable levels of customer satisfaction. Further discussion on this subject is contained in Chapter 3.

Expected Results

We conclude that the requisitioning objectives of these activities can be reduced significantly with proportionate reductions in associated costs. These reductions could occur as a result of using more accurate OSTs and adherence to safety levels contained in AR 710-2 in computing requisitioning objectives. The installations we visited now use 20 – 30 days for OSTs with wide variances in safety levels that exceed prescribed levels. AR 710-2 directs a 5-day safety level in CONUS and a 15-day level OCONUS.

Military Clothing Sales Stores

Recommendation

We recommend that the Army consolidate redundant inventories of CIF and personal clothing items now maintained by the three C&T activities. The Army would make the MCSS inventory of CIF items a second stockage site for the CIF, and, in the same manner, make the MCSS inventory of personal clothing items a second stockage point for the CIIP. Figure 2-6 illustrates the concept when applied to an installation with a CIIP, and Figure 2-7 shows its application to other installations. We also recommend that the 3:1 limitation on inventory with the agent (AAFES) be enforced by emphasizing it and including it as a provision in the memorandum with the AAFES. (The 3:1 ratio is explained in our subsequent discussion.)

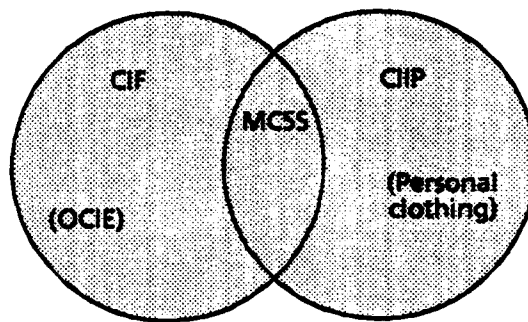


FIG. 2-6. MCSS INVENTORY PROVIDED BY CIF AND CIIP

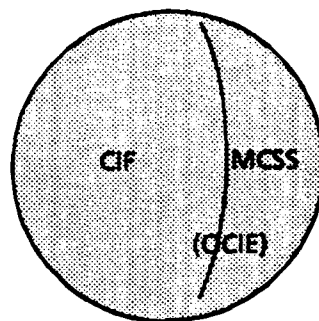


FIG. 2-7. MCSS INVENTORY PROVIDED BY CIF

Under our recommendation, the MCSS would use the CIF exclusively as its replenishment source and would only stock enough items to fill the shelves. We recommend that the MCSS concurrently eliminate any backup or safety stocks and rely totally on the CIF inventory. The CIF would consider MCSS inventory as on-hand assets in determining its replenishment requirements from wholesale sources and would use the AR 710-2 inventory criteria as a guide in establishing inventory levels. As previously stated, we recommend that the CIF inventory be capitalized and managed in the stock fund. Once it is, the financial impediment caused when items are transferred from the CIF inventory (an O&M-funded inventory), to the MCSS (a stock funded inventory) will be removed. We recommend that, similarly, when a CIIP is located at an installation, the MCSS use the CIIP as its source of personal clothing item replenishment instead of placing requisitions directly on the wholesale system. By eliminating the duplicative inventories of personal items, the overall inventory will be reduced in the same way as proposed in reducing CIF

inventory levels. Further inventory consolidation will be possible once the inventories of all three activities are capitalized under a single stock fund. They then can be completely consolidated and managed as one inventory located at multiple sites at each installation.

Discussion

The inventory of items maintained by MCSS duplicates the inventory held by the CIF and once on TRADOC installations having CIIPs it duplicates the CIIP inventory as well. Methods of funding inventories differ among the three activities, which impedes the exchange and cross-leveling of inventory items among the three activities. The MCSS and the CIIP are stock funded, while the items in the CIF are O&M funded by the installation. The MCSSs' primary business is selling replacement items to the individual soldier. The CIIP and the CIF, on the other hand, provide the initial issue items on a nonsale basis. The aggregate inventory contained in the three activities can be reduced by eliminating the duplications (see Figure 2-8).

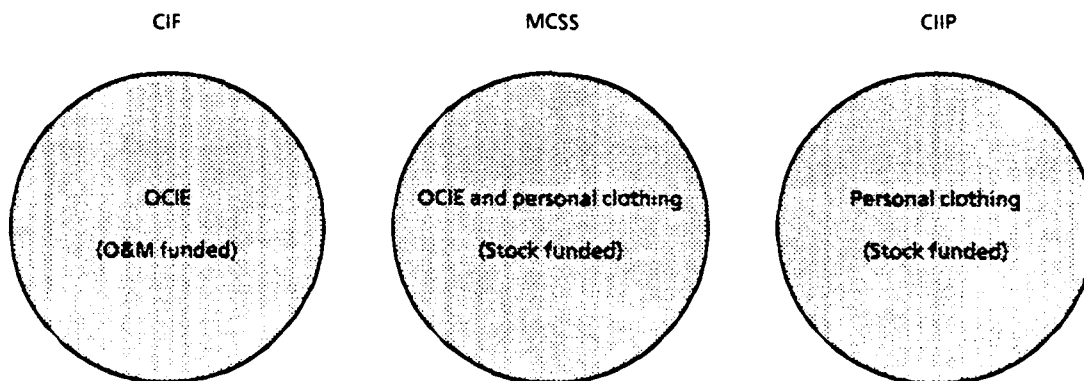


FIG. 2-8. RETAIL INVENTORIES AT INSTALLATION

Despite this duplication, the present arrangement offers some definite advantages. Foremost is the convenience it affords the individual soldier. Among the AAFES managers we visited, customer satisfaction was commendably their chief concern. Stock levels of the store were reported to be based on a 3:1 ratio. For each item stocked a store should maintain one item on hand, one in transit, and one on order. However, we found managers are given wide discretion in the quantities of items they stock. The level of inventory in the stores, now amounting to about

\$50 million worldwide, appears to be determined more on the availability of stock fund money than on any prescribed inventory policy. And by all indications, the concerted effort to satisfy the customer's needs has brought with it the need for additional inventory to provide 100 percent customer satisfaction. The Army retards the inventory growth by controlling the stock funds allocated for inventory. We were told that the limits are based on a ratio of 3:1; however, that limitation is not included in the MOU between the Army and AAFES. The value of the requisitioning objective (referred to as inventory with agent) should not exceed three times the sales. That ratio has been exceeded in all but one of the past 6 years according to the figures shown in Table 2-3. Restricting the inventory to the established limits would result in a savings of about \$4.5 million in stock fund obligations based on past years.

TABLE 2-3
MCSS INVENTORY GROWTH OVER TIME

Growth area	End of fiscal year					
	1987	1988	1989	1990	1991	1992
Ratio	3.3	4.2	3.9	2.7	3.1	3.5
Inventory (\$)	34.5	37.0	38.4	44.1	58.3	49.0
Over \$	3.1	10.6	8.9	(4.8)	1.9	7.0

Source: Data derived from information supplied by PO, C&S.

As shown by Table 2-3, the value of the inventory has grown in part because of price increases but also because of the growing practice of installations placing an increasing number of CIF items in the MCSS. That practice is not only done for soldier convenience, but because sales of CIF items through the MCSS provide monetary savings to the individual installation. Those savings are not necessarily savings to the overall Army since greater MCSS sales increase the management fee being paid to AAFES by the Army and increases stock fund obligations required to finance the larger MCSS inventory. The details of the installation savings and their implications are discussed further in Chapter 3. Although the arrangement is convenient to the soldier, one should recognize that he can only purchase a new item and must pay the new item price when purchasing it from the MCSS. The soldier is

not allowed depreciation for the item being replaced as would be the case if he or she drew a replacement item from the CIF.

Expected Results

Table 2-4 shows the overall reduction in requisitioning objective (RO) possible for an item by eliminating the backup or safety level for CIF items carried in the MCSS inventory and having the MCSS rely on the CIF for replenishment. The example used is a theoretical item. The computations are based on the formula for an automated CIF as found in AR 710-2 and previously discussed. In the absence of fixed MCSS inventory criteria, the example uses an abbreviated AR 710-2 criterion. Columns 1 and 2 show what the inventories would be, based on the formula for an item replenished both by the MCSS and the CIF from wholesale sources. The quantity requested by each activity in the example was 100 in the last 12 months. The requisition objective (Column 4) shows the potential savings in RO and obligations resulting from combining the MCSS and CIF ROs. Essentially, one inventory – the CIF inventory – then supports both the CIF and the MCSS. Savings of similar magnitude are possible when the MCSS and CIIP ROs are combined in the manner shown for MCSS and the CIF inventories.

Clothing Initial Issue Point

Recommendation

We recommend fringe items be consolidated and stocked only at Fort Jackson, S.C., instead of stocking them at all six installations having reception stations.

Discussion

Each of the six CIIPs collocated with the Army reception stations stocks a full range of personal clothing items to ensure 100 percent customer satisfaction. A better approach would be to formally stock the fringe items at one location. This procedure would entail consolidating and locating all fringe items at one CIIP. Then, when needed by one or more of the other five CIIPs, the items would be shipped from the consolidated inventory. The fringe items that we recommend for consolidation are the extreme size items and other infrequently demanded items. The approach is presented graphically in Figure 2-9.

TABLE 2-4
COMBINED CIF AND MCSS INVENTORY

	Hypothetical requisitioning objective				
	MCSS (1)	CIF (2)	Total (3)	CIF (New) (4) ^c	Savings (3 - 4) ^d
Operating level	08	08		16	
Order-and-shipping time	08 ^a	08 ^a		08	
Safety level	24 ^b	01		03	
Requisitioning level	40	17	57	27	30

^a MCSS and CIF in CONUS both use OST of 30 days in computation of their ROs. Based on a comparison with other commodities, we believe it more realistic to use 15 days as reflected in the table. The figure will likely be reduced further as direct delivery from contractors is extended, further reducing the RO. The use of the actual OST for each item instead of using a common OST for all items is the preferred method, but it requires the requisite automation.

^b The safety level for CONUS units is established as 5 days. Our discussion revealed that the safety or backup stock levels are adjusted by store managers based on their experience. In some cases, as we have done here, it can be as high as 3 months of expected usage, or 3 times the operating level (OL).

^c Column 4 shows the theoretical results after MCSS backup or safety stock is eliminated and MCSS requirements are combined with those of the CIF.

^d This column shows the resulting savings in RO for the theoretical item.

Expected Results

Consolidation will significantly reduce the overall stockage of fringe items. Mailing or transportation costs of shipping an item from Fort Jackson will slightly offset the resulting savings.

Army National Guard Clothing Issue Point

Recommendation

We recommend that personal clothing items at ANG CIPs be reduced or eliminated and the ANG be supported through the active installations where geographical location makes that support workable.

Discussion

We compared the distribution channels used by the ANG and those used to support the reserves. The ANG operates a separate and distinct distribution system apart from the one supporting the active Army. The ANG requisitions items directly

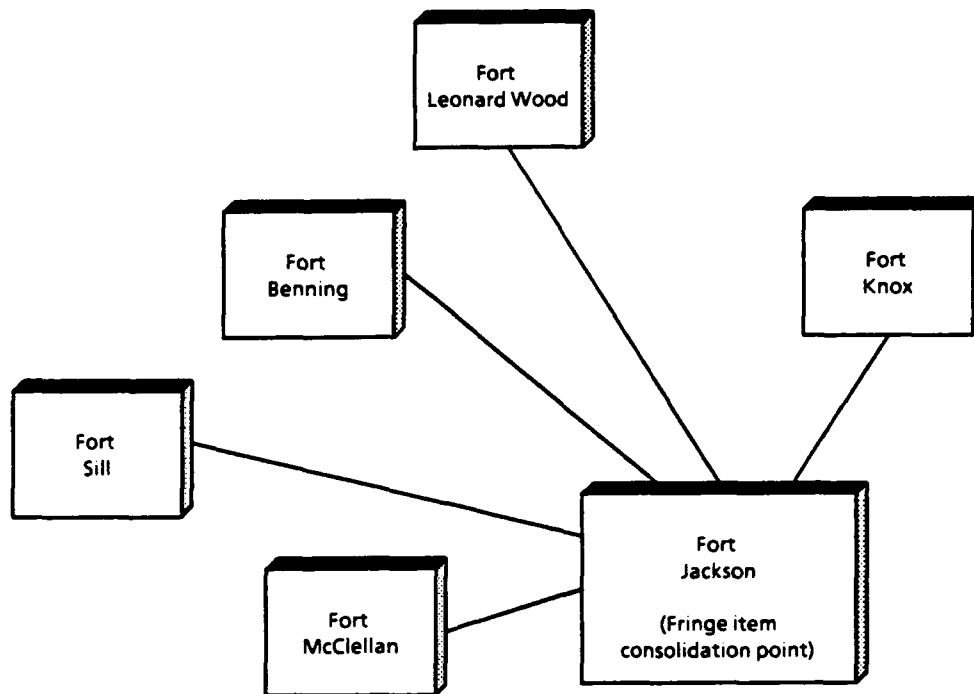


FIG. 2-9. CONSOLIDATION OF CIP INVENTORY

from wholesale sources. In many ways, it duplicates the Army channels that support the active, ROTC, and reserve units. As a consequence, the ANG maintains inventory at 53 clothing issue points. We believe it can be supplied in a manner similar to that of reserve units. That support would involve the local active duty installation serving ANG units located in its geographical area. As envisaged, the ANG would draw personal clothing items directly from the supporting installation, bypassing the MCSS and avoiding the associated management charges, and not using the wholesale sources.

