DLA-94-P10227

Results and Implications for Phase I of the USAF Wing Commanders' Flexibility Test (Local Versus Central Purchase)

March 1994

FOR

Department of Defense
Defense Logistics Agency
Executive Director
(Supply Management Policy Group)

INSIGHT THROUGH ANALYSIS

DORO

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Results and Implications for Phase I of the USAF Wing Commanders' Flexibility Test (Local Versus Central Purchase)

March 1994

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FOREWORD

This report provides analysis on the results and implications of the United States Air Force (USAF) Wing Commanders' Flexibility Test (Phase I) from a systems perspective. This test (which is being conducted under two phases) was initiated by USAF to enhance the wing commanders' acquisition options in meeting their mission requirements by expanding the use of local purchase. The first phase of the test covered the time period of October 1991 through September 1993 and was restricted to consumable items for base support, equipment and vehicles (excluding weapons, flight, and space systems). This review looks at the test results from a Department of Defense perspective and takes into account the objectives of the on-going National Performance Review.

We extend our thanks to the personnel at the Air Staff (LGSS) who made it possible for DLA study personnel to attend internal USAF purchasing reviews conducted by the Air Force Logistics Management Engineering Team (AFLOGMET). Additionally, we thank the staff at the Air Force Logistics Management Agency (AFLMA) without whose support the analysis would have been impossible. Lastly, we would like to acknowledge the technical support of Messrs. T. Curtis and D. Bowling who are Project Managers with the Value Engineering Readiness Branch of the Defense Construction Supply Center (DCSC) for their work in identifying required product specifications. All of these inputs were vital in the completion of this analysis.

Gerald F. Wyngaard

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EXECUTIVE SUMMARY

The Air Force conducted a local purchase test, known as the Air Force Wing Commanders' Flexibility Test, to enhance the wing commanders' acquisition options to obtain materiel managed by central activities. This test was executed in support of the Defense Acquisition Regulatory (DAR) Case 91-908-01 (Required Sources of Supplies and Services - Commodity Assignments). Authority to proceed with the test, which is being conducted under two phases, was granted by the DAR Council.

Phase I of the test (the subject of this report) covered the time period of October 1991 through September 1993 and was restricted to consumable items for base support, equipment and vehicles (excluding weapons, flight, and space systems). The test involved ten Air Force bases consisting of seven Active, one Air Reserve, and two National Guard locations. During this phase, the local purchase option was infrequently (only a total of 215 buys) exercised.

Phase II of the test (a subject of a follow-on study) was initiated at twenty-three test bases as of October 1993 and is currently scheduled for completion in September 1994. This second phase will extend the range of items that may be purchased under the test. Included under the test will be consumable items pertaining to aerospace support equipment, communications-electronics equipment, vehicles, aircraft, missiles, and space systems.

The Defense Logistics Agency (DLA), as a member of the DAR Council, was an active participant in the Air Force test. Documented in this report are the findings of the DLA study team which has evaluated the test results from a system perspective. This approach was required to better understand the impact of the test if it were extended across the entire central purchasing system for the same range of items.

As part of the analysis effort, the Air Staff (LGSS) tasked the Air Force Logistics Management Engineering Team (AFLOGMET) to conduct a time and standards study of the personnel costs associated with executing a local purchase. In December 1991, AFLOGMET published the results of their analysis . Their study showed that a local purchase action cost $65.00, whereas, a requisition placed through the central system cost $16.94. This difference, approximately $48, represents the premium that must be paid by the local base to execute the local purchase option (a summary of their findings is included in this report).

The primary findings of the DLA analysis, which were based on the range of items that were bought by both the Air Force and DLA during the test and which had the same units-of-issue, were the following:

* Local purchase could provide an item 8 days faster than the central system.
* Central purchase could provide the item at less cost overall, although there were instances (28 items) in which the Air Force obtained a lower unit price.
* DoD would have paid an extra $4.7 million if USAF purchase costs were extended across the central system for the same range of items.

