

**SUPPLY PROPONENT:
Transforming the Logistical System to Meet the
Demands of the Customers**



**Vice Admiral Alan S. Thompson
Director, Defense Logistics Agency**

By Jeff McKaughan
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Vice Admiral Alan S. Thompson became director of the Defense Logistics Agency in November 2008. He is responsible for providing the Army, Navy, Air Force, Marine Corps and other federal agencies with a variety of logistics, acquisition and technical services in peace and war. These services include logistics information, materiel management, procurement, warehousing and distribution of spare parts, food, clothing, medical supplies and fuel, reutilization of surplus military materiel and document automation and production. This worldwide mission is performed by approximately 21,000 civilian and military personnel.

Thompson graduated with a Bachelor of Arts in economics from UCLA, where he received his commission through the Naval ROTC program in 1976. He also earned a Master of Business Administration from the University of Florida and completed the Columbia University Graduate School of Business Senior Executive Program.

Thompson has served in a variety of key leadership positions afloat and ashore. At sea, he served as assistant supply officer, USS David R. Ray (DD 971); supply officer, USS Chandler (DDG 996); and supply officer, USS Dwight D. Eisenhower (CVN 69). Ashore,

he has served at the Naval Supply Systems Command, the former Naval Aviation Supply Office, Philadelphia; commander, Naval Air Force, U.S. Pacific Fleet; Naval Air Station, Miramar; and the Office of the Chief of Naval Operations (CNO). He was the commanding officer, Fleet and Industrial Supply Center Norfolk, and a CNO fellow on the CNO Strategic Studies Group. Thompson's flag assignments included duty as commander, Defense Supply Center Columbus, Defense Logistics Agency; director, Supply, Ordnance and Logistics Operations Division (N41), Office of the CNO; commander, Naval Supply Systems Command; and chief of Supply Corps.

Thompson's personal awards include the Distinguished Service Medal, Defense Superior Service Medal, three Legions of Merit, four Meritorious Service Medals, two Navy Commendation Medals, the Navy Achievement Medal, and a number of unit and campaign awards. He is a qualified naval aviation supply officer and surface warfare supply corps officer. Thompson is also a member of the Department of the Navy Acquisition Corps.

Admiral Thompson was interviewed by MLF Editor Jeff McKaughan.

Q: Could we start with a brief overview of DLA's structure, size and scope?

A: First, I want to thank Military Logistics Forum for the opportunity to tell its readers about DLA's global mission and how we're supporting the military services and warfighters. DLA has a great team of very professional logisticians, and I would put them up against any private sector or government work force anywhere.

DLA is the Department of Defense's combat logistics support agency, providing a wide variety of logistics products and services to the armed forces. We support about 1,600 weapon systems. We manage eight supply chains from fuel to medical supplies; subsistence; clothing and textile; construction; and land, aviation and maritime spare parts support. We operate 25 worldwide distribution depots, and are responsible for the receipt, storage, issue, packing and distribution of nearly four million national stock number items.

Other services include the responsibility for processing materiel for reuse within the military, transfer to non-DoD agencies or disposal of materiel no longer needed. We manage the country's stockpile of strategic raw materials through the Defense National Stockpile Center. We also play a lead role in logistics technical information management, and document automation and production. Our 23,000 people operate in 48 states and 28 countries. We're a large, complex, \$35 billion global logistics service enterprise.

Q: How does DLA compare today to a year ago?

A: Our focus from last year to this year has changed to supporting the responsible drawdown in Iraq and the plus-up of forces in Afghanistan. DLA is heavily engaged in both. In Iraq, it's largely getting the materiel and logistics support right for the repositioning of forces to the enduring bases and dealing with the large surge in the reutilization requirement—the turn in of unneeded items and materiel, including hazardous waste.

In Afghanistan, our role to date has been providing all the materiel needed to build the operating bases for the increased force, so it's heavy on bringing in construction materiel, as well as increasing the stocks of sustainment materiel to support the force. We have been building up fuel inventories, subsistence and medical supplies. We have been working with U.S. Central Command and U.S. Forces Afghanistan on an equipment support plan and the positioning of certain hardware at a number of locations in country.