Expected Results

The GAO estimated that the Army could save at least \$1.4 million annually if the ANG CIPs were closed.⁷ We believe that closing all 53 ANG CIPs would create problems because many ANG units are not located in close proximity to active installations. The latest evaluation shows 14 active installations are more than

⁷GAO Audit, *Army Supply Management, System for Issuing Replacement Clothing to Army Reservists Should Be Changed*, June 1992.

300 miles away from the ANG CIPs that they would replace as sources of supply. This would leave 39 CIPs as candidates for closure at a savings of about \$26,415 each (\$1.4 million/53 ANG CIPs) for a total of about \$1.03 million per year.

Stocks from Builddown of the Army

Recommendation

We recommend that equipment made available from the downsizing of the Army be recycled and the Army requirements for FY93 through FY97 be adjusted accordingly.

Discussion

Considerable quantities of items have become available and more will become available as the Army reduces its force levels. The Army estimates that about 78 percent of its soldiers will be assigned to deployable units requiring them to have OCIE items. About \$28 million worth of serviceable equipment is expected to become available for reissue. The equipment available for reissue, to the extent it is required by the Army, becomes a cost avoidance since it removes the requirement for future purchases.

Expected Results

The cumulative value of the serviceable equipment becoming available for reissue is expected to be \$28 million during this period.

PERMANENT ISSUANCE OF SELECTED ORGANIZATIONAL CLOTHING AND INDIVIDUAL EQUIPMENT

Recommendation

The cost benefits and efficiencies that could be gained from permanently issuing soldiers a basic set and an MOS-specific set of OCIE upon graduation from advanced individual training outweigh any inconvenience it may cause. In the ensuing discussion, we refer to this process as Alternative 2. We recommend the Army adopt Alternative 2 in the short term as a cost-saving and readiness-enhancement measure.

Background

Military personnel in the field and in garrison use articles of OCIE. These items are designed to support and protect soldiers during the performance of their duties in particular assignments. Because of the commonality of duty requirements across organizations, certain OCIE items will be common issue to soldiers in most table of organization and equipment (TOE) positions. This "basic set" of core requirements — articles of OCIE common to positions across most organizations — are treated in this section.

Normally, OCIE items are stocked, issued, recovered, and accounted for at an installation's CIF. Upon arrival at a new duty station, a soldier will typically draw from the CIF that range of OCIE required to perform specific duties, and before transferring to another unit, the soldier will turn in the OCIE and repeat the process at the next assignment.

Articles of OCIE are requisitioned, issued, repaired, cleaned, and replaced by the CIF using O&M funds based on allowances derived from the organization's mission and environment. The accountable record for OCIE is the property book for which the organizational commander maintains responsibility. We refer to that method of OCIE distribution as the "status quo."

Objective

In this section, we systematically evaluate the status quo and two alternative methods (Alternative 1 and Alternative 2) of OCIE in terms of comparative costs and benefits from a "macro" perspective.

Assumptions and Constraints

In the evaluation of alternative methods of issuing OCIE, we made the following assumptions and accepted the following constraints:

- The status quo and Alternative 1 were analyzed by the Army Materiel Systems Analysis Agency (AMSAA) in February 1992. We have assumed these data as the baseline from which to measure our proposal. We propose a new alternative in this chapter, Alternative 2, and compare it to Alternative 1 and the status quo. Since the DMRD has been extended through 1997, and Alternative 2 proposes process changes to the existing system and capitalizes on changes in the Army's structure to be phased in

over the next 5 years, we extended the annual figures in AMSAA's study⁸ to reflect a similar 5-year period. Costs are in 1991 dollars except where indicated. A recapitulation of Alternative 1 is included for comparative purposes.

- Generally, CIFs manage three categories of materiel: common OCIE, MOS-specific OCIE, and exercise/hot-cold weather stock.
- The basic issue set was developed by TRADOC. This list was used in AMSAA's February 1992 study and constructed under the assumption that all soldiers, regardless of their MOSs, will require these items (see Table 2-5).
- The MOS-specific OCIE will vary among occupational specialties. Some sets are extensive and costly, whereas others are limited and less expensive. For this analysis, we used recently proposed, TRADOC-developed menus of MOS-unique items from the infantry and armor specialties as a representative range (see Tables 2-6 and 2-7).

Alternatives to the Status Quo

We examined two alternatives to the current process of issuing OCIE:

- Alternative 1: Permanently issue a basic set of OCIE as part of the soldier's initial allowance of personal clothing (bag issue) (AMSAA-evaluated alternative)
- Alternative 2: Permanently issue a basic set and an MOS-specific set of OCIE upon graduation from advanced individual training (AIT) (Logistics Management Institute evaluated alternative).

Concept: Alternative 1

Under Alternative 1, certain articles of OCIE common to all units would be added to the initial clothing bag issued to all enlisted soldiers. The Commanding Generals of AMC and TRADOC suggested this alternative as a potential cost savings option over the current system of issuing and turning in OCIE each time the soldier transfers to another unit.

Process: Alternative 1

Enlisted soldiers would receive the basic set from the CIIP at one of the Army induction stations. The workload and stock associated with the basic set would

⁸AMSAA Technical Report No. 18, *Organizational Clothing and Individual Equipment (OCIE) Cost Analysis*, Conolly, John, February 1992.

TABLE 2-5
BASIC SET OF OCIE

Item	Quantity	Unit price (\$) ^a	Extended price (\$)
Bag, barracks	1	7.95	7.95
Bag, waterproof	1	8.50	8.50
Bag, duffel	1	13.05	13.05
Bag, NBC	1	5.00	5.00
Belt, ind. eq. (LCE)	1	7.50	7.50
Canteen, 1 qt.	2	2.55	5.10
Cup, canteen	1	5.65	5.65
Cover, canteen	2	7.05	14.10
Case, first aid	1	1.40	1.40
Case, small arms (ammo)	2	8.15	16.30
Cover, helmet, camouflage	1	3.10	3.10
Field jacket liner	1	13.15	13.15
Helmet, PASGT	1	131.05	131.05
Helmet, band	1	0.50	0.50
Poncho, camouflage	1	33.00	33.00
Scarf, wool	1	6.40	6.40
Sweater, wool OD	1	20.05	20.05
Suspenders, LCE	1	8.35	8.35
Total		282.40	300.15

Note: LCE = load carrying equipment; NBC = nuclear, biological, chemical; OD = olive drab; PASGT = personnel armor system ground troops.

^aFrom the November 1991 Army master data file.

therefore be removed from the CIF. Because the CIF would no longer stock the basic set, AAFES would be required to carry all replacement stock for unserviceable items in the MCSSs as they do for other clothing bag items. Enlisted soldiers would receive an annual clothing replacement allowance (CRA) to replace worn items from the basic set. Under the current system, the Army pays AAFES a management fee to run the MCSSs. The fee is based upon a ratio of operating costs to total sales. Since this option would put replacement items in the MCSSs, the management fee would increase based on the additional sale of items from the basic set. The effect would be

TABLE 2-6
INFANTRY SET OF OCIE

Item	Quantity	Unit price (\$)
Flashlight	1	2.45
Boots, cold weather	1	107.10
Gloves, cold weather	1	41.15
Trousers, cold weather	1	72.00
Total		222.70

TABLE 2-7
ARMOR SET OF OCIE

Item	Quantity	Unit price (\$0.00)	Extended price (\$)
Coveralls, CVC	3	116.30	348.90
Jacket, cold weather	1	94.30	94.30
Suspenders, trouser	1	4.45	4.45
Cap, knit	1	2.20	2.20
Coveralls, mech. cold weather	2	49.80	99.60
Coveralls, mens cotton	2	22.10	44.20
Gloves, CVC	1	14.30	14.30
Drawers, cold weather	2	8.75	17.50
Undershirt, cold weather	2	9.15	18.30
Total		321.35	643.75

Note: CVC = combat vehicle crewman.

to eliminate all workload (laundry, repair, etc.) associated with the basic set at all the CIFs.

Concept: Alternative 2

Alternative 2, introduced by TRADOC, emphasizes enhanced soldier readiness and professionalism. The basic premise of this option is that permanent issuance of these items will instill in the soldier pride of ownership and consequently improve care and maintenance of the equipment. Further, because the soldier would have his OCIE upon arrival at his permanent duty station, his readiness would be enhanced. The Alternative 2 concept also assumes that by eliminating the need for repeated issue and turn in of these items at each new duty station, the burden of operating CIFs would be reduced.

Process: Alternative 2

The servicing CIF would lend the soldier OCIE for use during basic training or, in the case of one station unit training (OSUT), until graduation from AIT. Upon completion of training, that portion of OCIE that is serviceable will be returned to the CIF for reutilization by the next recruit class. The unserviceable portion will be sent to the Defense Reutilization and Marketing Office (DRMO).

Upon the soldier's satisfactory completion of AIT/OSUT, the servicing CIF will issue common OCIE to each soldier as well as items specified for the soldier's particular MOS. Those articles of OCIE will be permanently retained by the soldier until retirement or other means of separation from active duty.

The soldier's current unit of assignment will be responsible for "fair wear and tear" (FWT) replacement of these permanently issued articles of OCIE. We propose that this function be conducted by the local installation supply activity (ISA) through the unit supply room. The soldier will identify an FWT requirement to his unit supply personnel and will surrender the item for turn in. The supply room personnel will pass both the requirement and the unserviceable turn-in to the ISA, which will satisfy the requirement, either from on-hand stocks, the local MCSS, or requisition from DPSC. New items will be introduced in the same way. This process will accommodate a significant reduction of workload to the CIF and a related decrease in personnel requirements. The added workload at the supply room is estimated to be

small. Replacements for reasons other than FWT will be accommodated at the MCSS.

We also propose that upon expiration of term of service (ETS) or retirement, the soldier be required to turn in all recoverable OCIE to the base separation transfer point rather than the servicing CIF. The transfer point would consolidate and turn in the assets to the local CIF after accumulation of a predetermined level, once a $\bar{a}_t$ in reducing CIF workload. The local CIF would pick up those assets on its stock accounting system and report them to DEPRA. Once those assets become visible to the wholesale system through DI.PRA, they would be redistributed to other Army customers as they are required without the Army incurring redistribution transportation costs (see Figure 2-10).