* Approximately 20 percent of the items bought under the test had a product specification or technical drawing requirement.

Based on the study, the following recommendations are made:

* DLA support and participate in the Phase II test.
* Items requiring product specifications be monitored and written test procedures developed to abate potential safety and life threatening circumstances.
* USAF identify candidate items to be managed by DLA as "local purchased items, stocked for overseas support only."

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SECTION 1
INTRODUCTION

The Defense Logistics Agency (DLA) Executive Directorate of Materiel Management and the DLA Office of Plans and Policy Integration directed that an impact assessment be conducted on extending the Air Force Wing Commanders' Flexibility Test (under Phase I) across the Department of Defense (DoD). This analysis was to explicitly review all test buys conducted by the Air Force against DLA managed items. Specifically, the assessment was to examine cost, delivery performance, and quality. While the study team was successful with respect to evaluating the total purchase cost and item delivery performance on a statistical basis, we were unable to directly assess item quality. We could only presume that the item which was purchased was identical to a like item managed by the central system to include any special packaging requirements. However, on an indirect basis, we did look at those National Stock Numbers (NSNs) purchased under the test which required some type of product specification. In these cases we could only substantiate that the item was bought by the base purchasing staff and that the item did have specification requirements. Consequently, we could only presume that air base receiving personnel had access to the necessary technical information to verify item specification requirements.

1.1 BACKGROUND

The USAF local purchase effort was initiated by the Defense Acquisition Regulatory Case 91-908-01 (Required Sources of Supplies and Services - Commodity Assignments). DLA's response to this case was to support the Air Force request to test under the Wing Commanders' Flexibility Program subject to DLA participation in the proposed test. From July through September 1991, DLA staff (DORO, CAILR, & MMSL) worked with the Air Staff (LGSS) to put together a test plan that both DLA and the USAF agreed to implement. The test was initiated at selected CONUS bases (see Table 1-1 for base listing) and DLA was invited to provide technical staff during selected visits of test sites.

ACTIVE	GUARD	RESERVE
Dover	Pittsburgh	Minneapolis
Wright-Patterson	Kingsley	
Offutt		
Luke		
Randolph		
Edwards		
Tyndall		

Table 1-1. Bases Participating in Wing Commanders' Flexibility Test (Phase-1)

The degree to which each of these Air Force components (Active, Reserve, Guard) utilized the local purchase option should be viewed in the context of their local operations. This is apparent if one simply examines the distribution of buys across each component (refer to Figure 1-1). Here, it is quite evident that the lion's share of purchases were being made under the test by the Reserve and Air National Guard test sites (fully three-fifths) even though these components only represented three of the ten test sites. It is suspected (after reviewing the mix of buys for each base) that much of the buying activity under the test for these two components (Reserve and Guard) was being utilized to support ground vehicle maintenance requirements at those locations.

