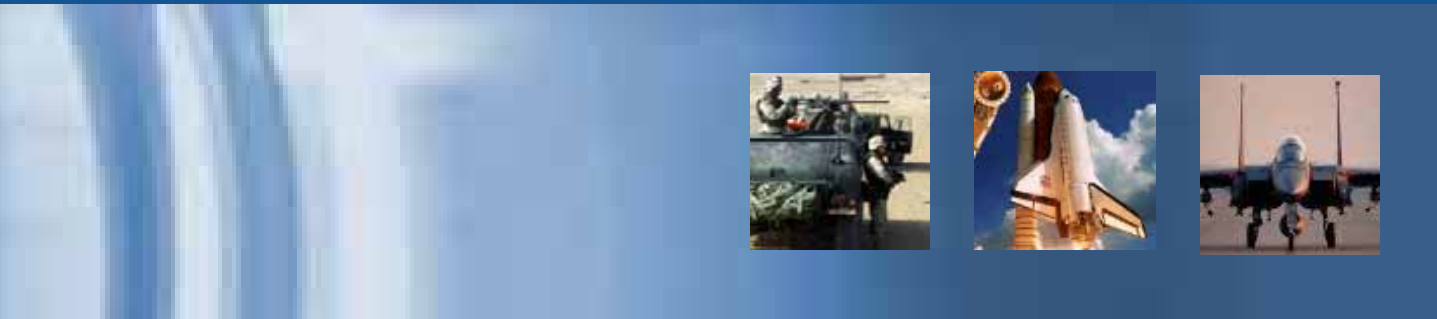


“View From the Top” – Enabling the Integrated Supply Chain

October 26, 2005



Alan Estevez | Assistant Deputy Under Secretary of Defense
Supply Chain Integration



Developing the Future State

Principles

- **War fighter requirements primary**
 - **Availability and responsiveness improved**
- **Train as we fight**
 - **Align with deployed operations**
- **Value must exist**
 - **For Components & Department**

Sample Key Programs

- **Readiness Based Sparing**
- **Commodity Management**
- **Joint Regional Inventory Materiel Management**
- **RFID**





Readiness Based Sparing Value Opportunities

Existing Opportunities

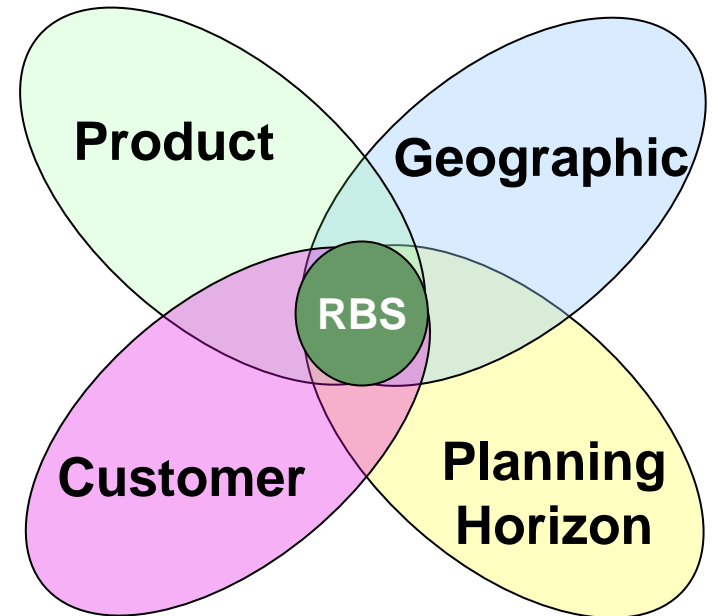
- Further exploit Multi-Indentured Structures
- Further exploit Multi-Echelon Structures
- Advanced Optimization Algorithms
- Advanced Forecasting Methodologies

New Opportunities

- Integrated Strategic and Tactical Planning
- Risk Based Tactical Planning
- Enterprise-wide COTS RBS
 - Bringing Operations Research to the Enterprise
 - Interoperability between legacy and COTS systems