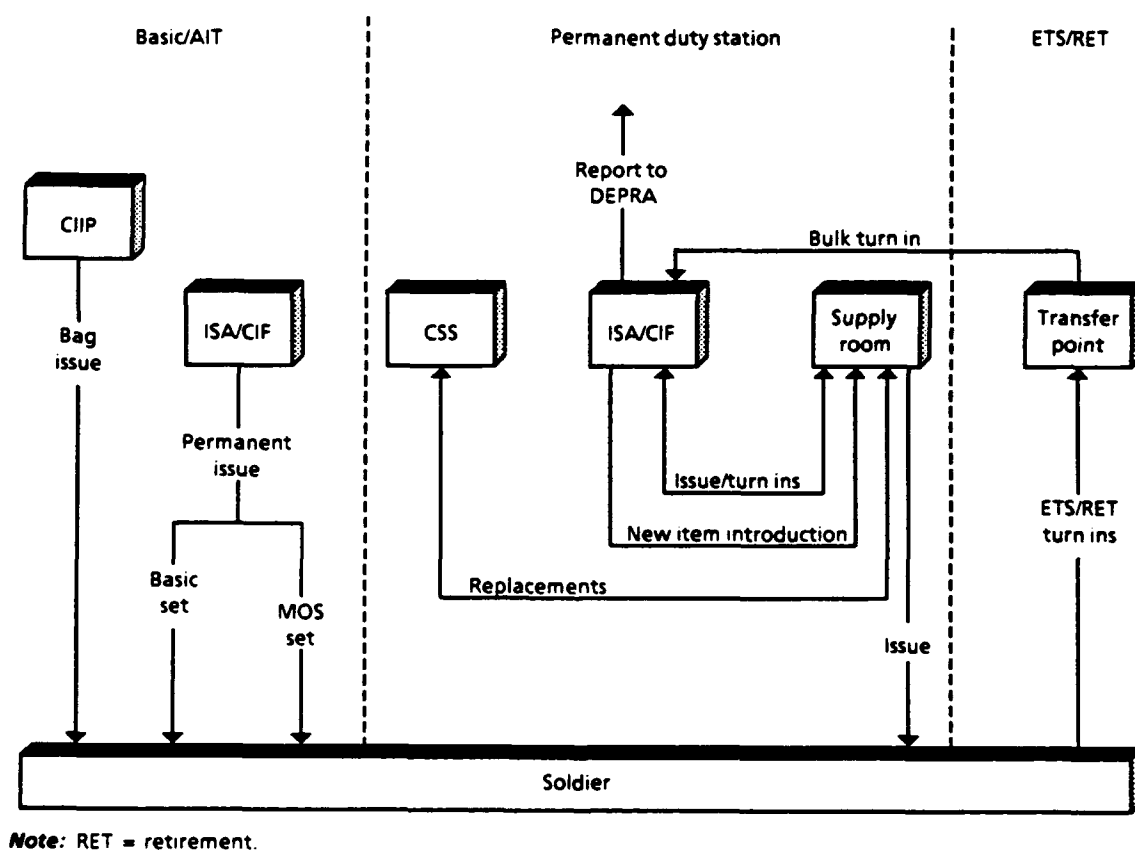


FIG. 2-10. PERMANENT ISSUE OF OCIE

In support of the evolving single stock fund and wholesale management of installation stocks, to enhance soldier support, and to ensure greater management flexibility and accountability, the basic set and MOS-specific OCIE assets in the CIF

will become stock funded and will become accountable under the ISA's stock record accounting system SAILS. An item manager will position the stock; that item manager will have systemwide visibility of retail assets through the various ISA asset reporting procedures (i.e., total asset visibility). That visibility will ensure that sufficient stock will be held at the ISA (or positioned locally) to handle FWT replacement and at the same time provide a leaner system, robust enough to respond to other systemwide demands in a timely manner.

Stocks at CIFs that are not in direct support of basic and MOS-specific OCIE, such as the maintenance and issue of exercise and special hot-cold weather stocks, will continue to be Operations and Maintenance, Army Appropriation (OMA) funded.

Analysis of Alternative Concepts

Subsequent to the development of the Alternative 1 concept by AMC and TRADOC, AMC tasked AMSAA to analyze the costs associated with implementing it. Those costs were then measured against AMSAA's assessment of the current system costs, and the results are shown in Table 2-11 and are used as a basis for comparison.

In this subsection, we provide a "macro level" analysis of Alternative 2 for comparison with the AMSAA analysis of Alternative 1. The discussion is oriented around four points of analysis: CIF manpower, outfitting for soldiers without OCIE, transportation costs, and soldier administrative time. Each point is addressed in the following discussion.

Central Issue Facility Manpower

The manpower required to run a CIF is directly related to the amount of the facility's workload. The CIF at Fort Bragg, for example, employs more people than that at Fort Polk because it processes more soldiers and transactions. Reducing the number of soldiers processed at a CIF or the number of transactions and stocks it issues effectively reduces its workload and thus its manpower requirements. The centerpiece of Alternative 2 is to issue basic and MOS-specific OCIE to the soldier permanently. Since this process change will eliminate the need to repeatedly issue and turn in those items at each new duty station, the business base at all CIFs (except those at training centers) will be reduced, thereby reducing manpower requirements.

The ISA/supply room relationship described under the Alternative 2 process essentially eliminates lengthy queue times at the CIF and shifts some workload to unit supply personnel, thereby reducing the CIF's operating burden. When the Fort Jackson CIF tested a variation of this concept, its personnel requirements dropped from 26 to 6 people. That represents a 77 percent reduction in manpower. We extended the Fort Jackson experience to the other TRADOC CIFs.

Non-TRADOC posts have CIFs that often support other missions (such as the maintenance and issuance of exercise stocks) and may require slightly more personnel. Data from Fort Bragg suggest that for such posts, a personnel reduction of 50 percent could be realized under the Alternative 2 concept. We extended that 50 percent personnel reduction factor to all non-TRADOC CIFs.

We then calculated the savings to all CIFs using the size categories established in the AMSAA study: large, medium, and small. We categorized training center CIFs as large. As highlighted by Table 2-8, the Army could save almost \$14 million annually in CIF personnel operating costs by adopting this alternative.

TABLE 2-8
POTENTIAL CIF SAVINGS UNDER ALTERNATIVE 2 (PER YEAR)

CIF size	Number of CIFs	Persons assigned	Total annual personnel costs (\$ millions) ^a	Total annual savings (\$ millions)
Large	21	470	12	7
Medium	15	160	4	2
Small	48	323	9	5
Total	84	953	25	14

^a Using average pay and benefits provided by AMSAA.

Outfitting Soldiers Without OCIE

One advantage of the current system for issuing OCIE is that only soldiers in TO&E units are outfitted with OCIE at any one time. Since approximately 22 percent of the Army personnel do not serve in TO&E billets, those soldiers are not

outfitted with OCIE. Thus, the Army can sustain itself with less OCIE than it would need if everyone required a set.

Under Alternative 2, all soldiers would be outfitted with the appropriate level of OCIE. Before we can calculate the cost of this alternative, we must first determine how much OCIE is owned by the Army and how many soldiers under the current system are in jobs that do not require OCIE. It is those soldiers that will need to be outfitted as they rotate back into TO&E jobs. The difference between what is on hand and the total requirement will determine how much it will cost to outfit those soldiers that do not have OCIE.

In the summary of reports submitted to ATCOM on 21 November 1991,⁹ the CIFs reported sufficient stock to outfit and support 515,939 soldiers with OCIE. (While CIFs may hold some lines of stockage in either long or short supply, for purposes of this analysis, their dollar values are negligible.)

Current Army manpower projections for 1993 use a force strength of 583,500. Based upon the CIFs' reported capability to outfit 515,939 soldiers, we calculate that the maximum number of additional sets of OCIE that would be required for 1993 would be 67,561. The requirement for the additional sets of OCIE, however, would not occur in a single year. Since soldiers undergo a permanent change of station (PCS) every 3 years on the average, we project that a third of the total requirement would be needed each year until everyone is outfitted. This works out to 22,518 soldiers for 1993.

In assessing that requirement, we must consider the impact of the Army's scheduled drawdown. It will influence the net requirement for OCIE in two ways. First, it will free assets currently in the hands of soldiers leaving the Army for use by those who do not have OCIE. Second, it will reduce the overall annual requirement for OCIE.

Projecting a proportional distribution of upcoming force cuts between TO&E and table of distribution and allowance (TDA) organizations, we can calculate the number of soldiers leaving the Army that have OCIE. We then apply a percentage of those assets to requirements for OCIE generated by soldiers rotating out of TDA

⁹Troop Support Agency Form 36-R, *Summary of Operations: Army Central Issue Facility/Other Units Stocking OCIE*.

organizations. Data from Fort Bragg reflect that 84 percent of OCIE returned is in serviceable condition and thus, available for reuse.

Since MOS-specific OCIE varies between occupational specialties, we selected a range of potential OCIE requirements from two representative branches, infantry and armor, for our analysis. In that analysis, we use the costs of the common OCIE set from Table 2-5 and an average cost of the MOS-specific OCIE set from Tables 2-6 and 2-7.

Table 2-9 quantifies a range of materiel requirements to outfit those soldiers who do not currently have basic or MOS-specific OCIE. The first two horizontal rows depict both the projected Army end strength through 1997 and the annual drawdown. The third row identifies the number of troops "drawn down" from assignments in which they currently have OCIE, thereby creating a pool of assets potentially available for reutilization. The fourth row shows the result of applying an 84 percent reutilization factor to the assets made available from the drawdown. The number of soldiers requiring OCIE based upon the 3-year rotation cycle is then subtracted from the available assets. Finally, the requirement or surplus is multiplied by the cost of the common and the MOS-specific OCIE to determine annual costs, or the surplus and the cumulative costs, or 5-year surplus.

Table 2-9 shows that outfitting soldiers with OCIE will present no financial burden over the 5-year period. In fact, this process will generate significant "excess" (\$28 million over the 5-year period) to apply against future stockage requirements. That situation is brought about primarily by the drawdown of the Army through 1997 and is predicated upon the effective reutilization of those "excess" assets.

An additional source of stockage under Alternative 2 is the separation transfer point, which, in essence, becomes another source of supply. Under the current requisitioning process, the CIF requisitions materiel from the wholesale system and pays full price. Under the OCIE issue process described in Figure 2-9, the ISA will use transfer points as an additional source of supply. With transfer points providing all returns to the local ISA, which in turn will be reported to DEPRA, the Army will avoid much of the transportation cost that it otherwise would have incurred for redistribution if DPSC directs those assets to fill requisitions. On balance, this source of supply is also less expensive for the Army than DPSC because although the

TABLE 2-9
COST TO OUTFIT SOLDIERS WITHOUT OCIE
(\$ millions)

	1993	1994	1995	1996	1997
End strength	583,500	557,600	536,300	516,000	500,000
Reduction in force from previous year	40,600	25,900	21,300	20,300	16,000
Reduction number from TO&E units	31,790	20,202	16,614	15,834	12,480
OCIE sets available at a 16 percent washout rate	26,703	16,970	13,956	13,301	10,483
Number of soldiers requiring OCIE	22,498	13,873	6,780		
Net surplus	4,206	3,097	7,176	13,301	10,483
Base set cost at \$300	1,261,686	928,970	2,152,664	3,990,168	3,144,960
MOS set cost at \$434	1,825,239	1,343,910	3,114,187	5,772,443	4,549,709
Total surplus	3,086,92	2,272,880	5,266,851	9,762,611	7,694,669
Cumulative surplus	3,086,92	5,359,805	10,626,656	20,389,267	28,083,936

ISA ordering the materiel will still pay full price, the ISA issuing the materiel will receive a credit.

While we have not been able to quantify these savings, it is clear that this method of OCIE distribution is less expensive than the current process.

Effect of Permanent Issue on Permanent Change of Station Transportation Costs

The AMSAA study of the Alternative 1 concept concluded that on the basis of the number of PCS moves, the additional cost to transport the weight of the basic OCIE set during PCS is approximately \$3 million annually. To determine total transportation costs under Alternative 2, we add the cost to transport the weight of MOS-specific OCIE to that of the basic set.

Factoring in the weight of MOS-specific gear under Alternative 2 will increase transportation costs relative to the weight of the gear. Since sets of MOS-specific OCIE vary among occupational specialties and thus their respective weights vary, we used the OCIE sets of infantry and armor as representative samples (Tables 2-6 and

2-7). These two sets weigh between 30 and 66 percent of the common OCIE set. Therefore, annual transportation costs for MOS-specific OCIE would actually be between \$1 million and \$2 million, and the total annual cost for Alternative 2 would be between \$4 million and 6 million.

We point out, however, that a percentage of PCS orders do not require a household move. Many junior soldiers use only their privately owned vehicles and thus incur no household goods transportation costs. We therefore believe that although the maximum cost ranges between \$4 million to \$6 million annually, the actual cost is likely to be somewhat less.

These costs must be considered in conjunction with the fact that the soldier will likely incur some level of inconvenience with this alternative during PCS. Since the soldier will no longer be turning in OCIE prior to changing duty stations, he or she will be responsible for carrying it from the old to the new duty station. The inconvenience avoided in not turning in OCIE would be offset by the inconvenience of transporting the OCIE to the next duty station. However, because of the benefits of unaccompanied baggage, hold baggage, excess baggage, and household goods allowances, we do not consider this a serious inconvenience.

Savings in Administrative Time

Soldiers time is valuable. To reduce administrative requirements on their time effectively frees them to engage in other productive effort. By permanently issuing a basic and MOS-specific set of OCIE, we can eliminate the need to issue and turn in these items repeatedly at each duty station and reduce the soldier's nonproductive time. Waiting hours in line to draw and turn in gear is aggravating and counters the Army goal of "caring for the soldier." When viewed from a perspective of morale and discipline, eliminating unproductive time may actually be eliminating counterproductive time.

Since approximately 33 percent of the Army experiences a PCS every year and 77 percent requires the use of a CIF, we estimate over 575 man-years are spent annually on this administrative function. Otherwise investing that time to hone MOS skills or enhance other warfighting capabilities could act as a productivity multiplier in improved readiness. Although it may be artificial to financially aggregate these hours and we do not include them in our cost summary, they

represent a block of unproductive labor worth over \$15.5 million each year, and that fact should be acknowledged (see Table 2-10).