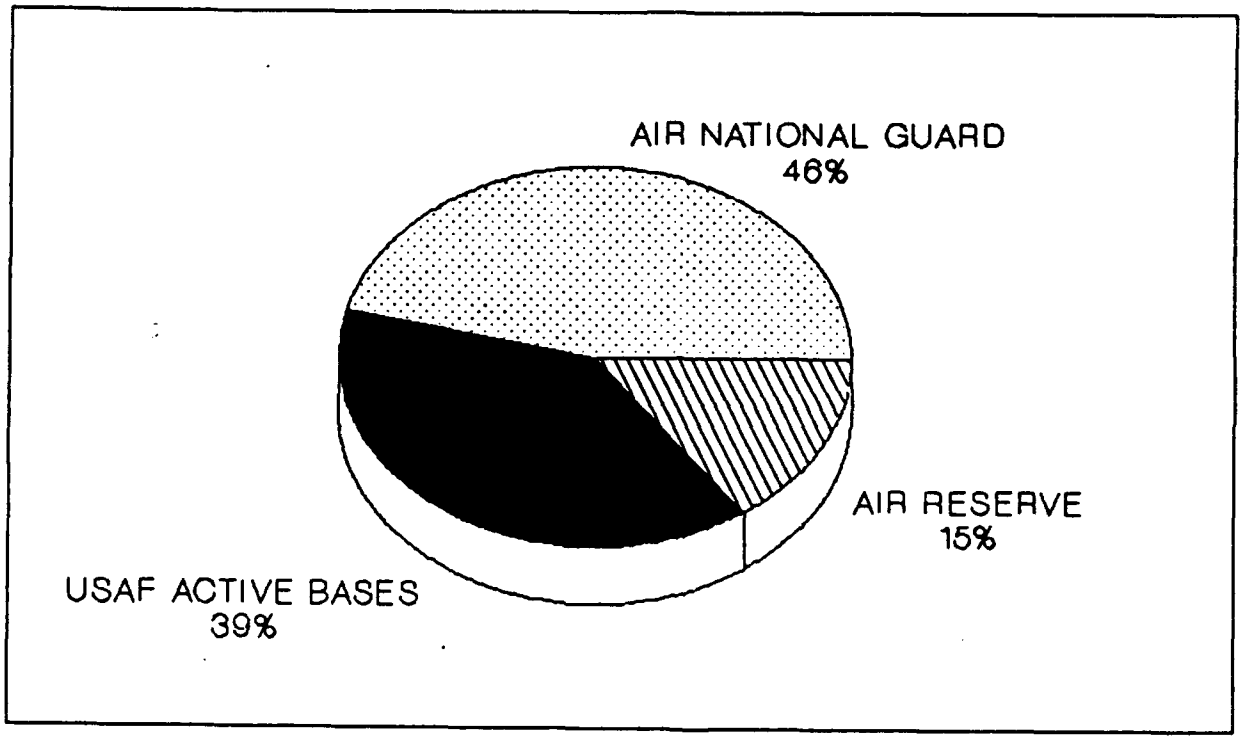

Figure 1-1. USAF Component Breakouts for Buys in Phase I

1.2 SITE VISITS

On-site visits were conducted to review data collection procedures and to assess procedural requirements associated with execution of local purchases. These visits were constructive since they helped to confirm data collection procedures as well as verify local purchase procedures were being conducted in accordance with test guidelines. More specifically, we observed the following two items:

a. Test bases appeared to be making only limited use of their authority to execute local buys (most buys were executed by Reserve and Air Guard sites). At the end of the test, only 215 buys had been made against the test, and not all buys were legitimate under the test restrictions.

b. Personnel costs associated with the execution of a local buy were found to be more expensive than those incurred through the central system. This finding was based on a visit to Dover AFB during which the Air Force Logistics Management and Engineering Team (AFLOGMET) concluded that a local buy cost $65.00 compared to a central buy which cost the USAF $16.94 to execute (see Table 1-2 for summary of personnel costs). Consequently, this results in a $48.06 net cost to execute a local buy over the execution of a central buy (refer to AFLOGMET Final Special Study Report, "Standard Base Supply System Cost of Local Purchase Requisitions & Cost of Central Requisitions," December 1991).

PERSONNEL FUNCTION	LOCAL COST $	CENTRAL COST $
Supply Demand Processing	8.12	4.35
Supply Requisitions	9.73	2.41
Operational Contracting	30.94	-0-
Materiel Storage/Distribution	8.92	6.29
Finance (Materiel)	6.03	3.89
Finance (Paying/Collecting)	1.26	-0-
TOTAL EXECUTION COST	$65.00	16.94

Table 1-2. Summary of AFLOGMET Personnel Cost Findings

1.3 BASIC METHODOLOGY

The methodology which has been applied has five components:

* Screen all NSNs bought under the test to confirm that they are DLA managed items.
* Evaluate item delivery statistics.
* Evaluate item price statistics after considering unit-of-issue differences.
* Determine item quality requirements by screening items for product specifications.
* Extend test cost results across the DoD system for the same range of items.

