



**STRATEGY
RESEARCH
PROJECT**

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**CONTRACTING OUT WHOLESALE LOGISTICS:
A SUPPLY CATALOGING CASE STUDY**

BY

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ABSTRACT

AUTHOR: Douglas J. French
TITLE: Contracting Out Wholesale Logistics: A Supply
Cataloging Case Study
FORMAT: Strategy Research Project
DATE: 17 April 1996 PAGES:24 CLASSIFICATION:Unclassified

This paper postulates that broad based, wholesale, logistics could be contracted out to a far greater extent than occurs today. It evaluates current trends both in the public and private sector towards contracting out. The *Report of the Commission on Roles and Mission of the Armed Forces* reports that a savings of 20 percent can be obtained by contracting out many of these functions. The Defense Logistics Agency, the predominant wholesale logistician, is reviewing its business areas to identify contracting out opportunities. One such area is the Federal Catalog System (FCS). Large portions of the FCS could be contracted out without adverse impact to the soldier in the field.

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INTRODUCTION

There are many budgetary pressures at work today in the Federal Government. Now, more than ever, there is much competition over how to stretch a finite number of tax dollars. One area receiving serious consideration is privatization. Many of today's elected officials have entered office with the promise that they can clean up government, end inefficiency, and provide the same or greater level of services while reducing cost. Contracting out is perceived as being the means to that end and the public is supportive of the trend. Significant inroads have already been made in select areas. For example, more than 95 percent of all transportation of supplies is contracted out, 100 percent of hazardous material disposal, and 100 percent of precious metals recovery.¹ A portion of the Republican Congress's "Contract With America," is to look in every corner of the Government to identify business areas presently being performed by Government employees that could be more easily and economically provided by the private sector. The effort, though, is bi partisan. Vice President Gore, as part of his National Performance Review, is also in search of privatization opportunities.² In addition, a 1988 Commission, formed by President Reagan, reported that 750,000 positions, 450,000 of which are in the Department of Defense (DoD), could be replaced by the private sector.³

During all budget debates on how dollars are best used, Defense is a predominant player. Consuming 44% of the discretionary budget,⁴ it becomes an obvious target when dollars need to be cut. It is incumbent on the DoD to preserve an effective fighting force at the absolute minimum cost. There is, and will continue to be, a great debate over what constitutes an, "effective" fighting force at a time when "efficient" (from a dollars used point of view) seemingly is a much more popular adjective, at least within the Administration and on the Hill. In the end, "effective and efficient" must be delicately balanced between acceptable security risk and the nondefense demand for available tax dollars.

THESIS

A microcosm of this larger struggle is the cost of logistics support for our fighting forces. Historically, U.S. forces have prevailed because the U.S. industrial base enables us to feed, equip and otherwise sustain combatants in the field at a higher operational level and for longer periods than the enemy. But, many perceive our logistics "tail" to be far too large and expensive, making it the target of defense reductions without any decay to our warfighting "teeth." Typically, we purchase manufactured goods (both end items and spare parts) from the industrial base and then store, maintain, and transport these goods within an internal, defense logistics infrastructure. The

question at this point in history is whether we can continue to afford this internal infrastructure.

The continued need for defense logistics at some level is evident, but the question is how best should it be provided? Defense purchases have been reduced 60 percent since 1985, with a significant negative impact on the defense industrial base.⁵ Should we not "privatize, contract out, or outsource" much of our internal logistics infrastructure to this industrial base, thus utilizing its available capacity, while at the same time greatly reducing our fixed, noncombatant "overhead," of both military and DoD civilians?

At the broadest, wholesale levels, most logistics should be accomplished on a contract basis with some mix of contract and federal civilian/military workers as one moves closer to the final customer at the tactical level. This workforce mix between contractors and federal workers would be subject to being increased or decreased as the situation (and funding) dictate.