Right now, it's about building the base camps and building the sustainment for the increase of forces and their equipment. We're moving materiel over predominately dirt roads of several hundred miles through high mountain peaks and under intermittent insurgent attack. It's a big challenge, and we work closely with CENTCOM and U.S. Transportation Command. We're also very involved in opening the ground supply lines into Afghanistan from the north through the northern distribution network [NDN]. More than 80 percent of the materiel flowing through that rail network is DLA materiel. DLA is driving the flow of materiel through the NDN, but it's been a collaborative effort with U.S. Transportation Command.

Q: Do you determine if the supplies go through the northern route or through Karachi, Pakistan, using the southern route? Is that a decision you have influence on and participate in?

A: Absolutely, but it is a collaborative process with TRANSCOM. We have a large distribution center in Germany and much of the materiel comes from there. We'll also be supplementing it with materiel coming through a series of DLA prime vendor contracts. It's early in the life cycle of the NDN, but we now have a major volume of materiel going through.

Q: At this early stage in the build-up in Afghanistan, can you talk about your predictive models? Are they still being developed, or can you use them as they are?

A: Our predictive models are fairly precise for the commodities. For fuel, we know the lay down of aircraft, which tends to drive fuel consumption. We also know the ground vehicles going in country. Based on a few assumptions on the number of operating hours, I think we can be fairly precise on the required fuel levels. But we have some insurance built in to cover the uncertainties in the ground supply routes that go through Pakistan should those routes become disrupted. As far as construction materiel, that is a little bit of a bubble because most of the construction materiel is going to building the base camps. Once they're built, the sustainment of construction materiel will be substantially less.

Part of the motivation for establishing the NDN is twofold: one, we need additional capacity, and two, we need insurance that should those other routes be disrupted we can continue to sustain the force on the ground. Once you increase the force, you certainly don't want to sustain it by airlift.

Q: Switching gears a bit, as far as the national industrial base, how is DLA using suppliers to get materiel from there to the user and warfighter?

A: There are several dimensions to that question. First, we contract with a significant number of small businesses, and they are a vital part of our supplier base. Beyond that, we have strategic supplier alliances with different companies. We also have a number of prime vendor contracts to provide some flexibility, particularly in troop support—subsistence,

medical and construction. Using prime vendors helps in the responsiveness, and they do very well supporting the warfighter forward. We're not having any real show stoppers. There is always an individual item or so, but for the most part, our ability to support and sustain the force is as good as it's ever been in our history. One thing we're doing with both our suppliers and customers is collaborating more closely on supply and demand.

This helps us keep the supplier base better informed on what military customers will be buying, when and in what quantities. That helps reduce risk for our suppliers because they have better visibility of what potential business is ahead and can adjust accordingly. Through collaboration with suppliers and customers, we can smooth demand and minimize the peaks and valleys.

Q: Many industrial suppliers are putting people out in the field closer to the front than probably they've ever been. Does that create difficulties or opportunities for DLA, or is it just the way business is going to be done?

A: I think it's the way business is going to be done, and frankly, it's the way DLA has been operating. For a number of years, DLA has had a substantial number of DLA representatives embedded with our customers. We have teams on the ground forward in Iraq, Afghanistan and throughout the Middle East to help our customers with the full spectrum of DLA support. You would be hard pressed not to find a DLA presence at any major operating base in Iraq and Afghanistan. It helps us to be much more effective in the support we're providing.

Getting us closer to our customers is also enabled by BRAC [2005 Base Realignment and Closure] where we're taking over the supply, storage and distribution function for depot maintenance from the services. Also as part of BRAC, the procurement of depot level reparables has allowed us a much larger presence with the service components. Both of these changes give us a better awareness of what is going to be needed and allows us to be more responsive.

Q: When you became director, you identified four focus areas that you placed a great deal of importance on: warfighter support enhancements, stewardship improvements, business process

refinements and work force development. Please share what each means and your plans to get there. Let's start with warfighter support enhancements.

A: When I returned to the agency in November, I wanted a way to capture our overarching strategic focus. Before I became director, I met with DLA's senior leadership, and we contacted more than 50 of our military customers to get a sense of how satisfied or dissatisfied they were with DLA's support. There were some areas to improve, but in general, most of the major stakeholders were satisfied with what DLA was doing. Together with DLA's senior leaders, we put together our 2009 Director's Guidance to capture the initiatives that would take DLA to the next level, building on the good work that was done over the last several years.