1.4 SCOPE

Prior to reviewing test results one must examine the scope of the items that were bought under the test (refer to Figure 1-2). Here one finds that the majority of NSNs (75 percent) that were purchased over the duration of the test were for stocked items. Additionally, as you examine the data, the vast majority of USAF requisitions (94 percent) that were issued under the test were to obtain an item that was managed as a stocked item by the central system.

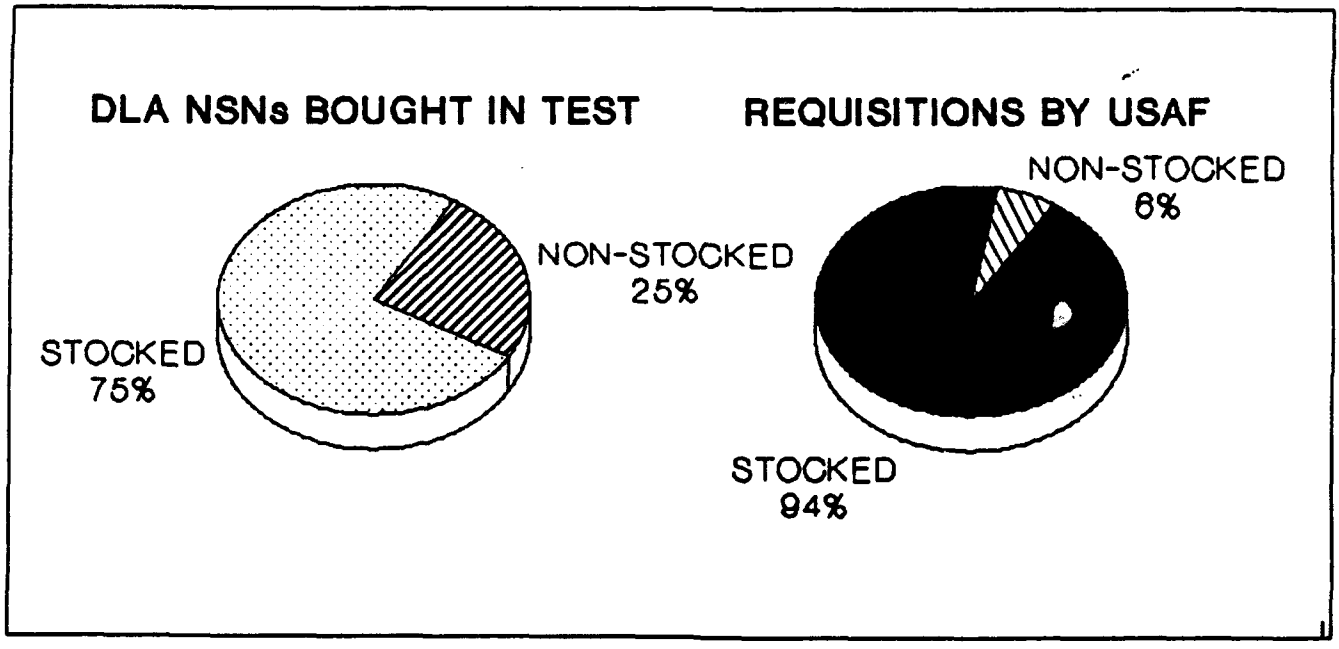

Figure 1-2. DLA Stocked Versus Non-Stocked Items in Test

In order to adequately make comparisons between the USAF test population and the central system, the study team reviewed the items bought (203 unique items with 215 local buys) in order to select the most comprehensive range of items for which meaningful statistics could be calculated. This consisted of first screening items that were managed by DLA at the start of the test (163 NSNs met this criteria). Next, the team selected those NSNs which did have price information for both the start and completion of the test (161 NSNs). Subsequent to this screening process, we concentrated on examining the unit-of-issue against which buys were made at the local level in order to provide for reasonable price comparisons (this reduced the set of NSNs to 147 items). The final filter that we applied was based on whether or not an item was actually bought by both a USAF test base and DLA during the same time frame. This final screening process resulted in a set of 141 NSNs that were employed to develop statistical insights between the local and central systems (refer to Figure 1-3).