DEFINITION OF TERMS

- Logistics - The science of planning and carrying out the movement and maintenance of forces. In its most comprehensive sense, those aspects of military operations which deal with: a. design and development, acquisition, storage, movement, distribution, maintenance, evacuation and disposition of materiel; b. movement, evacuation, and hospitalization of personnel; c. acquisition or construction, maintenance, operation, and disposition of facilities; and d. acquisition or furnishing of services.⁶

- Privatization - The complete divorce of government from a business or service altogether. Whether to provide the service at all, how the service will be financed, and how the service will be provided and managed will be decided by the private sector. Individual citizens and businesses contract directly with private service providers, e.g., commercial garbage collection.⁷
- Contracting Out - The performance of a public service, determined and administered by a public body (city, state, federal) and paid for by a tax or governmental levy but performed by private contractors, not public employees.⁸
- Outsourcing - Contracting with a private firm to supply goods and services previously provided "in-house."⁹

Only the a. portion of the logistics definition above will be considered in this document. Also, the current literature, both government and private, uses "privatization" as an all encompassing label covering any aspect of a product or service once provided by a civil servant and now (or being proposed to be) provided by a private contractor. This paper will only address the issue of "contracting out" or "outsourcing," where the government recognizes its responsibility to provide the product or service but either has or is considering having that service done privately. For the purposes of this discussion, contracting out and outsourcing are considered synonyms. In some cases, source data for this paper discussed "privatization," but within the context of that data it is clear the author was discussing "contracting out" and it is written as such herein.

OMB CIRCULAR A-76

The overriding contracting out policy document in the federal sector is Office of Management and Budget (OMB) Circular A-76, *Policies for Acquiring Commercial or Industrial Products and Services Needed by the Government*, commonly known simply as A-76.¹⁰ Originally issued in 1966, it underwent revision with a series of supplements and transmittal memorandums, but has been basically unchanged since 1983.¹¹ The Background section of A-76 states the case quite eloquently:

"In a democratic free enterprise economic system, the Government should not compete with its citizens. The private enterprise system, characterized by individual freedom and initiative is the primary source of national economic strength. In recognition of this principle, it has been and continues to be the general economic policy of the Government to rely on competitive private enterprise to supply the products and services it needs."¹²

There are three basic principles:

- Reliance on the private sector for goods and services
- Certain functions are inherently governmental and must be performed by the Government
- Relative cost must be considered when distinguishing in house versus private performance of functions¹³

While these principles read quite clearly, their general nature has resulted in much consternation over the years when it comes to actual implementation of A-76. For example, what is "inherently governmental" and what costs are really "relative"?

The definitions provided by A-76 are very broad and subject to much interpretation. The result has been minor A-76 activity when compared to the universe of functions that could be considered.

While the federal government has had the policy (A-76) in place for many years to contract out, actions have taken place at a measured pace and with little fanfare. The implementation of A-76 has generally proven cost effective. A 1985 General Accounting Office (GAO) report cited twenty functions that had been contracted out through A-76. Seventeen of these functions yielded cost savings, two did not, and in one a determination could not be made. It should be noted that only five of the seventeen functions showing savings achieved the savings levels projected in the original cost study.¹⁴ There have also been challenges over which costs should be included/excluded and what functions are inherently governmental. Another aspect of the cost equation is the method of contracting, i.e., firm fixed price, cost plus fixed fee, etc. The contracting method was found to have a great impact on the desirability of contracting a function out. In the case of the Jacksonville Naval Air Station public works functions, the local union appealed the award of the contract over the in house bid. A GAO investigation concluded that in fact, the cost analysis may be flawed and the Government may actually lose money by contracting out.¹⁵ The point to be taken here is that while the intent of A-76 is sound and the

results of A-76 implementation seem to be favorable, the quantitative results of A-76 have been less than an overwhelming success.

In 1995, the GAO gave testimony before the Committee on Government Reform and Oversight, House of Representatives on the Federal Contracting-Out Program. The emphasis was on the A-76 program and the difficulties and impediments associated with its implementation. Managers generally accepted the intent of A-76 to promote efficiencies and cost savings, but they also said that the program is time consuming, difficult to implement, disruptive, and threatening to both managers and employees.¹⁶ Managers are further concerned that they are most often required to conduct detailed work statements and analyses, a task for which they are frequently unqualified, and which must be accomplished as an additional duty for which they have no time.

Among completed studies whose recommendations have been implemented, the GAO has found it very difficult to conclusively determine if the results projected equalled the results achieved. This is because most business activities do not remain static over time.