TABLE 2-10
CIF ADMINISTRATIVE TIME

Year	End strength	Number of PCS moves	Personnel using CIFs	Average hours at a CIF (two trips) ^a	Number of man-years ^b	Average man-year cost ^c	Time value
1993	583,500	194,500	149,500	8	575	\$27,000	\$15,525,000
1994	557,600	185,867	142,864	8	549	27,000	14,823,000
1995	536,300	178,767	137,407	8	528	27,000	14,256,000
1996	516,000	172,000	132,206	8	508	27,000	13,716,000
1997	500,000	166,667	128,106	8	493	27,000	13,311,000
Total	-	-	-	-	2,653	-	\$71,631,000

^a This figure represents two trips to the CIF: one to draw gear upon arriving at a new duty station and one to turn in OCIE upon leaving. Includes issue, turn in, transportation, queuing, fitting, returns, and Sergeant supervisory time.

^b Based upon 2,080 hours per year.

^c Military composite standard rates for a Soldier, Grade E-4, based upon *TRADOC Resource Factor Handbook*, July 1991 (escalated to 1993 dollars).

Analysis Results

The reorder costs for the basic OCIE set under the current system (status quo) and Alternative 1 as determined by AMSAA are \$38 million and \$32 million, respectively. In considering reorder costs for MOS-specific OCIE, we find that they are not critical in this evaluation since they would be roughly similar under each alternative and thus provide little insight into the relative cost differences between alternatives. We suggest, however, that if any cost differential from the status quo were experienced under Alternatives 1 and 2, it would be less than the differential between either alternative and the current system. The reason for that suggestion is the improved care and maintenance of the materiel by the "owning" soldier that would likely result from permanent issue, which would likely result in decreased consumption and thus decreased reorder costs (see Table 2-11).

As shown in Table 2-11, permanently issuing a basic set and an MOS-specific set of OCIE under the concept portrayed in Figure 2-9 is the least-cost alternative

TABLE 2-11
COST SUMMARY OF ALTERNATIVES FOR THE 5-YEAR PERIOD
1993 THROUGH 1997
(\$ millions)

Cost category	Status quo	Alternative 1	Alternative 2
CIF personnel	125	120	55
Stockage	190 ^a	160 ^a	162 ^a
Outfitting costs for personnel without OCIE	-	-	Surplus - applied to offset some stockage costs
Transport	-	15	20 to 30
Clothing replacement allowance (CRA)	-	>230 ^b	-
CIF repair and laundry	20	-	<20
AAFES fee	-	5	-
Total	335	530	257 to 267

^a Excludes annual reorder costs associated with MOS-specific OCIE.

^b Does not include CRA costs associated with MOS-specific OCIE.

over the 5-year period 1993 through 1997. Based upon this analysis, the Army could save between \$68 million and \$78 million over that period, with the majority of those savings accumulating during the final 2 years.

In addition to the quantitative benefits of scaling back CIFs and reutilizing assets generated as the result of the drawdown, the following qualitative benefits also result from permanent issue:

- It helps to instill pride of ownership, presumably improving the care and maintenance of the soldier's equipment. We expect that this improved care and maintenance will translate into reduced consumption and enhance the soldier's readiness and professionalism.
- The soldier will save time: no longer must she/he cycle through a CIF upon every PCS. This better utilizes the soldier's time and demonstrates care by not unnecessarily wasting her/his time.
- Stock funding the basic set and MOS-specific OCIE under the ISA's SAILS will provide asset visibility, more centralized control, and enhanced management capabilities. This management capability will afford an item

manager the ability to position stock (cross-level, redistribute, etc.) in addition to providing access to SAILS stratification/budgetary information.

RETAIL DISTRIBUTION

Recommendation

We recommend performing Office of Management and Budget (OMB) Circular A-76, commercial activities studies at all CIFs and CIIPs. Where economically justified, we recommend the systematic conversion of Government-run CIIPs and CIFs to contractor operation. Consideration should be given to establishing an Army-wide or region-wide single contractor because of efficiencies that are possible, rather than a piecemeal installation-by-installation approach. Further, consideration of AAFES as a potential contractor should not be excluded.

Current Environment

Today, the Army relies upon an enormous retail distribution system involving hundreds of point-of-supply outlets and over 1 million customers, including active, reserve, ANG, and ROTC. The current retail distribution system stocks identical items at multiple sales/issue outlets, often located on the same installation or within close proximity. For example, the MCSSs stock most of the same items available in the CIIPs, CIFs, and CIPs, while all four sales/issue outlets order and manage materiel individually.

The efficiency of the Army's retail distribution system is a function of requirements forecasting, system responsiveness, and the degree to which materiel management policies and actions are cost-effective in meeting customer demand and customer service expectations. CIIP inventory decisions are forecast driven, while the CIF and MCSS inventories are demand driven. Each of these supply outlets uses its own automated systems, which CIIP and CIF managers view as having marginal utility.

While virtually all the Army's current retail distribution system customers are satisfied, the system has some obvious inefficiencies. For example, CIIP and CIF managers commonly used subjective judgment and past experience (rather than official operating level policy) in deciding what to order. As a result, we found on-hand and on-order inventory levels ranging from as little as 45 to 65 days, to more than 5 to 7 months for selected items (in some cases, items were found in long supply

by several years). As another example of inefficiency, a large Army training installation CIF arbitrarily ordered "200 percent of RO" because of an availability of year-end money. We found many other examples of items held in long supply, with no cogent plan or incentive to "cross-level" excesses within or outside the MACOM. Authorities we interviewed throughout the retail system held beliefs that the wholesale system is consistently too reluctant to provide credit, local OMA-funded CIF materiel should remain at the installation, and the application of human judgment is better than adhering to size tariff and stockage policies.

The CIIP/CIF/MCSS retail outlets rely upon the order-and-shipping time (OST) provided by the DLA wholesale system (for all DPSC-managed items), while the MCSSs rely upon the OST of the AAFES distribution system for optional items sold in the MCSS. Fundamentally, wholesale system responsiveness directly affects retail system inventory management and supply operations. Managers reported that the DLA system OSTs varied from about 15 to 35 days, while the AAFES system was found far more responsive, with OSTs ranging from 3 to 10 days. DPSC item managers receive requisitions for the same items (e.g., personal clothing and equipment NSN requisitions from CIIPs, CIPs, MCSSs, and CIFs, oftentimes located on the same installation or in close geographical proximity). DPSC-managed item requisitions placed by the MCSS go to DPSC via Dallas, however, while the Army's individual installation SAILS system places CIF and CIIP orders direct to DPSC.

Among all retail system outlets, it became clear the CIF was the most inefficient because of its time-consuming procedures; high incidence of items found in long supply; and the frequent receipt, issue, reissue, classification, and disposal of materiel. It was not uncommon to find soldiers having to return to the CIF four to five times before meeting all materiel condition inventory and paperwork requirements (typically cleanliness). At some CIFs, soldiers routinely stand in long lines to be issued clothing or to turn it in, while other CIFs were found to be virtually empty (with most of the CIF materiel sales business going on at the local MCSS). Survey and/or statement-of-charges paperwork requirements were very time consuming for the CIF staff and soldiers alike. Our general impression was the soldiers clearly prefer the convenience of the MCSS for CIF items in lieu of having to process statement-of-charges paperwork and stand in long CIF lines.

The Army needs a uniform, synergistic system to manage its retail distribution system in terms of improving wholesale-retail system interaction, avoiding long

supply inventories, improving system automation and policy adherence, improving soldier support, and improving materiel disposition and redistribution among retail customers. In recent months, the Army has initiated several studies that will potentially impact the current retail distribution system. Working with DPSC, the Army is identifying its excess materiel and has either completed or will shortly complete studies addressing issue in kind (IIK) versus CRA policy; the closure of select ANG CIPs and select CIFs, and the permanent issue of OCIE items to recruits.

The Evolving Retail Distribution Environment

By 1997, the Army's wholesale-retail distribution system will likely be dramatically different from that of today because of the implementation of the following initiatives:

- DMRD 903, *Implementation of Clothing and Textile Policy Change Through Item Size Reduction, Standardization, Use of Commercial Specifications, Consolidation of Specification Development and Reduced Inventory Growth*
- DMRD 941, *Implementation of Electronic Data Interchange (EDI) Providing Instantaneous Transmission of Data*
- Other DMRDs, base closures, depot eliminations, and depot consolidations
- DoD's corporate information management (CIM) initiative
- Total asset visibility (TAV) initiative
- Army single stock fund and the DBOF
- Expanded use of direct vendor delivery (DVD) by the wholesale system.

In view of these changes, the Army and all the Services will operate with a far more responsive wholesale system (through DVD and a more responsive DLA depot system), a much improved management control capability (through TAV and CIM), and improved requirements determinations and budget execution (through DBOF and the Army single stock fund). The "wholesale" and "retail" systems can be expected to cease to exist as separate and distinct systems. Instead, they will essentially become one, under the DBOF and the Army's single stock fund.

The distribution system of the future will involve wholesale and retail system infrastructure change. The future wholesale system must become more responsive, supporting a retail system made up of an efficient network of CIFs, CIIPs, CIPs,

MCSSs, ROTC units, and reserve force components. The following distribution factors are key to an effective distribution system:

- Outlet location, storage and issue capacities, and mission support role
- Business metrics: inventory velocity, operating levels, DRMO turn-ins, quality deficiency report (QDR) statistics, requirements determination variance, operating costs, customer wait times, materiel availability rates, soldier convenience, customer service quality, and long supply avoidance
- Optimizing materiel management: sourcing, positioning, ordering, funding, and response time.

The distribution system of the future should also be less fragmented and more efficient. The following issues and examples relate to distribution efficiency:

- Tariff inaccuracies
- IIK versus clothing maintenance allowance
- Unit commander's discretion and supplemental items
- Excessive new item introduction
- Forecasting inaccuracies
- Shelf-life management
- DPSC credit policy and DEPRA utilization
- Validation of war reserve, contingency, premobilization, training, and special project stocks
- Centralization of management functions for consistent policy implementation
- Reutilization of excess to reduce obligation authority
- QDR system monitoring: increased item durability reduces item replacement costs and obligation authority
- Uniform alteration policy affects distribution costs; more alterable uniform specifications and concept of fit
- Consolidation alternatives: CIF with MCSS, CIF and CIIP, MCSS and CIIP, MCSS/CIF/CIIP, regional CIPs/CIFs.

Short-Term Savings Solutions

In view of the uncertainty surrounding the Army's operating environment of the future, our short-term distribution savings analysis focuses on estimating savings opportunities that are likely to accrue by using the OMB Circular A-76 guidelines in competing Government-operated CIIPs and CIFs with potentially contractor-run facilities Armywide. Currently, the Army CIIPs and CIFs at the following installations are contractor operated:

- CIIPs:
 - ▶ Fort Leonard Wood
 - ▶ Fort Sill
- CIFs:
 - ▶ Fort Bliss
 - ▶ Fort Gordon
 - ▶ Fort Huachuca
 - ▶ Fort Leonard Wood
 - ▶ Fort Meade
 - ▶ Fort Rucker
 - ▶ Fort Eustis
 - ▶ Fort Hood
 - ▶ Fort Irwin
 - ▶ Fort McClellan
 - ▶ Fort Riley
 - ▶ Fort Sill.

A-76 Intent and Background

The intent of OMB Circular A-76 is to provide improved service and organizational productivity through private-public competition. It was widely implemented within DoD and GSA after the 1984 Grace Commission estimated savings potential in the billions of dollars throughout Government.

In view of the potential for savings by converting additional Army CIIPs and CIFs to contractor facilities, or savings resulting from competition where the Government reduces its costs, we examined an A-76 study that was prepared to compare in-house versus contractor performance of industrial operations at an Army installation. Included in that study were the functions of both the CIIP and the CIF.

The A-76 results indicated that a contractor operation would cost approximately 20 percent less than an in-house operation, with over 90 percent of the savings accruing from reduced personnel costs.

Converting Government positions to private-sector positions sometimes results in personnel dollar savings because of lower direct salary rates, lower fringe benefits, and future savings on retirement payments. For example, analysis indicates that although training activity (and thus workload) varies significantly between the peak recruit training months of summer and the low activity training months of winter, Government personnel end strengths at CIIPs and CIFs remain generally constant throughout the year. In contrast, the typical contractor staffing concept incorporates maximum utilization of temporary and part-time personnel. Those personnel are significantly less expensive than their full-time counterparts not only because they work fewer hours but also because their fringe benefits are dramatically lower.