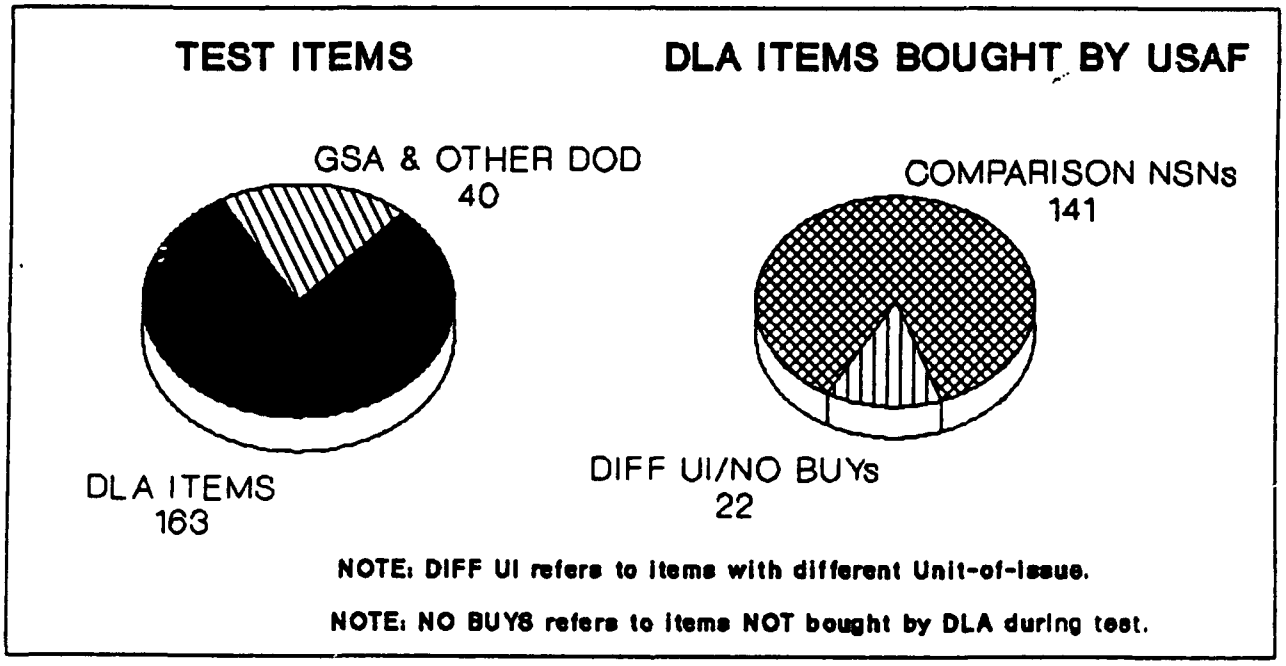

Figure 1-3. Range of Items Compared in Test

SECTION 2
TEST RESULTS

This section provides a synopsis of the results of the test. These results are in terms of comparisons with the central system (performance and price). Additionally, we have assessed implications of the test with respect to item quality requirements. Finally, the study team has projected the test results across the central system, for the same range of items, in order to estimate total cost impacts to the DoD system.

2.1 PERFORMANCE

In assessing timeliness for the test buys, the USAF experience under local purchase consistently indicated that response time (elapsed time from requisition submittal of the item order to item receipt) was statistically better (faster) than under the central system. This was found to be true across all requisition priorities even when requisitions that were backordered had been excluded. Additionally, this situation (local buy out-performing central buy) held true even when the requisition had a high priority (Issue Priority Group (IPG) I).