In recent years the number of A-76 studies has dropped dramatically. In Fiscal Year (FY) 87 over 1,200 studies were in process within the Department of Defense (DoD). In FY 91 there

were 115. The difference was the result of language in the FY 91 DoD Appropriations Act that required all studies to be completed within two years of initiation. At that time the average study was taking four to five years.¹⁷ Seemingly, DoD concluded that studies could not be done within two years so it choose not to do further studies. Also, by this time the political pressure to pursue A-76 was on the wane. One should not conclude that DoD is not interested in contracting out; quite the contrary is true.

Today, while formal A-76 studies are not being aggressively pursued, there is no shortage of contracting out, especially within DoD. A-76 establishes the Government's preference for having functions performed by the commercial sector vice the Government. Supplements to A-76 provide guidelines on the conduct of an "A-76 study" to compare the contracted versus in house alternative. But since the late 1980s, as functions within the Department have been downsized and vacant positions have been eliminated, one increasingly discovers that there is not sufficient manpower to support functions ancillary to the warfighter. Contracting out has become a primary option for a multitude of logistics related areas, especially in technical or current technology functions such as software development, equipment maintenance, publication production and a multitude of other areas.

REPORT OF THE COMMISSION ON ROLES AND MISSIONS OF THE ARMED FORCES (CORM)

Chapter 3 of the report, issued May 24, 1995, made innovative recommendations regarding the outsourcing of commercial activities. The Commission recommended that any commercial activity presently being performed "in house" be transferred to performance by contractor personnel as soon as possible. Because of greater efficiency of the private sector, a 20 percent savings, \$3 billion per year, over current operations could be expected.¹⁸ These funds would be of great use for maintaining a Research and Development effort and equipment modernization during the next decade.

The report also offered insight on the philosophy of the outsourcing process. Most people feel that contracting out or outsourcing is not beneficial in and of itself. It is the competition that the process engenders that has the importance in saving dollars. Many instances have been cited, especially at the state/local level, where when confronted with competition, the public service provider was able to significantly reduce his costs and retain the function.¹⁹ OMB Circular A-76 is based on a comparison between what the cost is to perform the function "in house" versus by a private provider. The Commission believes that commercial activities inherently should be performed by the private sector and any legislation or regulation that permits a competition between public and private sector should be repealed:

They formally recommended the withdrawal of OMB Circular A-76 and the repeal or amendment of any legislative restrictions on the use of the commercial sector.²⁰

The report addressed Materiel Supply Management as an area ripe for outsourcing. It cites statistics of "world class suppliers" who provide 48 hour delivery with 98 percent reliability and the use of 25 percent less inventory than the DoD. These delivery times compare very favorably with the average eleven day delivery time for high priority DoD requisitions. Having cited the above examples, the CORM specifically suggests cataloging activities, inventory management activities and warehouses be transitioned to the private sector for operation and eventual ownership.²¹

LOGISTICS OUTSOURCING AT DEFENSE LOGISTICS AGENCY

The Defense Logistics Agency (DLA) provides a broad range of common support services to the military services. As a member of DLA, this author was a primary provider of logistics/supply information for the military services, civilian agencies, and foreign governments. Research for this paper has shown that financial constraints and the need to provide existing and improved services without cost increases is what drives contracting out. What is happening in other federal activities, in states, and at the local level replicates the DLA experience.

DLA, as with all public service providers, is striving to make business process improvements that minimize their burden on the public tax dollar while maximizing their support to the customer. In a private enterprise, profitability is a straightforward proposition; one must sell more than one spends. Therefore, as business demonstrated during the early 1990s economic downturn, it is possible to be profitable not by increasing sales but by reducing costs. This is at the heart of contracting out. If it is more cost effective to hire someone to perform a service than it is to do it internally, one should contract out. This applies to both the private and public sector. DLA, as with all bureaucracies, was an unwilling participant to the contracting out process. Publicly, the workers, and more privately, the management, viewed the proposition as an attack on the "institution".

This protective attitude did not change until everyone began to realize that unless overhead costs could be significantly lowered, DLA would not be the provider of choice to its customers. Employee levels were reduced through personnel freezes, with the resultant organizational inefficiencies, but the demand for service to the customer was not. The answer was to contract out. A-76 has largely become a non issue because there is no in house/out house choice. Personnel ceilings have eliminated the in house alternative. This author believes the DLA experience is typical of what is happening every day at the

federal, state, and local level.