Under this arrangement, the contractor may hire enough full-time employees to accommodate a sustained minimum workload and utilize part-time or temporary personnel to accommodate variable workload increases. The effect in savings is magnified at TRADOC installations where the same contractor operates both the CIIP and the CIF. (If the minimum workload is accommodated by full-time employees, surges in either operation are handled from the same reduced pool of part-time personnel.)

To estimate the potential effect that this concept would have Armywide, we applied the A-76 results to all Government-run CIIPs and CIFs. Tables 2-12 and 2-13 highlight potential savings in personnel costs if the remaining Government-run CIIPs and CIFs experienced efficiencies similar to those at Ft. Leonard Wood.

TABLE 2-12**POTENTIAL CIIP SAVINGS RESULTING FROM A-76 STUDY
(\$ millions)**

Number of Government-run CIIPs	Government personnel costs	Personnel costs from A-76	Savings
4	\$3.7	\$3.0	\$0.7

TABLE 2-13**POTENTIAL CIF SAVINGS RESULTING FROM A-76 STUDY
(\$ millions)**

Number of Government-run CIFs	Government personnel costs	Personnel costs from A-76	Savings
72	\$21	\$17	\$4

Conclusion

Extending the concept of private-public competition to CIIPs and CIFs, the Army could save \$4.7 million a year, or almost \$24 million over the 5-year period 1993 through 1997.

DoD SAVINGS IMPLICATIONS FOR THE ARMY**Recommendation**

Defense Management Review Decision 903 addresses savings in CIE primarily at the wholesale level. The Army stands to gain about \$65.3 million through price reductions from improvements in operating practices and additional rebates from reductions in inventory levels. We recommend the Army apply diligence ensure it realizes the \$65.3 million and aggressively pursue approval for the additional funds that have been proposed for restoral. The latter is quantified in two options. Option 1, proposes that the Army receive \$424.7 million in budget authority if the

savings resulting from the one-time drawdown of inventory are not passed on to the Army in the form of reduced prices. Option 2 proposes that the Army be restored a total of \$124.6 million in budget authority in event that the savings from the one-time inventory drawdown are passed on to the Army in the form of reduced prices. However the time frame for executing any restoration is now limited to the period FY95 – FY97; the amounts are now reduced to those shown in Table 2-14.

TABLE 2-14
TOTAL OPERATING AUTHORITY

(Current \$ million)

	FY92	FY93	FY94	FY95	FY96	FY97	FY92 – 97	FY95 – 97
Option 1	38.5	53.2	111.3	75.1	72.5	74.1	424.7	221.7
Option 2	38.5	53.2	113.0	- 81.2	- 58.3	59.4	124.6	- 80.1

As a result of our analysis of the options, Option 1, \$221.7 million, is suggested as the better approach for the Army to seek since the price reductions included in Option 2 are predicated on wholesale inventory reductions occurring in future years, and it would at this point result in a negative \$80.1 million. Further, there is no guarantee that the price reductions will occur. It is therefore considered more prudent for the Army to seek approval of Option 1 and take the restoration of budget authority.

Discussion

In implementing DMRD 903, DoD has initiated a number of actions to improve operations and achieve financial savings in CIE acquisition and distribution. To identify potential savings, we reviewed a draft DoD memorandum¹⁰ to ensure that our proposals were in accord with DoD initiatives and to determine other refinements necessary for our proposals and those of DoD to collectively achieve the desired benefits. The actions are oriented toward improvements in the wholesale segment of CIE, but many impact on Army retail distribution. The memorandum is divided into

¹⁰ASD(P&L) [Assistant Secretary of Defense (Production and Logistics)] Memorandum, Subject: *Draft Report on the Status of Defense Management Report Decision (DMRD) 903*. 10 November 1992

two parts: Part 1 addresses basic actions to be accomplished at the wholesale level, and Part 2 covers "potential, additional savings," resulting from improved business practices at the wholesale level. Actions required in Part 1 entail wider use of commercial specifications, consolidation of specification development activities, standardization and reduction of sizes, and reductions in inventory. Part 2, new business practices, consists of changes in procurement practices (the use of indefinite-delivery, indefinite-quantity; requirement; multi-NSN; and multiyear contracts and changes in the designation of items to be purchased locally and in nonstocked centrally managed items), elimination of dual wholesale and retail inventories, and other actions to draw down and reduce overall inventories. These actions envisage the reduction of the wholesale level of stocks and more reliance on retail inventory levels.

In implementing the actions contained in the draft memorandum, the DoD Comptroller has been requested¹¹ to make certain adjustments to the Army's budget authority that are recommended in Part 2 of the report. Those adjustments are outlined above in our recommendation. In addition to these benefits, the Army should realize \$65.3 million through price reductions from savings achieved by DoD through the basic DMRD actions.

Option 1

Receive \$62.1 million through price reductions from savings achieved by DoD through the basic DMRD actions and new business practices. The estimate does not include any benefits from DoD inventory reductions.

Option 2

Receive \$62.1 million contained in Option 1, passed on in the form of price savings and an additional \$427.9 million in budget authority.

Option 3

Receive \$62.1 million contained in Option 1 and \$282.8 million from inventory reduction savings both in the form of price savings, plus an additional \$145.1 million in budget authority.

¹¹ASD(P&L) Memorandum, Subject: *Status Report on DMRD 903 – Financial Adjustments*. 24 February 1993.

Expected Results

We believe that the Army will realize the \$62.1 million to the extent it purchases the items since the actions on which these savings are based have already been taken and require no further DoD action. We feel the Army can make a good argument for the inventory reduction savings and the restoration of budget authority to the extent the total amount is less than the original \$490 million and is reduced by the savings identified by this study.

CHAPTER 3

IMPROVED BUSINESS PRACTICES

INTRODUCTION

During our review of the CIE distribution process, a number of business practices were identified which we recommend be changed to improve the performance of the distribution process, conserve resources, and improve support to the soldier. This chapter discusses these practices and recommends changes for the Army's consideration. Each practice and recommendation, where applicable, is listed under the particular activity to which it is related. The following are practices that cover the CIE distribution process and affect all facets of the operation.

DEFENSE PROGRAM FOR REDISTRIBUTION OF ASSETS

Recommendations

The Army needs to review CIE redistribution by the Army's Excess Redistribution Program and the role of the General Materiel Branch of the Materiel Management Directorate, ATCOM once revised DEPRA procedures are implemented. The role of the General Materiel Branch in CIE redistribution is contained in the Management and Control section of Chapter 2 of this report and appears to duplicate many of the DEPRA functions. We recommend the Army encourage the full use of DEPRA in the redistribution and disposition of CIE and consider eliminating the Army's redistribution program.

Discussion

The DEPRA is a Defense Automatic Addressing System that provides a means for the effective redistribution of supplies and equipment. Its scope has been extended to CONUS while remaining in effect for Europe and Asia. The expansion to CONUS was coupled with a revision of procedures that are intended to remove virtually all of the unattractive features the Services previously found objectionable. The new procedures are contained in a Deputy Assistant Secretary of Defense

memorandum.¹ That memorandum supports the Defense Total Asset Visibility (DTAV) Plan approved by the ASD(P&L) on 30 April 1992 and includes directions that the Services modify their retail procedures in accordance with revised DoD procedures. Those procedures are intended to maximize the redistribution of assets among participants, preclude the concurrent procurement and disposal of identical items by separate Service supply systems, and reduce the expenditures of transportation funds for shipping items long distances to an activity when similar items are available within the same geographical area. Our view is that the revised procedures can enhance not only CIE external redistribution but also its redistribution among the MACOMs and Army units. To derive the maximum benefits from DEPRA, units and installations must expeditiously report unneeded CIE, using DEPR¹ procedures.

IMPLICATIONS OF THE SALE OF OCIE ITEMS IN THE MCSS FUNDING

Recommendation

We recommend the Army continue the current practice of stocking OCIE items in the MCSS. It has proven to be convenient and responsive to the soldiers' needs. The Army would save AAFES fees now if MCSS discontinue OCIE sales; but, pending the passage of the proposed legislation, the installation would continue to lose if this was done. In the event the Comptroller's proposal that seeks approval for installations to retain funds collected from individuals for liabilities is approved, then at that time consideration should be given to having individuals pay for lost or damaged items and draw the replacement items from the CIF. Under this arrangement, the individuals would have the advantage of receiving a depreciation allowance for the lost or damaged items. They may, however, find the convenience of purchasing from the MCSS more attractive than drawing a replacement from the CIF, despite the depreciation allowance, and continue to elect to purchase a replacement item from the MCSS. As discussed in Chapter 2 in the section on Inventory Reductions, we recommend the CIF inventory be stock funded. This would follow the Army Single Stock Fund in concept, and in the long run will alleviate the financial disadvantages of current arrangements.

¹DASD(1) Memorandum, Subject: *Increasing Visibility and Utilization of DoD Materiel*, 29 October 1992

Discussion

The sale of OCIE items (items stocked in the CIF) in the MCSS for use by the soldier to replace equipment is a growing practice. While that condition is convenient to the soldier, it has several funding implications. First, the soldier is not allowed a depreciation allowance as authorized by AR 710-2 since the item purchased is always a new one. Second, it has a funding impact on the installation and the Army. As OCIE sales grow in the MCSS, the management fee paid by the Army to AAFES for operating the MCSS increases proportionally. These sales can be large. At one MCSS the OCIE sales represented approximately a third of the overall sales of the store. The installation, however, gains by the sale since OCIE is O&M-funded and sales handled through MCSS do not require O&M funded inventory. When the CIF is administratively reimbursed for items using one of the means prescribed in AR 725-5, *Policies and Procedures for Property Accountability*, the funds go to the U.S. Treasury and are lost to the installation. The installation then must use its O&M funds to buy the replacement CIF items. The Army Comptroller proposed legislation in September 1992² that would allow installations to retain "monies collected from soldiers and civilians as a result of admitted or assessed liability" in an effort to correct the situation.

AUTOMATION

Recommendation

We recommend a complete review of the automation system requirements for both CIF and CIIP with a view toward including the functional changes we have recommended in this report and incorporating necessary changes to implement the Single Stock Fund and DBOF.

Discussion

Both the CIIP and the CIF need new support systems. The present systems are basically MACOM-unique, outdated, and personnel-intensive. Staffing in the facilities could be reduced through more innovative systems that promote accurate

²Comptroller of the Army Memorandum, Subject: *Proposed Legislation for the Retention of Monies Collected from Soldiers and Civilians as a Result of Admitted or Assessed Liability*, 24 September 1992.

and timely accounting of inventory and contribute to operational efficiencies. We understand a standard CIF system is now under development by the Army.

FORECASTING OF INVENTORY REQUIREMENTS AT CLOTHING INITIAL ISSUE POINTS

Recommendation

We recommend the Army examine its process for predicting the number of recruits reporting to the reception centers. With improved forecasting, stockage at the CIIPs then can be maintained at the appropriate levels. Second, current tariffs should be reviewed to ensure that they still accurately reflect a given population of soldiers. Their inaccuracies also affect the issuance of new items. Managers told us tariff inaccuracies had complicated the issuing of equipment to units during mobilization for Operation Desert Storm.

Discussion

A problem affecting CIIP operations is the degree of stockage levels established and maintained. CIIPs use standard procedures in determining the levels of stockage, and the number of trainees is a major component of that determination. Trainee data are estimated by forecasts that are done by the U.S. Army Recruiting Command and provided to the individual CIIPs by TRADOC. With forecasts of future inductions, clothing managers can determine the number and the different sizes needed for a given population of recruits to be supported. The Army developed "tariffs," which are documents based on anthropometric studies (studies of human body measurement) that document the requirement. For example, a tariff might indicate that for every 100 soldiers to be outfitted, 2 will be extra small; 14, small; 64, regular; 17, large; and 3, extra large. Applying the forecasts to the tariff permits the CIIPs to stock the right amounts of clothing in the right sizes to accommodate the universe of demands for the forecast period. The CIIP manager can then accurately requisition the needs for the period.

For this approach to stocking to be effective, both the tariff and the forecast must be accurate. Our research and discussions with managers have shown inaccuracies in both. For example, we found instances in which the forecasts were as much as 20 percent off from the numbers that actually reported. Inaccuracies in tariffs have resulted in excess stockage of certain sized items at the expense of others.

Inaccuracies in forecasts result in potentially too much or too little in the way of stockages. Throughout the TRADOC CIIPs, as much as 92 days of supply has been shown to be on hand. Thus, inaccurate tariffs result in incorrect sizes while incorrect forecasts result in the wrong quantities on hand. In either case, the wrong items available is the result.