In comparing local and central requisition response times, the study team employed the Mann-Whitney statistical test. This test consistently indicated that buying at the local level was faster than obtaining the item through the central system. The test was conducted for two cases. The first case dealt with all requisitions (excluding those that were backordered) and did not distinguish between requisition priorities, whereas, in the second case the study team looked only at high priority (IPG I) requirements. The basic statistical test was set up to evaluate the following:

Baseline Hypothesis: The response time for the local purchase strategy is equal to the response time for a central purchase.

Alternative Hypothesis: The response times are not equal.

Recorded in Table 2-1 are the results of this analysis. These tests were conducted as a two-tailed test with the rejection region (alpha) set at 5 percent which equates to an acceptance region for the tests between -1.96 and +1.96. Given the test results, clearly the local buy option significantly out-performed the central system. This may also be observed in Table 2-2 which establishes confidence intervals (95 % level) for both cases in terms of days.

DATA CATEGORY	CASE 1 ALL REQUISITIONS	CASE 2 HIGH PRIORITY REQUISITIONS
Local Sample Size	147	61
Central Sample Size	8838	2495
Test Value Result	10.8	8.61
Test Conclusion	Reject Baseline Hypothesis	Reject Baseline Hypothesis

Table 2-1. Statistical Evaluation of Timeliness

CASE CATEGORY	SAMPLE SIZE	LOWER BOUND (DAYS)	POPULATION MEAN (DAYS)	UPPER BOUND (DAYS)
All Local Requisitions (Case 1)	147	6.4	9.4	12.3
All Central Requisitions (Case 1)	8838	17.2	17.8	18.4
High Priority Local Requisitions (Case 2)	61	4.6	6.9	9.1
High Priority Central Requisitions (Case 2)	2495	17.4	18.4	19.4

Table 2-2. Confidence (95 %) Intervals for Timeliness (Days)

2.2 PRICE

In examining price differences between local and central buys over the same range of items, the study team looked at making two comparisons. The first case assessed the as-reported local buy data (recognizing that overhead associated with executing the local buy was excluded) while the central costs were fully burdened with overhead. This contrasts with the second case that compared costs on a more "level playing field" by including overhead costs (as developed and reported by AFLOGMET) within the local cost data. In both cases we observed that the local purchase option was statistically more expensive than the central system. These findings were developed for those purchases that were executed by both the local and central system during the same time period in which the test was conducted.

The statistical test that was employed to accomplish this part of the analysis was again the Mann-Whitney Test. This test was conducted so as to provide a rejection region equal to 5 percent (alpha = .05) and an acceptance region that ranged between -1.96 and +1.96. What was observed in the first case (local costs excluding overhead) was that there was a statistical difference between local and central for the NSNs which had DLA price history for both the beginning (FY92-1) and close (FY93-2) of the test as well as an identical unit-of-issue. This statistical finding was in spite of the fact that there were 28 NSNs bought by the Air Force that had a lower unit price as compared to DLA. Further, for the second case (local buy was burdened with the approximate $48 additional overhead), we found that buys executed through the central system were clearly less expensive (refer to Table 2-3 for a summary). The statistical test was designed to assess the following:

Baseline Hypothesis: The cost of a local purchase item (first case without overhead, second case with the AFLOGMET overhead included) was equal to the cost of a central purchase item (with overhead).

Alternative Hypothesis: The cost of a local purchase item (first case without overhead, second case with overhead) was not equal to the cost of a central purchase item (with overhead).

DATA CATEGORY	CASE 1 LOCAL COSTS WITH NO OVERHEAD BURDEN	CASE 2 LOCAL COSTS WITH THE AFLOGMET OVERHEAD
LOCAL BUY SAMPLE SIZE	149	149
CENTRAL BUY SAMPLE SIZE	1571	1571
TEST VALUE	4.8	6.3
TEST CONCLUSION	REJECT BASELINE HYPOTHESIS	REJECT BASELINE HYPOTHESIS

Table 2-3. Statistical Evaluation of Price and Contract History

2.3 QUALITY

With regard to item quality (to include special packaging requirements), we could only presume that the purchasing and receiving staff at the air bases had the expertise to determine that they did purchase an equivalent item. Consequently, our assessment of this issue was limited to reviewing the DLA managed items which were purchased under the test that had item specifications. We found that there were 30 NSNs that were bought by the test bases that did have specifications (see Table 2-4 for a Commodity level summary and refer to Table B-1 of Appendix B for an NSN level review). It is our perception that this represents a significant workload at the base (to properly verify product quality) which we believe was not adequately represented in the AFLOGMET personnel overhead costs.