An example of the innovations being considered at DLA to deal with the personnel shortfalls is the "virtual corporation".²² Organizationally, the virtual corporation is the ultimate in "outside the box" thinking; it has only one member, the owner. He contracts out everything; secretarial support, accounting, design, production, shipping, etc. The example may be extreme, but it is the direction private industry is moving to be more competitive and flexible within the marketplace.

Wisconsin Energy Corporation, a Milwaukee based utility, is giving serious consideration to the use of outsiders to increase productivity while reducing costs. They have identified sixteen business processes for possible outsourcing. The general feeling, both at Wisconsin Energy and other companies, is that in areas where information technology plays a big role, vendors are the best providers.²³

Bill Gates, a pioneer in information technology, and the founder of Microsoft, Inc., takes the same view. He believes that future companies will be far smaller than today because the information highway will make it easier to find and work with other companies. "Big is not necessarily good when it comes to business."²⁴ He built Microsoft on the premise that he would partner with industry leaders to accomplish specific projects. Microsoft would focus on a very narrow slice of the information

technology business to be profitable.²⁵ In other words, do only what you can do best. Others expand this to include all but one's core competencies. The concept carries over to the public sector but the equation is somewhat different. Our role is not to maximize profit, but to be "efficient" with our business processes. As such, any business activity with a robust private industrial capability could be considered for outsourcing. Public bureaucracies do not need to do everything, they just need to ensure everything gets done. The word government comes from a greek word meaning, "to steer".²⁶ Government needs to steer the boat, not row it. It was created to provide policy and oversight, not products.

The DLA version of "steering rather than rowing" is best summarized in a presentation to the Council of Logistics Management by RADM Bob Chamberlin, DLA's Associate Director of Materiel Management.²⁷ Despite the CORM recommendations that outsourcing is inherently beneficial, DLA is pursuing outsourcing as part of an integrated strategy of business process improvements that must produce real savings and have real value to DoD. Certainly, DLA sees outsourcing as a significant tool in changing business processes and have not been reluctant to use it. The philosophy is to outsource when the commercial sector is better, faster, cheaper and doesn't impart any additional risk to the warfighter.²⁸ DLA's intent is not to have unique processes, but to fit into the commercial logistics stream to the maximum

extent possible.

Some successes have been realized. To improve response time and reduce storage/handling costs, DLA has initiated direct vendor delivery for many items. Under this arrangement, DLA refers a customer order to a vendor already under contract, who delivers directly to the customer. Almost a third of DLA sales (\$1.4B) are under this program with a goal of 50 percent by FY 99. A more specialized version of direct delivery is the DLA Prime Vendor program. Under Prime Vendor, customers order directly from pre established DLA vendors for direct delivery to the customer. This program has been extremely successful in areas such as medical supplies where inventory levels have been reduced 61 percent since 1991.²⁹ In both instances, increased reliance on the private sector has paid the DoD good benefits in terms of more responsive support and lower prices.

SUPPLY CATALOGING CASE STUDY

Supply cataloging provides an illustrative study of a defense non-warfighting function currently being considered for outsourcing. It was cited in the CORM report as an activity whose, "Operation and eventual ownership . . . should be shifted to the private sector. . ." ³⁰ The function has its origins in the *Defense Cataloging and Standardization Act of 1952* (P.L. 82-436) which created a system to, ". . . name, describe, classify

and number each item recurrently used, bought, stocked or distributed by the DoD, so that only one distinctive combination of letters or numerals identifies the same item throughout the DoD."³¹ The cataloging program is important from two main aspects. As intended by the original legislation, it provides sufficient data to distinguish one item from another and thus preclude item duplication. It is best recognized as the program that provides the National Stock Number (NSN), the thirteen digit number that serves as the common supply language to all that consume or manage items in the DoD secondary item inventory. There are currently over six million active NSNs in the supply system. The stock numbering system has also been adopted by our NATO partners and many other friendly foreign governments. Each Service and the Defense Logistics Agency performs the cataloging function in one or more geographical locations, most often at Inventory Control Points.