In order to meet their goals of 100 percent satisfaction, CIIP managers frequently are forced into one of two actions to avoid this situation. Either they overstock to assure that they can meet all demands, or if they are out of stock in the required size, they issue the recruit the wrong size with instructions to come back for an exchange. The former results in excess inventory on hand at a greater cost to the TRADOC business area of the DBOF, while the latter presents a potentially significant added workload for the CIIP (exchanging wrong-size items) it also causes an inconvenience for the soldier, and the subsequent reissue of what then are used items or the premature disposal of the returned items. This situation shows the need for better forecasting and more accurate tariffs.

BULK ISSUE OF PERSONAL CLOTHING ITEMS BY THE ARMY CLOTHING SALES STORE

Recommendation

We recommend that the Army change its procedures to discontinue making bulk issues by the MCSS, sales be restricted to those individuals for whom the full service provided by the management fee can be realized, and bulk issues be made only through the ISA.

Discussion

Today, the stores issue items in bulk to the reserve units. Our analysis indicates that such practice is uneconomical. A review of the original agreement between the Army and AAFES suggests that the intent was for the MCSS operations to be oriented toward the individual soldier and not toward bulk issue to units. By bulk issue, we mean the practice now of reserve units requesting their total uniform requirements through the MCSS as a single issue. The AAFES management fee includes alteration services; a service that goes unused when items are bulk issued. But the principal financial impact on the Army is that bulk sales, which are basically a warehouse issue, unnecessarily raise the AAFES management fee charged to the

Army for the MCSS operation. We estimate that nearly one-third of the MCSS sales fall into the category of bulk issues. These bulk issues would be more economical if made through the ISA, bypassing the MCSS. The result would be a savings of about one-third of the management fee now being paid AAFES. In FY91, the management fee amounted to about \$20 million. Therefore, a savings of about \$6 million could have been realized in a single year.

SALE OF OCIE ITEMS BY THE CIF

Recommendation

We recommend the Army pursue establishing sales of selected OCIE items, including obsolete and selected reparable items. TRADOC conducts similar type sales of Condition Coded B personal clothing items. These sales have proven extremely successful while returning funds to the Government and expeditiously removing "dead" inventory from the activities. However, as previously discussed, we believe the situation would be improved if the Army authorizes the installations to keep the funds.

Discussion

We found several instances in which obsolete items were being held in the inventory of the CIF. One example was \$60,000 worth of jungle boots. The installation was reluctant to transfer the items to DRMO since they had bought the items using O&M funds. We also noted examples of items correctly earmarked for DRMO since they could not be repaired economically even though individuals wanted them for recreational purposes. Examples were extended wet weather jackets and trousers. Those items, as most CIE items, when forwarded to DMRO, are usually sold in lots as opposed to being sold as individual items.

CHAPTER 4

A BLUEPRINT FOR THE FUTURE

THE OBJECTIVE SYSTEM

In the previous chapters we identified a number of areas in which improvements can be made in business practices, operating processes, and soldier support. These recommendations can all be implemented in the short term. (We define the short term as being 5 years.) However, we also offer an objective system and a vision for clothing and textile operations for the 21st century. The objective system is for that period of time beyond 1997 when all our short-term recommendations have been implemented and the long-term initiatives are in place. While the details of this objective system for the future are not precisely defined, we address the concept and identify the actions necessary to achieve it. Figure 4-1 details the framework that we envision in defining the objective system. Our vision, which follows the discussion of the objective system, provides a think piece that the Army can build upon as it goes about defining its logistics operations for the 21st century. It provides some theoretical comments on the direction we believe the Army should move to assure a viable C&T operation in the distant future.

A number of C&T changes that face the Army today or are on the horizon will affect the future. Today's challenge is to accommodate those changes and, where possible, take advantage of the opportunity presented by their presence. The first and perhaps most significant issue is that of downsizing the Army. The Army of tomorrow will be significantly different from the Army that won the Gulf War and the Cold War. It will be smaller, based primarily in CONUS, and prepared to operate across the continuum of military and humanitarian operations with a forward presence and crisis-response orientation. It will continue to be a force trained and ready to fight and will require a responsive logistics support structure. The strategies developed for providing the Army with the resources to meet its new direction will require major, innovative changes in the Army's logistics support. The manner in which C&T are provided to the force of the future must contribute to the efficient operation of these new initiatives. Fewer requirements, reduced excess,

Current system	Short-term improvement	Objective system
	1993	1997
Shortcomings • Inadequate management • Vague roles/missions • Absence of visibility • Excessive inventory • Inflexible distribution net • Separate systems • Inadequate redistribution • Duplication of effort • No central cost control	Immediate fixes • Merge management organizations • Reduce inventories • Improve business practices • Balance requirements/assets • Consolidate functions • Responsive support	Long-term initiatives • Single stock fund/DBOF • Organizational consolidations • Regionalization • Central distribution • Objective supply capability • Total asset visibility ▸ Integrated Army distribution ▸ Implemented DoD initiatives • Continuous improvement

FIG. 4-1. CLOTHING AND TEXTILES FRAMEWORK FOR IMPROVEMENT

consolidation of functions, and centralized management will all result from and contribute to the savings from the force downsizing.

DBOF/SINGLE STOCK FUND OWNERSHIP

Concept

To accommodate the demanding new ways of doing business, the defense establishment is putting into place a single DBOF, which when combined with the Single Stock Fund initiative, is expected to extend down to the installation level. The combination is a revolving fund that replaces, but operates similarly to, the old stock funds. Under the concept, installation-level authorized stockage list (ASL) stocks, which we believe should include OCIE now stocked and managed by the CIFs, will be owned and managed by the single stock fund. That ownership will provide an appropriate degree of visibility to the item manager, allowing for procurement savings and redistribution opportunities. The provision of C&T through DBOF will be a critical element of support at that level. Under the DBOF/Single Stock Fund initiative, installation base operations activities will be expected to act as providers to the units and organizations that will be the consumers. Those OCIE stockages that are now located at the installation CIF, owned and managed by the Installation Supply Division, and O&MA-funded should be capitalized into the local business area

of the DBOF. The stocks currently in the hands of troops should remain OMA owned and be added to the individual's clothing record along with the issued bag items. They would be transferred with the soldier from assignment to assignment. That approach will permit the desired level of visibility and management by the appropriate item manager along with all other installation ASL stocks then owned by the single stock fund. Installation commanders will then be relieved of the burden of stocking and operating the MCSSs and CIFs. This concept will also serve to instill a higher level of financial and supply discipline into clothing and textile supply functions.

Organizational Consolidations

Here, we describe the "superstore" concept, which combines the current individual outlets at each installation into a single entity handling equipment both individual and organizational clothing needs of the soldier. The superstore will service both the individual and the unit. At the TRADOC training installations, it will combine the functions provided today by the CIIP, the MCSS, and the CIF; at the other MACOM installations, it will combine the MCSS and the CIF. In those instances in which no active duty installations are nearby, selected CIPs operated by the United States Property and Fiscal Office (USPFO) of the ANG will operate the superstores, servicing the ANG, nearby reserve units, and any other local customers. These activities and the stockages they maintain will be funded by the DBOF.

As previously described, at the point of sale, recruit purchases will be financed by the military personnel appropriations; individual's purchases will be paid for from the soldier's own personal funds (in the case of loss through neglect) or from the individual's clothing maintenance allowance in the case of replacement clothing for initial issue bag items; and purchases by the unit for FWT replacements will be financed by OMA funds. Thus, units and organizations, the "consumers," will use their OMA-allotted dollars to procure the necessary quantities of OCIE to outfit their soldiers. Unserviceable items of clothing will be turned in much the same manner as depot-level reparables are accommodated today. Credit will be given for items that meet the criteria for reuse; no credit will be given for unserviceable-unreparable items; they will be sent to the local DRMO. In order to avoid increased financial and workload burdens to the superstore and the unit resulting from providing credits, an automated system such as barcoding would facilitate the operation. Such an

automated process would result in dollar savings and enhanced accountability and accuracy.

REGIONALIZATION

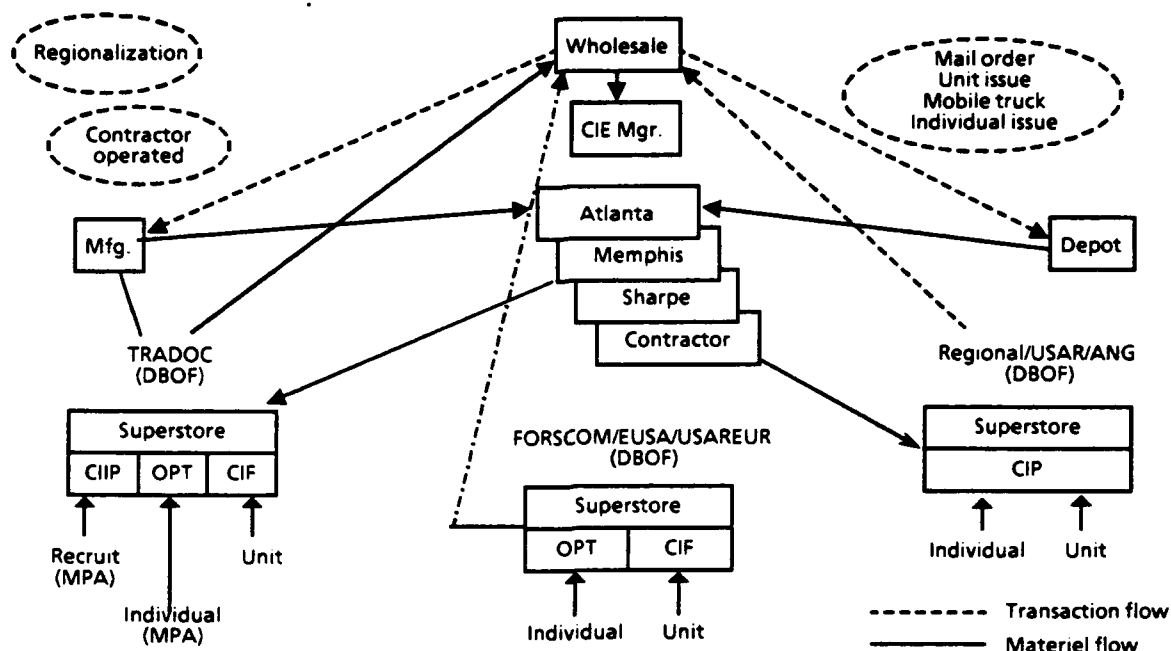
For the long term, the Army needs to consider efficiencies that may be gained by dividing its clothing operations into regions. A number of functions are now being performed by regions. For example, several MACOMs are currently considering "base operations partnerships" in instances in which common functions are being duplicated within close proximity. The partnership concept calls for installations to join other installations, educational institutions, Government agencies, etc., to perform missions benefiting all members of the partnership. In certain instances, such as contracting or personnel services, it calls for installations in a geographic region to receive a specific service from a centralized site, for example, consolidation of civilian personnel offices of Fort Gordon, Ga.; Fort Rucker, Ala.; Fort Benning, Ga.; Fort Jackson, S.C.; and Fort McClellan, Ala., into a regional support office.

Regionalization of CIFs and CIIPs is feasible and appears to be more efficient. On the technological horizon are new processes that can use lasers to take an individual's body measurements and EDI techniques to fill and package a complete clothing ensemble for a recruit or fill an OCIE need is possible. With those technologies, a consolidated operation would enjoy the benefits of economies of scale such that savings generated would undoubtedly offset the added distribution costs involved. The Army should consider this concept as a long-term initiative.

DISTRIBUTION

In developing our distribution blueprint for the future, we developed a model that we believe fairly represents our analysis of the needs of the Army CIE community for the future. It is illustrated in Figure 4-2.

We have described the need for a central Army manager to integrate and coordinate the provision of CIE to the field Army. We recommended such an organization be established by consolidating a number of existing activities: PM-Soldier; the Project Office, Clothing and Services; and the Army Support Activity, Philadelphia. This new organization would provide oversight and facilitate the provision of requirements. It would serve as the Service item control center for Army-owned CIE and would have visibility of requirements and stockages



Note: MPA = Military Personnel Army Appropriation; OPT = optional clothing sales (MCSS).

FIG. 4-2. CIE DISTRIBUTION BLUEPRINT FOR THE FUTURE

worldwide. The new organization would oversee excess redistribution via TAV and OSC. The DPSC would direct the filling of those requisitions by the manufacturer, depot, or regional distribution center, as appropriate. The distribution center, either a DLA regional distribution center, an AAFES distribution center, or a contractor-operated distribution facility, would provide the item to the customer, a DBOF-funded superstore or a regional sales outlet serving active forces, ROTC, USAR, or ANG. As is currently the case, individuals or units would procure their clothing needs from these facilities or they could be delivered by mail or mobile truck.