Our perception is based on the fact that the AFLOGMET survey was conducted at Dover AFB prior to the one instance in which the Dover AFB exercised the test for an item which had a specification. According to the records provided to us, Dover AFB purchased a Refueler Hose (NSN 4720012501822 which is an item that has a DCSC drawing) on 12 February 1992. This was 2 months after the December 1991 release of the AFLOGMET report (refer to the Bibliography for specifics related to that report). Additionally, as the test now moves on into Phase II and extends the range of items that will be possible to buy locally (refer to Appendix C of this report for a copy of the test plan), the ability to verify product quality requirements will become more critical and has the potential to raise safety issues.

COMMODITY GROUP	COUNT OF NSNs with SPECIFICATIONS
Construction	7
Electronics	16
General	6
Industrial	1

Table 2-4. Commodity Level Summary of Purchased Items with Specifications

2.4 SYSTEM COSTS

To extend test results across the entire DoD system, the study team first evaluated the test buys to determine which NSNs bought under the test represented DLA managed items. In addition to being items managed by DLA, the items also had to have prices for both the beginning and end of the test (to assure that the item was under continued management), to have units-of-issue that were consistent between local and central buys, and lastly to be NSNs that both DLA and the USAF purchased during the test period. This reduced set of items (141 NSNs) then became the range of items against which the total system costs were estimated (refer back to Figure 1-3 for a graphical representation of this population).

To accomplish the development of the total system cost, the study team extended the USAF cost experience across the central system and compared those results to the actual costs as recorded by the central system. In making this comparison, we found that historically the central system incurred costs of $6 million (this workload covered 1,571 new procurement receipts and 9,267 requisitions for the same range of selected items). This contrasted with a projected system cost of $10.7 million if the USAF cost experience had been extended across the DoD system for the same range of items. Consequently, we estimate that the additional cost to the system would have been $4.7 million (this was in spite of the 28 NSNs which had lower unit prices under the Air Force test).

Although in the aggregate it would appear that local purchase is, in general, more expensive than the central system, one should certainly allow for the possibility that there may be NSNs out there which are unique (defined to be those items that are only required by a single Service) and which are easily obtainable through commercial distributors for customers within CONUS at a reasonable price. Certainly on these types of items, the Service and DLA should reach a mutual decision that minimizes DoD materiel management costs while providing the best overall response time to the customer. Items meeting these requirements (easily available throughout CONUS from commercial distributors and a Service unique NSN) could be managed under a Supply Status Code of 7. Such a management code would mean that the item was primarily available through local purchase within CONUS and that central stocks would only be retained to meet overseas demand.

SECTION 3
CONCLUSIONS

If readiness is the number one criterion when requisitioning an item, local purchasing outperformed the central system. However, local purchasing has been shown to be consistently more expensive than the central system. Consequently, extending local purchase across DoD over the same range of items would have resulted in a significant increase for support costs. Another area in which the study team drew conclusions dealt with the purchase of items bearing product specifications. We concluded that a significant number of purchases were made on items (30 of the 163 DLA items) for which the central system was required to maintain a specification and/or technical drawings. Based on the data collected, we had to draw the conclusion that all items purchased under the test were found to be of adequate quality. However, we are not in the position to assure that all items bought in the future under the expanded Phase II for this test (refer to Appendix C of this report) will meet product specification requirements.