The supply cataloging function is composed of thirteen parts as follows:

- Item Name Assignment
- Federal Supply Class Determination
- Item Identification Preparation and Maintenance
- Item Entry Control
- Technical Data Validation
- Provisioning Support
- Data Recordation and Maintenance
- Cataloging Tools
- Item Management Coding
- Supply Support Request Processing
- Data Dissemination
- Cataloging Policy
- Cataloging Procedures and Systems³²

Complete definitions for these functions are in the Appendix. The exact number of persons performing these functions is not known because as downsizing has taken place throughout the 1990s, jobs have been reengineered to contain more than one specialty, e.g., provisioning and cataloging. It is estimated that the number DoD wide is between 1,200 and 2,200.³³ Cataloging has implications for item users throughout an item's life cycle since it is intended as a comprehensive record of what the item is, its commercial sources, its cost, and storage location. The preponderance of the cataloging work (roughly nine of the thirteen functions above) is performed at the time the item is initially purchased by the Government and the cataloging record originally created.

As with many logistics functions, while important, cataloging has little glamour. During the DoD search for efficiencies; cataloging has been considered for consolidation, merger with other "item introduction" functions, or for some categories of items, outright abolition. In May 1995, shortly before the CORM report was issued, the Air Force made a proposal to consolidate all DoD cataloging under its management in Battle Creek, Michigan. The efficiencies of a single, consolidated activity were cited. This proposal is essentially a repeat of a proposal that was made in a 1990 study of the cataloging function by the Office of the Secretary of Defense.³⁴

At that time, it was determined that greater savings would be achieved by streamlining and potentially merging front end logistics processes, such as cataloging and provisioning, versus maximizing the efficiencies of single, stand-alone processes. There was then, and continues to be today, a lack of agreement about what cataloging should be in today's defense establishment. In DLA, there are serious discussions taking place about whether cataloging is even necessary, especially for items readily commercially available. The suggestion is that where weapon system configuration control is not an issue and the items can be bought directly from the manufacturer more quickly than through the central supply system, an NSN provides no added value.

To address these divergent proposals, a Cataloging Reengineering team was created, chaired by the Defense Logistics Agency (DLA), as the Federal Catalog Administrator. After the issuance of the CORM report, the team began to jointly consider the extent to which the cataloging could be outsourced. The cataloging outsourcing decision is greatly complicated by a lack of unanimity about what components comprise cataloging and how best the DoD should be structured to accomplish it. The team is composed of the cataloging community with representation from all Services, DLA, and some civil agencies. They identified six of the thirteen functions described above which, potentially, could be outsourced for some commodities.³⁵ Certainly, no group could be assembled that is more knowledgeable of the cataloging

process. By dissecting the cataloging function into its thirteen components and suggesting that some of those components may be contracted out, the result is such a small slice of work that it would not be practical to contract it. The intimate knowledge the group has of the function, and the professional pride they associate with it, makes it difficult for them to step back and look at the "big picture" about how the function might better be performed, or if the function is still even needed.

What might be more productive would be to leverage from work the Navy has done, and to some extent the Army, in merging "stovepipe" logistics functions into seamless logistics processes and consider the outsourcing of those processes. Specifically, both Navy and Army have done much to combine the provisioning and cataloging functions into a single item introduction function.³⁶ Historically, there has been much overlap between the two and the DoD downsizing has forced the consolidation of functions into a single technical expert. The Joint Logistics Services Center in Dayton, Ohio has embraced this concept in their design of the Material Management Standard System (MMSS). The MMSS is intended as a single, DoD replacement for the five unique Service/DLA wholesale materiel management systems.³⁷ Whether that initiative will succeed could be the subject of another study, but the MMSS design contains a module whereby provisioning and cataloging are combined into a single Item Introduction function.

A single Item Introduction function is the correct approach. Most logistics processes were developed in a paper intensive environment where actions moved sequentially from one desk to another. This no longer need be the case. Aided by information technology, the forte of private industry, many actions can now occur concurrently at a single workstation where data can be reviewed and acted upon once rather than passed on to others for action. This is the essence of reengineering. What we ought to be considering is whether Item Introduction, or eventually even a broader area such as Item Management, can be contracted out. The need for strategic thought about this problem is exactly what makes the cataloging community ill suited for the task at hand. Their thought process is tactically oriented toward the profession of cataloging; not how best logistics is accomplished or what the implication is to the ultimate customer, a soldier carrying the rifle. As a profession, catalogers tend to orient themselves toward data integrity and the preclusion of duplicate items, i.e., the same item of supply under two or more NSNs. Certainly the taxpayer reaps benefit from this preclusion. Historically, we have felt the private sector ill suited to this role because the weapon system contractor has an incentive to foster duplication, not preclude it. The more items the Government thinks it needs, the more total dollars it will spend. This does not have to be the case. And frankly, our ultimate customer, the soldier in the field, is not interested in duplication or in who actually obtained a stock number. He just

knows that if he needs an item an NSN will help him get it faster.