THE VISION – A CHALLENGE FOR THE FUTURE

The objective system just described provides the Army with an azimuth for the period beyond 1997. This section describes our vision for Army clothing and textile distribution operations after the turn of the century as the Army continues to reshape its logistics structure of the future. It outlines some thoughts concerning the continuous refinement and improvement that the Army should undertake now so as to posture itself to accommodate the challenges on the horizon.

Modeling Distribution Alternatives

Today, the distribution system involves two managers (DLA and Army) controlling and moving materiel from producer to consumer. In between, people, facilities, and policies affect distribution cost. In theory, cost minimization is a function of people, facilities, transportation, inventory management, supply operation effectiveness, residual/excess stock avoidance, disposal minimization, and other factors. The distribution system of the future will be either DLA-, contractor-, or AAFES-operated down to and possibly including operation of the superstores at the installation or base level. Regardless of who operates it, however, the distribution system of the future should be engineered to minimize distribution cost while meeting customer service standards. Like the Army, the other Services have their unique policies and distribution systems which DoD must evaluate. Hence, the challenge for the future is to design an optimum distribution system that serves all Services.

There will necessarily be a lengthy matriculation period to achieve such an optimum distribution system solution for the Services, under DoD stewardship. The actual design of the system and its imposed policies must take into account diverse customer and commodity needs and distribution choices. Those individuals and Components (both Army and non-Army) responsible for formulating a future distribution system will be considering and analyzing a plethora of quantitative and qualitative information. Such information must be relevant, timely, and available for analysis. One could start with identifying and understanding key aspects of the current Army distribution system, as well as other systems. In so doing, the following characteristics of the current Army system and the future system should be considered:

- CIIP stockages are forecast-driven, while MCSS and CIF stockages are demand-driven; thus, efficiencies can be derived from improved forecasting techniques and demand history analysis.
- A single automation system under centralized management is essential.
- The use of expensive overnight shipments in the system should be avoided unless situational conditions make economic sense.
- Quality deficiency programs should be in place, keeping deficient items out of the system.

- Special project stock and contingency stock should be redistributed or disposed of where requirements no longer exist.
- People, facility capacity, and location; materiel-handling capability; order-processing timeliness; transportation modes and routes; inventory management; system response time; disposal; information management; direct and indirect costs; fees; and surcharges should all be considered in optimizing the management control and distribution system.
- DLA and AAFES distribution systems possess significant advantages which can be capitalized upon.
- The potential merger of current retail distribution points (e.g., merging CIFs with CIIPs and/or MCSSs, regionalizing CIF support, creating a superstore supporting a large regional area, and using selected mobile truck deliveries) requires configurations different facility-customer support distribution in supporting a large active force, reserve force, ROTC, and ANG customer base.
- DLA's current depot system, with its planned freight consolidation hubs, offers a desirable, geographically dispersed network throughout CONUS. In addition, the AAFES distribution system is highly responsive with OSTs as little as 3 to 5 days. AAFES also enjoys a high reputation for professionalism and customer service. A cost-benefit analysis would have to be done to compare AAFES and DLA distribution systems and joint distribution possibilities.

Achieving Distribution Efficiency: A Global View

The needs of Army C&T customers in terms of commodity types, size, and issue timeliness will continue to vary greatly. An examination of the private sector, which has successfully overcome those conditions in its distribution systems, seems to be an appropriate place to start as the Army charts its course for distribution efficiency into the future (e.g., the private sector's reliance upon major regional distribution centers or distribution hubs seems intuitively cost-effective). In addition to selectively adopting private-sector practice in its distribution business, the Army would benefit by more fully applying the disciplines of inventory management theory and physical distribution in its quest for an optimum system for the future.

The Army should undertake a redesign of its C&T distribution process of the future. Designing the distribution system of the future will permit the Army to improve its management control over its multibillion-dollar clothing and individual

equipment business; it will require an analytic approach to minimize distribution cost. Such a system analysis should do the following:

- Fully validate its allowance policies
- Analyze commodity-specific, NSN-specific demand history
- Apply advanced forecasting techniques (i.e., heuristics, causal modeling, regression analysis) to predict future demand and distribution system optimization under certain conditions and constraints
- Examine private-sector "benchmark" distribution success [e.g., Wal-Mart, United Parcel Service, and Federal Express]
- Rely on increased use of the AAFES/DLA distribution systems to decrease overall distribution cost
- Explore the use of "push" inventory management control systems
- Consider adopting variable safety and operating levels by NSN with a far more responsive wholesale system using DVD in combination with DLA freight consolidation transshipment hubs.

Achieving Distribution Efficiency: A Micro Approach

Because the Army's C&T mission is complex and no central Army authority is currently in charge of its various activities, the Department of the Army cannot routinely identify and quantify assets on hand in a timely fashion (special project, premobilization, war reserve, and contingency stocks are noted exceptions). Instead, systemwide clothing or equipment assets are generally quantified through informal contact between and among MACOMs, individual installations, and organizations. Under centralized management, the future distribution system will become a formal, integrated one with consistent policy implementation and a uniform data base management system providing total asset visibility.

Each Army activity has localized demand patterns, commodity-specific needs, allowance menus, direct exchange activity, and inventory management practices. The distribution system of the future must support the Army's diverse customer base without creating items of long supply, waste, needless procurements at the wholesale level, etc. A number of studies already published will affect the design of the future distribution system [e.g., the GAO report recommending closure of all 54 ANG CIPs and AMSAA and Concepts Analysis Agency studies addressing closure of selected

ANG CIPs and the initial issue of OCIE items to recruits]. Those studies have been examined in the course of this study.

A number of operating processes should also be considered in the design of a future distribution system. For example, some ANG CIPs currently use mobile truck delivery while others require customer pickup and Army Reserve members with prior service use the MCSS for initial issue, while first Army Reserve members use the CIIP. Class B materiel is issued by ANG CIPs, CSSs, and CIFs in the system, and some installations are routinely using Class B reclamation sales rather than the PDO system. Finally, the frequency of new item introduction, cross leveling of stock, quality deficiency reporting/item durability, PDO turn ins, and IIK versus CRA policy all affect the movement of materiel in the distribution system of the future.

By FY97, DPSC should have transformed about 60 percent of its CIE items to either DVD or direct delivery (DD). While DVD ships items directly to the customer, DD shipments pass from the vendor through DPSC freight consolidation depots; hence, both avoid the receipt, storage, reissue, and re-shipment costs associated with DPSC's current depot system. Clearly, DVD/DD shipments will make the wholesale system far more responsive. Use of AAFES depots for DD shipments is also a future possibility.

Push-Pull Management Systems, Centralized Operations

Today, the Army's retail distribution system is a pull system with requirements determination and inventory management decisions performed by individual Army activities in a completely decentralized fashion. Although the Army has inventory management policies and stock replenishment algorithms in place, local CIIP, CIF, and MCSS managers routinely apply judgment to what, when, and how much to order. CIIP recruit induction forecasts vary significantly month to month. (While the automated system currently in use by the CIIPs is designed to compensate for forecast inaccuracies after the fact, items are being ordered unnecessarily early and in excess of true requirements, which needlessly obligates Army stock funds.) Frequently, CIFs managers order only what they could afford based upon the availability of OMA funds. Thus, CIFs are often forced to deliberately delay the ordering of materiel or to decide not to order at all if funds are not available

In contrast, implementing a push system Defense-wide in the long term, one tailored after those successfully used in the private sector, would offer C&T

management substantial savings opportunities. Like the private sector, such a push system would centralize requirements determination and inventory management decision making. It would also require the frequent transmission of transaction data to a central point where accurate, real-time data analysis could be performed. Requirements determinations would be calculated on the basis of current inventory levels, item turnover velocity, historical demand, and forecasting techniques. In addition, a push system would provide a uniform inventory management policy across an entire distribution system, provide current and accurate data for distribution cost minimization analysis, and offer supply operations enhancements such as the routine identification of cross-leveling opportunities among customers. In the distribution data analysis area in particular, a push system's centralized information management facilitates the identification of items in long supply system-wide and allows for tariff forecasting based upon system-wide historical demand (in conjunction with advanced predictive modeling techniques).

Today, push systems are successfully employed by large retail franchises (e.g., Wal-Mart), which centrally manage core business information, such as reported sales, tariff data, sales composition by commodity, along with fixed and variable distribution costs. The system then pushes the right amount of items to the retail sites in time to satisfy demand, while minimizing distribution cost.

While a push system offers improved management control and distribution efficiency, the dramatic changes occurring in the DoD environment question the very need for each Service to unilaterally move toward major policy and distribution system redesign. For example, the case for a push system may be premature in view of the evolving, significant policy and operational impacts of the Army Single Stock Fund, TAV, CIM, and other DMRD initiatives. Hence, these DoD efforts will be the principal factors affecting change in the policy and operational logistics arenas. Obviously, this changing DoD environment must be fully considered when the Army moves forward on any system or policy change efforts.

While it is impossible to predict with certainty just what the Army distribution system of the future will entail, we can identify many factors today which, over time, will affect its final form and function. This is an evolving process, one involving other key organizations as well, such as DLA, AAFES, DPSC, and the Services. In the short term, DLA will be developing a far more responsive wholesale system, one supporting the Services' current customer distribution systems. The key to making

the DLA wholesale system more responsive is the use of direct vendor delivery (DVD) where material is sent directly from the vendor to the customer, and direct delivery (DD) where material is often sent to the customer via centralized freight consolidation hubs. Through the strategic placement of such regional freight consolidation hubs, DD avoids second-destination transportation costs as well as the costly process of warehouses receiving, storing, picking, packing, and reshipping materiel. A freight consolidation hub is far more cost effective than a traditional warehouse because it only performs a transshipment function. While the current DLA and AAFES systems use traditional warehouse operations, DPSC will dramatically increase its use of DVD, and DLA will use three freight consolidation hubs to transship materiel. The key is to design a distribution system configuration that minimizes distribution cost while meeting customer requirements. A push system under centralized control, encompassing direct vendor deliveries and transshipments through freight consolidation hubs, will provide the optimum system framework. However, allowance menus, size tariffs, stockage levels, and stockage locations will have to be carefully configured to achieve system optimization.

No matter what form the distribution system of the future takes (i.e., no matter the degree of centralization, decentralization, Army autonomy, etc.), a central data base management system (DBMS) such as the Commodity Command Standard System will permit the application of advanced predictive modeling techniques to assist in the minimization of the distribution cost function. A single distribution authority, no matter whether it be an Army or non-Army authority, will use information resident in a central DBMS to accomplish the following:

- Continually evaluate cost and operational data, including the cost at which items are carried, item turnover velocity, and response times, to process and distribute items to the customer anywhere in the distribution system
- Apply causal modeling techniques, such as regression/analysis, which could predict future tariff size needs based upon an analysis of systemwide historical size demand data, including inter-Service demand
- Minimize retail system inventory operating levels and adopt variable safety levels.

Achieving Cost Reduction: The Paramount Goal

The future distribution system must have greater cost minimization as its principal goal and yet continue to accommodate its customer – the soldier – in a

manner equal to or better than today's system. The design and implementation of such a system must accommodate a number of variables including the following:

- Availability and responsiveness of distribution facilities
- Alternative transportation modes
- Maximum acceptable customer waiting time (an especially key variable in mathematically modeling the optimum distribution system)
- Inventory carrying and warehousing costs (e.g., receiving, picking, pulling, packing, and shipping)
- Inventory obsolescence and long supply
- Costs of procurement order processing
- Communications and data base management
- Economic order quantities (a function of the order quantity, annual demand, procurement cost, annual carrying cost, and item value)
- Inventories: size of inventory investment, number of stockage locations, number of items carried, usage variance, item grouping, ordering cycle, variable and static OST, variable-versus-fixed safety levels, and storage capacity
- Total cost minimization (inventory, transportation, and order processing costs)
- Other DMRDs and the extent to which the DMRD process will continue under the new Administration
- Facility merging possibilities for current and planned facilities [e.g., MCSS with the CIF, CIIP/CIF/MCSS under one organization, regionalized CIF support, alternative use choices for new construction facilities already planned or approved for construction (e.g., new CIFs approved for construction)].

Whether the distribution system of the future is operated by DLA, AAFES, or under contract, attention to minimization of costs, while improving efficiency and support to the soldier is central to attainment of the desired goal.

CHAPTER 5

SUMMARY

QUANTIFIABLE BENEFITS

This study has recommended a number of actions the Army can take to reduce the cost of its distribution process and has quantified potential savings that are achievable through implementation of those recommendations. In addition to the monetary savings, the study offers guidance for continued improvements. Table 5-1 is a summary of the quantifiable savings; while the next section summarizes the qualitative benefits discussed in the study.