With respect to warfighter support enhancements, the initiatives are principally focused on support for the plus-up of forces in Afghanistan and the responsible drawdown of forces in Iraq. I think we're doing well in both areas; [there are] huge challenges but we're making good headway. An example is with the 13,000 relocatable buildings we're procuring to house the troop surge in Afghanistan. We're working daily with CENTCOM, smoothing any customs-related issues and ensuring that all of the support equipment, like electric and plumbing, arrives together to make it easier for people in country.

Q: Let's talk about stewardship enhancements.

A: The warfighter support enhancements are about effectiveness. Stewardship improvements are about efficiency. Ultimately, we exist to support the warfighter, but Congress and the American public expect us to be good stewards. The American taxpayer shouldn't have to spend a penny more on logistics support than is needed.

We're doing a comprehensive scan of all of our operations and looking for opportunities to reduce costs and streamline processes. We implemented an Enterprise Resource Planning System in 2007 to enhance materiel management functions throughout DLA. We're optimizing the performance of that system and related business practices. We're also continuing a strong focus on securing our IT systems to better protect them from intrusion by either state or non-state adversaries.

Q: What about business process refinements?

A: There is a large, global business element to DLA, and we need to be constantly striving to improve our business processes. We're big believers in continuous process improvement, using Lean Six Sigma tools. We're improving our ability to share information with our customers and mission partners.

In addition, we're exploring with the military services the possibility of moving additional warehousing management operations under DLA. I think we have proved through the Defense Distribution Center's operation of 25 warehouse sites that DLA is the premier DoD physical distribution warehousing provider. We currently have an effort under way with the Navy.

Q: And work force development?

A: We recognize that our human component is a critical enabler. Given that DLA is predominantly civilian, we're going to see increased attrition as more DLA team members hit their retirement eligibility. As we repopulate the work force for the future, we want to make sure that we're doing it right. Our focus is getting the right skill set, with a heavy emphasis on the right educational backgrounds, and also to significantly increase the diversity of our work force so that we best reflect American society in the years ahead.

We also have a number of programs to allow our current work force to enhance their skills and provide a quality of work environment that makes DLA competitive with any employer so that we retain the very best performers.

Q: You talked about optimizing the performance of systems, and you also talked about cybersecurity. Could you talk a bit more about optimizing performance? Are there known things that you're working on or trying to find the unknowns about what benefits you can get from your IT systems?

A: The biggest single opportunity for improvement revolves around demand planning with our customers—getting a better fix on what is needed, when and in what quantities. We're using our Enterprise Business System to enable collaborative demand planning with the services and with a big

chunk of our nation's operating forces. We believe this is going to revolutionize DLA's ability to get exactly what is needed without over-buying or under-buying.

I should add that DLA is the only DoD organization that is fully deployed with our Enterprise Resource Planning capability. So to a large extent, we're trailblazing and helping set standards for the rest of DoD and the military services.

Another area that has great potential is EProcurement, our planned procurement module designed to replace our current bolt-on legacy procurement system. We're also expanding our Enterprise Business System to support our energy purchases, adding some real efficiency in the energy management arena. We're projecting more than \$12 billion in energy support to the military services this year so that is going to be pretty significant.

Q: Does DLA consider itself a green organization, and what are you doing to become greener?

A: We are, and let me start with defense energy. Our Defense Energy Support Center has done phenomenal work and has taken a lead role within DoD for alternative fuels, supporting the military services and other federal agencies. We awarded a research and development contract to certify synthetic fuel to help meet the Air Force goal to acquire 50 percent of its domestic aviation fuel by 2016 through synthetic fuels.

We're also identifying and offering more green products to customers. For example, we sell millions of dollars worth of re-refined lubricating oil each year to them. All are green products made with recycled oil that has been re-refined. Within DLA, we're testing whether hydrogen fuel can replace lead-acid batteries and propane to power forklifts in our warehouses. But the single biggest effort is the focus on alternative fuels. DESC has really jumped into that and assumed a leadership role.