Future Opportunities

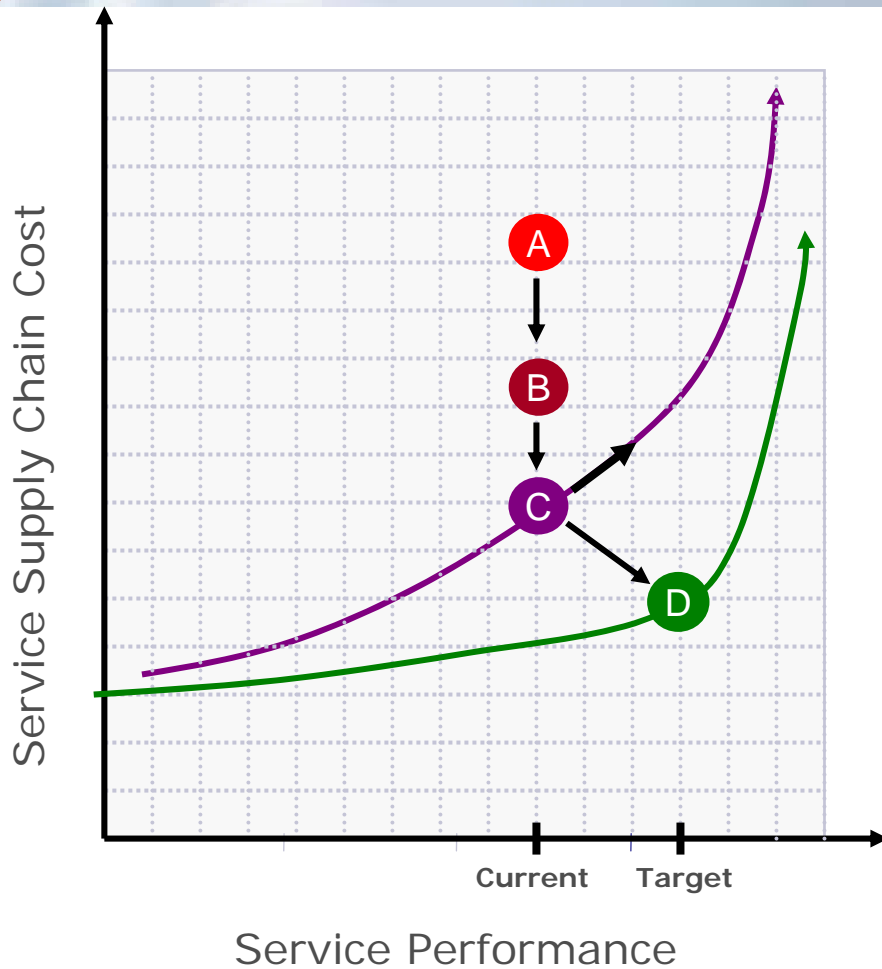
- Better coordination between services and suppliers (PBLs)
- Technology to identify, track individual items and transactions in real time (RFID, UID, ...)



Better answers to what do I need, how much do I need, and where will I need it



RBS Value Opportunities



A Current system performance

B Performance achievable from basic process, policy, and system improvements

C Optimized performance from 'Existing Opportunities'

D Optimized performance from 'New and Future Opportunities'



Commodity Management

Commodity Management

Demand

Management

- Requirements
- Specifications
- Timing

Business Processes

- Acquisition
- Procurement
- Supplier Relationship

Supply

Market

- Capabilities
- Economics
- Value Chains

Objectives

- Optimize Total Cost of Ownership
- Supply Assurance and Strengthened Supply Base
- Innovation Incorporated in Weapons Systems and Processes

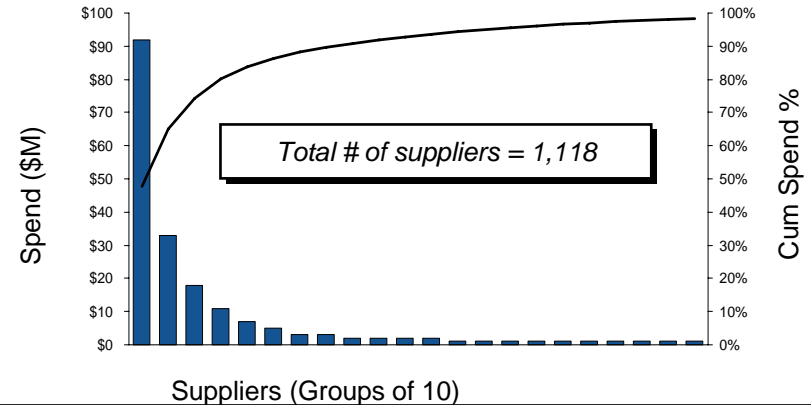


Bearings commodity characteristics

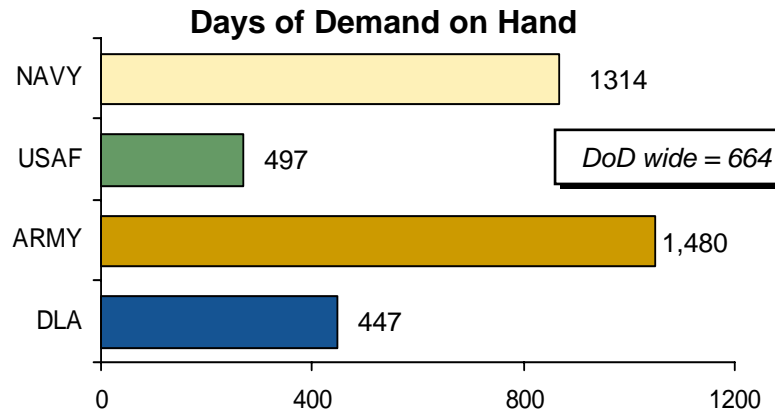
DEMAND CHARACTERISTICS

# of Bearings NSN's	118,000
(DLA manages 95% of Bearings NSN's)	
Total Bearings usage ⁽¹⁾	\$233M
Total Bearings spend ⁽²⁾	\$272M
➤ Sole sourced	\$51M
➤ Competitive	\$165M
➤ Undetermined	\$56M
Total Bearings inventory ⁽³⁾	\$426M