TABLE 5-1

POTENTIAL SAVINGS FOR THE PERIOD 1993 THROUGH 1997

Category	Savings (\$ millions)	
	Stock fund	O&M
Management and control	-	9.5
Inventory reduction	5.3	30.0
Permanent issue of select OCIE	45.0	28.0
Retail distribution	--	23.5
Wholesale/retail relationship	65.3	-
Fund savings	115.6	91.0
Total savings	-	206.6

OTHER BENEFITS

The recommendations in this report would provide the following qualitative benefits in the areas cited.

Management and Control

- Provides central management and direction to the CIE distribution process
- Establishes basis for an integrated distribution system
- Advances single stock fund and DBOF concepts
- Lays foundation for additional monetary savings in the future beyond those quantified in the study.

Inventory Reduction

- Generates savings through:
 - ▶ Regionalization of contingency inventories
 - ▶ Consolidation of retail inventories and requisitioning channels for CIFs, MCSSs, CIIPs, and ANG CIPs
 - ▶ Planned use of items available now and during the time period resulting from the Army's build-down
 - ▶ Further reduction in inventories driven by reducing the OST in CONUS from 30 days to 15 days.

Permanent Issue of Select CIE

- Promotes professionalism, pride in personal ownership of CIE, and soldier readiness
- Reduces the scope and expense of CIF operations
- Saves soldiers time.

DoD Budget Implications for the Army

- Cites the possibility of DoD restoring \$221.7 million in budget authority if savings resulting from the one-time drawdown of wholesale inventory are not passed on to the Army in the form of reduced prices.

Business Practices

- Proposes local sales as a means of purging CIF inventories
- Points out the need for automation to improve operations and reduce their costs
- Outlines the need for better forecasting of initial issue requirements

- Questions the future need for the Army's Excess Redistribution Program and the role of the General Materiel Branch, ATCOM Materiel Management Directorate, in CIE distribution.

Blueprint for the Future

- Advances concepts for long-term planning of CIE distribution built around the superstore
- Lays the groundwork for continuous improvements.

We conclude this study where we began. The Army needs someone in charge of the clothing and textile distribution process. It needs to seriously examine its options. With management and control, the process improvements described in this report are possible and desirable. Both current and proposed budget reductions will demand more efficient Army operations in the future. The Army needs to substantially improve some of its support operations. Improving CIE support presents the Army with an opportunity to substantially increase its efficiency and effectiveness. We believe the adoption of the recommendations contained in this report will contribute significantly to that effort, and the savings identified will accrue from adoption of the recommendations. The efficiencies that can result will well serve the Army of the future and its most important resource — the soldier.

APPENDIX

IMPLEMENTATION PLAN

OBJECTIVE

This appendix outlines the steps, the priorities, and time frames for the implementation of the recommendations and overall objectives of this study. It is intended to offer guidance for the establishment of an integrated distribution system incorporating improved distribution techniques and innovations. DoD's future plans for distribution and its timetable for implementing those plans were considered in its development. This plan is intended as a complement to the DoD efforts, and it should help ensure that overall benefits are realized at the earliest possible date. Those benefits include reduced costs, operational efficiencies, and responsiveness.

SHORT-TERM IMPLEMENTATIONS (FY93 THROUGH FY97)

The initial step is the establishment of a single manager for clothing and individual equipment (CIE). The activity, once established, must be given the authority to carry out its mandate for central management over the distribution process. The Army CIE distribution system operates as a customer and is an adjunct process of the overall Defense Logistics Agency (DLA) distribution system. It is essential that the situation of divided responsibilities be corrected, the three present activities be consolidated, and the resulting combined activity present the desired single point of contact and promote a good provider/customer relationship with the Defense Personnel Support Center (DPSC). The combined activity must take a "systems" view of Army distribution and establish management parameters for its operation. That involves taking a holistic view of the distribution system – both the Army National Guard (ANG) and active Army components and all activities that comprise those two channels of distribution. The new activity must develop a sense and understanding of the roles of the organizations involved in the process and their relationships to one another. The management actions they face in moving toward implementation of proposals contained in this report will involve both financial and logistics decisions. The specific steps in implementing our proposals and the sequence for their accomplishment follow.

Army Materiel Command

Combine the present Program Manager-Soldier; Project Office, Clothing and Services; and Army Support Activity into a single activity. A final decision on the activity's ultimate location can be deferred at this point. The immediacy of bringing the separate activities together and gaining control over the distribution process is the priority issue.

Take the initiative to give the consolidated activity the necessary authority to act for the Army Materiel Command (AMC) on all matters relating to CIE. Its establishment must be given widespread announcement and the activity given the support it needs in dealing with the disparate agencies and organizations with whom they will become involved.

Training and Doctrine Command (TRADOC)

Formalize procedures to establish an inventory of fringe items at Fort Jackson, S.C., and discontinue stockage of the items at the other five clothing initial issue points (CIIPs).

Begin the phase-in of issuing common CIE items to incoming soldiers for the duration of their service.

Headquarters, Department of the Army

Authorize and direct that AMC assume item management of all contingency stocks located at installations, leaving service management responsibilities with the

individual major commands (MACOMs) and their installations. Once accomplished, plans must be developed and implemented for use of the stocks on a regional basis.¹

Pursue with DoD savings in price reductions and restoration of budget authority.

Review and revise the forecasting system now used for stockage at CIIPs, and should it become necessary, establish a new system to improve the accuracy of the forecasts. This action will involve the coordinated efforts of the DA Staff, TRADOC, U.S. Army Command, the newly established CIE activity, and others.

Develop policies and procedures that encourage use of the revised Defense Program for Redistribution of Assets (DEPRA) procedures recently announced by DoD.²

Establish a uniform policy permitting CIFs to sell excess and repairable items that are in demand by individual soldiers for civilian recreational use. Included in the policy should be provisions, if possible, for the installations to retain the funds from these sales.³ This will provide an incentive for the installation to purge inventories while providing a means for the reclamation of funds. As precedent, sales of personal clothing items Condition Coded B are now conducted at TRADOC installations through their MCSSs, and the ANG is authorized through its United

¹The terms *item management* and *service management* require some clarification. By item management, we refer to responsibilities for placing requisitions on the wholesale source, determining stockage levels and accountability for the items, and serving as the replenishment source. In this case, the consolidated activity will review aggregate requirements before passing them to DPSC. Service management in this report refers to the managing and safeguarding of items at inventory locations. As such, the terms are also used in the report to describe the proposed inventory relationships between the Army and Air Force Exchange Service (AAFES) military clothing sales stores (MCSSs), the CIIP, and the clothing issue facilities (CIFs). For personal clothing, the CIIP inventory control would umbrella the assets positioned in the MCSS and would serve as the replenishment source. The CIIP, under this arrangement, then has item management responsibilities, and the MCSS has responsibilities for safeguarding and selling the items, or service management responsibilities. The same designations would apply for CIF items. The CIF would have item management responsibilities and the MCSS would have service management responsibilities for CIF items stocked in the MCSS.

²Contained in DLA Memorandum, DLMSO (DLA-LM), Subject: *Revised Joint Approved MILS Change Letters (AMCLs) 42A (MILSTRIP) and 51A (MILSBILLS), Inter-Service Lateral Redistribution Program*, 6 November 1992.

³As discussed in Chapter 3, "Improved Business Practices," the Army Comptroller proposed legislation in September 1992 that would allow installations to retain funds collected from individuals as a result of admitted or assessed liability.

States Property and Fiscal Officer to "designate which individual clothing items stocked by the CIP may be sold."⁴

Proposed Combined CIE Activity

Direct principal efforts toward determining the on-hand inventories existing throughout the Army, including items in war reserves, contingency stocks, CIFs, CIIPs, and MCSSs. The objective is to gain control over the assets to enable informed decisions to be made on excess, requirements, and other disposition questions.

Revise and update the current tariff procedures. This action will involve reviewing recent experience to highlight the weaknesses and shortcomings, correcting the deficiencies, and developing methods to more accurately predict requirements for issue of new items and other requirements for retail inventories.

Review and make recommendations for changing the DA policy on stockage criteria for CIF, CIIP, and MCSS inventories. MCSS inventory today, from our observations, is based primarily on store managers' discretion with financing of the inventory through the Army Stock Fund. This effort should focus on applying workable and economic stockage criteria to the MCSS inventory pending transfer of item management to the CIFs and CIIPs. Use of a negotiated requisitioning objective between the Army and AAFES is one method that can be used. Once the combined CIE activity gains control over the CIE pipeline and actual performance data are evaluated, then a more realistic criterion can be applied to inventory authorization for ANG CIPs, CIFs, MCSSs, and CIIPs.

Design an overall CIE distribution system for the Army, incorporating the present ANG and active force distribution segments. Efforts should be directed toward developing a quantitative model of the process to provide a mathematical means for decision making. Parameters of standard guidelines applicable to all operating activities must then be established.

Consider contracting operations of the entire distribution system to the AAFES or another contractor as opposed to the present practice of leaving it to the individual installations to contract with private contractors for CIF operations on a case-by-case

⁴Army Regulation 700-84, *Issue and Sale of Personal Clothing*, page 50, paragraph 16-10, 31 January 1992.

basis, or the Army contracting, as in the case of the MCSSs, with AAFES. Under this concept, the entire process, to the extent possible, would be included in one contract.

In the interim, develop standard contracts for use by installations for contracting operations of individual CIF and CIIP activities throughout the Army. The practice of contracting for specific activities would continue until a decision is made on contracting the entire system. In connection with the development of an overall system contract, a field test would be appropriate to validate the recommendations contained in this report and other future distribution system concepts. As part of the test, AAFES should be given the opportunity to study the superstore concept and develop its estimates for establishing and running the stores and the overall distribution system. This is a logical step because of AAFES success in operating clothing sales stores, their established distribution channels, and their overall understanding of CIE. It gives the Army a basis for determining whether a commercial contract is desired or needed and whether to maintain the status quo or expand AAFES responsibilities as provided in the present agreement.

Place the MCSS inventory of personal clothing items under CIIP item management at TRADOC installations having CIIPs and place CIF items under the management of CIFs.⁵

Initiate action to update the supporting automated systems now in use and proposed for use by the CIFs and CIIPs. These initiatives should be designed to make the operations less worker-intensive. The systems should be more responsive, with improved accuracy, and capable of interfacing with DoD automation designs.

Relocate remaining elements of the proposed combined CIE activity to one geographical location to promote management efficiency and to take advantage of economies of scale.

Combine the inventories of the CIIP, MCSS, and CIF into one inventory at any installations with all three outlets. The inventories of the three outlets will then be treated as separate inventory sites and managed by one activity. Similarly, combine the inventories of the CIF and MCSS into one inventory at installations without a CIIP. The inventories of the two outlets will then be treated as separate inventory sites and managed by one activity.

⁵Establishes item management and service management responsibilities.

Capitalize the resulting consolidated inventories of the retail outlets in the Supply Management Army DBOF account, in concert with the Army Single Stock Fund.

Review the role of the General Materiel Branch of the Troop Systems Division, Materiel Management Directorate, Aviation and Troop Support Command, in the integrated distribution process, determine whether its functions duplicate those of the revised DEPRA, and recommend organizational changes based on the results of the review.

LONG-TERM IMPLEMENTATIONS (FY97 AND LATER)

Headquarters, Department of the Army

Continue to pursue authorization to allow individual installations to retain funds collected for items lost, destroyed, or damaged.

Proposed Combined CIE Activity

Further develop and extend control over the distribution process seeking to implement the concepts advanced in the blueprint of the future. This will involve further quantification of the process and introduction of advanced management techniques designed to provide a system for continuous improvement. It also involves incorporating and taking full advantage of the DoD initiatives advanced in response to DMRD 903, *Implementation of Clothing and Textile Policy Changes*.

Adjust inventory levels as DoD introduces direct delivery and quick response procedures.

Integrate the ANG CIE distribution system into the overall integrated distribution process, giving responsibility to active installations for CIE support of ANG units on a geographical basis similar to the method now used in supporting the Army Reserve.

Contract with a commercial company to operate the distribution system or give the responsibility to AAFES to manage and operate it to the extent possible. The contract or agreement would extend over all aspects to include operation over all CSSs, CIIPs, and CIFs. Contracting the operation to one contractor, instead of piecemeal contracting to a series of contractors, gives the contractor the flexibility to

make changes and optimize the overall system. The contract would contain incentives that bring continuous improvements to the distribution process.

Continue to monitor the process, improve its performance, seek additional efficiencies and cost savings, and adapt the distribution process to meet changing conditions.