Q: Does DLA have a role to play in supporting humanitarian efforts for the United States?

A: We do. We have a close working relationship with U.S. Northern Command, the combatant command that has that responsibility, and with FEMA. We have provided food, water, construction supplies and

even some distribution services for just about every significant natural disaster in the United States and even overseas where DoD has played a role. We procured more than 100 tons of supplies for the citizens of the Republic of Georgia following its conflict with Russia last year. Humanitarian assistance is an important DLA responsibility.

Q: Can you tell me about DLA's relationship with allies and foreign military sales support?

A: We work closely with each of the military services that also have a role. Principally, our support to foreign military sales is related to sustainment— spare parts support for U.S. hardware sold to foreign military. Last year, DLA's FMS sales were about \$2 billion. We also have arrangements to provide fuel support, particularly in maritime operations when the U.S. operates with friendly forces.

We're also reaching out to other foreign militaries. For example, we're meeting with a senior admiral from the Royal Saudi navy. The Saudis are doing a major replacement of their fleet, plus a related overhaul of some of their aging logistics capabilities, everything from buildings and warehouses to IT systems to spare parts. We're working with the U.S. Navy to see how DLA can contribute to the success of this effort.

We've also been working very closely with the Army to support equipment that is being provided to Iraq and to Afghan security forces. We have a team in Taji, about 20 miles north of Baghdad that is the national maintenance depot for the Iraqi army. We're helping them establish a physical distribution warehousing system to support their depot maintenance activity. The Iraqis are doing a complete overhaul of 11,000 HMMWVs they received from the United States. The Army Materiel Command is supporting them on the actual maintenance, and DLA is providing all the materiel support, in addition to training them on establishing a distribution center complex. We have a DLA team of civilians, all volunteers, many in their 50s, and they're working with young Iraqi soldiers. I visited there in February, and it was very impressive. Our DLA employees are excited about what they're doing.

In May, I spoke at a gathering of the NATO committee responsible for cataloging national stock

numbers for spare parts. We have that responsibility for DoD through our Defense Logistics Information Service. Some 58 countries were represented, so the conference went way beyond NATO. The group refers to cataloging as the DNA of logistics because if they don't get the cataloging right, there will be all kinds of issues with ordering wrong parts, buying excess inventory or under-buying spare parts. It's interesting to me that the NATO standard has been adopted way beyond NATO countries.

Q: Let's talk about BRAC. What has BRAC meant to DLA up until now, and what is BRAC going to do for you in the next 12 months?

A: The key BRAC recommendations that have impacted DLA are the transfer of supply, storage and distribution support for depot maintenance activities from the services to us; the transfer of the procurement function for the depot-level reparable and item management for additional consumables from the services to DLA; and the privatization of several commodities—tires; packaged petroleum, oils and lubricants; and compressed gases, chemicals and cylinders. It has continued a trend to see if there is a business case to transfer to a single agency the work that is being performed by each of the services.

From a DLA perspective, it gives us an expanded forward presence with the ultimate consumers of our products and services—very important for demand planning. This increased forward presence, coupled with our IT capability, is going to dramatically improve our ability to have the right item at the right time at the right place at the right cost.

BRAC isn't without challenges. We're gaining about 2,700 people who are transferring in place from the services, and there are some change management challenges that go along with that. And there is quite a bit of diversity among the services with respect to their operations, business processes and standards of support, so we're working through that. Anytime you go from a wholesale operation to a wholesale and retail operation, you need to get into some level of customization to best support each of the service requirements. But it's getting done in a measured and professional manner, with service agreements and performance metrics. So far, it's going very well.

Certainly, [there are] plenty of challenges ahead, but when we ultimately complete the process and optimize the performance, I think there is going to be real benefit to the services and to DoD.

Q: Is there anything else you would like to add?

A: We have a great team that is clearly focused on support to the warfighter and to our nondeployed customers. We have a significant forward presence. We collaborate well. I've been in Afghanistan and Iraq and all over the country to meet with our major customers, and I'd say that the state of our relationship and the quality of our support is sound. We have the right team and the right technology in place to provide best value, integrated logistics solutions to America's armed forces. ♦