SUPPLY CHARACTERISTICS



INVENTORY INVESTMENT CHARACTERISTICS



PERFORMANCE CHARACTERISTICS

Supply Availability	85%
Administrative Lead-time (avg.)	120 days
Production Lead-time (avg.)	180 days

(1) CY 2004 demand, (2) CY 2004 contract spend, (3) Inventory is a snapshot as of July 2005; Spend lags demand;



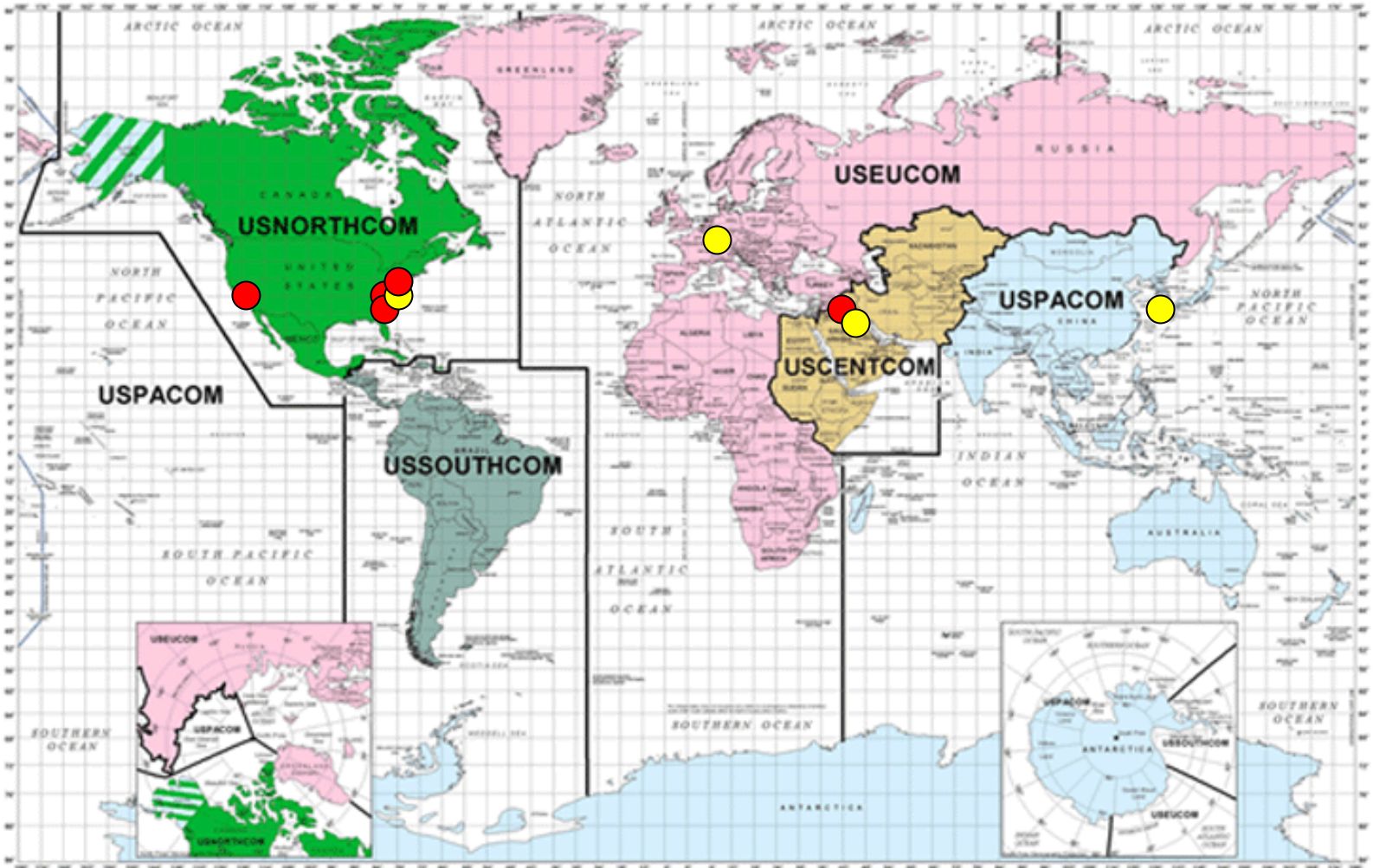
The RFID Vision

Implement knowledge-enabled logistics through fully automated visibility and management of assets in support of the warfighter:
Supply Chain as an Offensive Weapon





Operational Active and Passive RFID Sites



Over 1500 Active read & write sites worldwide

- Passive RFID Sites
- Active RFID ITV Server Sites



Benefits Based on Experience

- **RFID for last tactical mile**
 - II MEF tagging materiel for operating units
 - Associating tags with SATCOM on trucks
- **Real-time asset visibility**
- **Real cost avoidance:**
 - Reduced inventory in Iraq from \$127M to \$70M
 - Reduced wait time from 28 to 16 days
 - Increased fill rate from 77% to 89%
 - Reduced retail backlog from 92,000 to 11,000 orders



Increased confidence in the supply chain