These facts notwithstanding, duplication prevention remains a worthwhile endeavor. Duplicates clog the logistics infrastructure by requiring multiple buys instead of one, multiple stockage locations, redundant safety stocks, multiple requisitions and multiple or redundant everything associated with a supply item. In a 1990 DLA study, it was estimated that it costs the "system" about \$2,283 to retain an item over its useful life.³⁸ If duplication prevention ceased to be a goal of the catalog system, potentially, over 100,000 unneeded items could be added per year at a cost of over \$228 million.

CONCLUSIONS

Government at all levels has benefited from the competition engendered by outsourcing any number of Government functions. Many years ago, OMB Circular A-76 established Federal policy for maximum use of the private sector. The downsizing of defense has forced a greater use of the private sector. And, as the Committee on Roles and Missions suggests, a great many logistics functions could be contracted out that are presently being performed internal to the Department of Defense. Hundreds of authorities, both inside and outside of Government, believe that greater efficiencies can be achieved more readily by the private

than public sector. All indicators point in but one direction, make government smaller. By and large we are answering that call, but the opportune time for still greater innovation is at hand.

As a community, the Department of Defense has always been reluctant to innovate in the logistics area for fear of the potentially negative impact a new approach may have on "readiness." One must presuppose that that reluctance was based on a true professional concern and not just an unstated desire to maintain the status quo. But at no time in the last 70 years has there been less military threat to vital U.S. national interests as today. Certainly while readiness is important to every battlefield commander, now is the ideal time to test new logistics innovations, including contracting out. Should an innovation fail and reduced readiness result, the consequences would be minimized by virtue of the fact that we face no imminent threat. No time is better than the present to focus on reducing infrastructure/logistics costs.

More appropriately, the issue is not so much one of contracting out as it is of competition. The literature reiterated time and again that contracting out is not what drives down cost, it is the competition engendered by the contracting out process. It makes everyone, both public and private, sharpen their pencil to do a more efficient, cost effective job. In

fact, if there is no expectation that competition exists; i.e., at least one private entity interested in performing the service currently being done publicly, the service should not be a candidate for contracting out. It is possible that in some instances the competitive process will result in existing public workers streamlining their business processes or actually creating new capabilities so as to win the contract.

As contracting out pertains to logistics, public managers should aggressively pursue all opportunities that exist. At the wholesale level, there is virtually no area that should not at least be considered. Federal managers would effectively become Program Managers and Contract Managers much as is done today in weapon system acquisitions.

Supply cataloging, as an illustrative case in point, has great potential for contracting out. It should be combined with the provisioning process and contracted out under the banner of Item Introduction, i.e., those processes necessary to introduce a new, secondary item into the DoD supply catalog. It is suggested that the outsourcing of this function should be undertaken incrementally by major commodity groups. Commercial type items would pose the least risk from a weapon system point of view and efforts should begin there. Care needs to be taken in the creation and administration of a contract to ensure that a contractor is rewarded for the quality of the work performed, not

just the quantity. As this applies to item introduction, the contractor must be expected to preclude duplication, not just assign NSNs.

One also needs to consider who within the government evaluates the contracting out decision. In the case of supply cataloging and most others that have been observed, it is the owners of the process that do the evaluation. These persons may be great Americans, but they are unable to objectively look at their jobs and make an unbiased recommendation when it could negatively impact their profession and personal livelihood. Ideally, persons familiar with, but not personally working in, a functional area should conduct the analysis. It must be recognized however, that finding persons meeting the above requirements is much easier said than done.

In summary, the DoD should strive to achieve, to the maximum extent possible, a logistics system operated by competitively selected commercial companies. Savings from these efficiencies and other logistics innovations should be passed to the warfighter to maximize his effectiveness. We can never lose sight of the fact that we maintain a defense establishment to fight and win the nation's wars. All too frequently, logisticians behave as though logistics is an end in and of itself and lose sight of the warrior that the logistics system was designed to support. Logistics savings and a recognition of

where those savings should be applied, will yield a military force that can be both effective on the battlefield and efficient in the conduct of its business practices.

RECOMMENDATIONS

As recommended by the Commission on Roles and Missions, maintain focus to contract out a broad array of logistics functions. This includes depot level equipment maintenance and selected supply management functions.

With regard to the supply cataloging case study, merge provisioning and cataloging into a single item introduction function and contract it out. Ensure that the contractor is incentivized to not only provide NSNs on a timely basis, but that emphasis is maintained on the preclusion of duplication. Duplication prevention was the original intent of the legislation presently in effect. Efforts should begin with non weapon system, DLA managed items that are readily available in the commercial sector. Maintenance of an item's data record should be retained as an item management function.

Efficiencies, in terms of dollar savings, resulting from logistics streamlining should be used to improve the effectiveness of the field combatants.

APPENDIX

1. Item Name Assignment. The designation of a commonly recognized noun or noun phrase to an item of supply that answers the question, "What is it?" Based upon subsequently available technical data and ongoing tool development, an item name may be refined later.
2. Federal Supply Class (FSC) Determination. The categorization of an item of supply which establishes its relationship with other items based on assigned item name and/or characteristics. Federal Supply Classification, like item name assignment, may be refined later based upon available technical data and ongoing tool development.
3. Item Identification (II) Preparation and Maintenance (PICA only). The recording of characteristic data (i.e., words, numbers, and/or codes) to describe the physical and functional attributes of an item of supply. Proper II is contingent upon accurate item name assignment and Federal Supply Classification.
4. Item Entry Control. A filtering process which scrutinizes potential candidates for inclusion in the federal catalog. This is accomplished by manually and mechanically comparing candidates to existing items and recognized standards.
5. Technical Data Validation. The process by which the quality of technical data is confirmed for proposed item name assignment, Federal Supply Class determination, item entry control, and item identification.
6. Provisioning Support. Those actions taken to facilitate the best selection, procurement, and cataloging of items of supply required to sustain weapon systems and other government requirements (e.g., data calls; provisioning; guidance and Logistics Support Analysis (LSA) conferences; technical data validation; etc.).
7. Data Recordation and Maintenance. Those actions necessary to ensure complete, accurate, and current logistics data records (excluding item characteristics data) for an item of supply. Such actions are normally accomplished as a result of item manager requests, system incompatibility notices, tech data revisions, interchangeability and substitutability decisions, and periodic record review. Defense Inactive Item Program (DIIP), DoD Interchangeability and Substitutability (I&S), Item Reduction Study decisions, major item maintenance, Catalog Management Data, Logistics Reassignments, etc. are representative of this

function.

8. Cataloging Tools. The process of initiating and enhancing documents and procedures required to research, record, and organize item logistics information. Tools include item names, definitions, and Federal Supply Classification structure, as well as Federal Item Identification Guides (FIIGs), Logistics Name Descriptive Guides (LNDGs), and other publications. Tool development is directed by established principles, yet driven by technological advancements.

9. Item Management Coding (IMC). The process of determining whether items of supply qualify for management by the military services, rather than by DLA or GSA, in accordance with Dodo 4140.26-M.

10. Supply Support Request (SSR) Processing. A request by a Service to be made a user of a consumable item managed by another Service or Agency. Included in this process are the cataloging actions which record user interest, assign management data, review/accept substitutes offered.

11. Data Dissemination. All those events and products which provide logistical information to those customers who need it at every level of the supply system. These include: access to primary data systems; microfiche, hard copy, and compact disc products based on those systems; telephonic information and written communication transmitted by various means.

12. Cataloging Policy. A body of general principles governing the relationships of all cataloging elements/functions to each other as well as to other logistics disciplines. DoD components policies further explain and tailor these guidelines based on special needs; e.g., combat mission requirements, environment, safety of flight/float, supply lines, etc.

13. Cataloging Procedures and Systems. Those rules and processes by which cataloging policies are implemented. These include written directives, manual methods, and automated information systems in various combinations.

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18. John White, 3-2.
19. Nancy Hass, "Philadelphia Freedom," Financial World 162, no. 16 (August 3, 1993): 37.
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