SECTION 4
RECOMMENDATIONS

Upon reviewing test results and considering the goals of the National Performance Review, we suggest the following:

a. Support USAF's desire to expand the test to additional bases and items under Phase II.

b. Require USAF to monitor the test and collect data on pricing and response times.

c. Caution USAF to carefully assess purchases on items where item specifications are required and to develop written test procedures to minimize risk.

d. DLA should work with the USAF (and other Services as appropriate) to identify Service unique items (those NSNs which are used exclusively by a single Service) to be managed under a Supply Status Code of 7 (primary means of supply is by local purchase for CONUS customers with central stocks maintained for overseas customers only) based on Service recommendations. These items should be those NSNs that may easily be obtained from local distributors and should not be subject to any war reserve requirements.

APPENDIX A

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APPENDIX A
BIBLIOGRAPHY

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APPENDIX B

ITEMS PURCHASED UNDER PHASE I WITH SPECIFICATION REQUIREMENTS

LIST OF TABLES

APPENDIX B
ITEMS PURCHASED UNDER PHASE I WITH SPECIFICATION REQUIREMENTS

The following table identifies those DLA managed items which have a product specification and were purchased under the USAF Wing Commanders' Flexibility Test for Phase I. These specifications are associated with the 30 items enumerated in this appendix (refer to the Glossary in Appendix D of this report for an expansion of the abbreviations used in the table under the table column labeled as "Specification Type"). This information was confirmed with the personnel of the DCSC Value Engineering Readiness Branch who supported this project for the DLA Supply Management Policy Group.

NATIONAL STOCK NO.	COMMODITY GROUP	SPECIFICATION TYPE
3110001424386 Tapered Roller Bearing	C	FEDERAL SPEC
4720005641413 Bleed Air Hose	C	MILSPEC
4720008038359 Hose, Air Duct	C	MILSPEC
4720009896479 Hose	C	INDUSTRIAL SPEC
4720012501822 Refueler Hose	C	DCSC DRAWING
5510001676854 Lumber	C	MILSPEC
5530006416078 Plywood	C	COMMERCIAL ITEM DESCRIPTION
5305001117491 Screw	E	QAP & OEM DRAWING
5305004067781 Bolt	E	MILSTD & FEDERAL SPEC
5305009210007 Screw, Self Locking	E	MILSPEC, QAP & AEROSPACE STD-QPL
5305010546261 Screw, Close Tolerance	E	QAP & OEM DRAWING
5305010546264 Screw	E	QAP & OEM DRAWING
5305010546270 Screw	E	QAP & OEM DRAWING

5305010546271 Screw	E	QAP & OEM DRAWING
5305010546272 Screw	E	QAP & OEM DRAWING
5310010579455 Nut, Self Locking	E	MILSTD, QAP & MILSPEC
5315007541580 Roll Pin	E	MILSPEC & AEROSPACE STD
5330001563074 Grease Retainer	E	QAP & OEM DRAWING
5905001045755 Resistor 1-Ohm	E	MILSPEC
5930011614506 Toggle Switch	E	MILSPEC
5935003280292 Connector	E	MILSPEC
5935011119053 Connector	E	MILSPEC
5999001345844 Mini-test Clip	E	MILSPEC
3455002285238 Milling Cutter	G	ANSI
6145009282704 Wire Wrap Wire	G	MILSTD & MILSPEC
7310002732339 Deep Fryer	G	COMMERCIAL ITEM DESCRIPTION
9150001866703 Engine Oil	G	MILSPEC
9150002618317 Hyd-Oil	G	MILSPEC
9540013119422 Cable	G	FEDERAL SPEC
5975009338982 Switch Box	I	OEM DRAWING

Table B-1. Items Bought Under Test with Product Specifications (Continued)

APPENDIX C

LOCAL PROCUREMENT TEST PROGRAM PHASE II

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON DC

REPLY TO ATTN OF: HQ USAF/LG
1030 Air Force Pentagon
Washington DC 20030-1030

20 SEP 1993

SUBJECT: Local Procurement Test Program Phase II

TO: See Distribution

1. After months of extensive planning and staffing, the Air Force is ready to commence testing of the attached Local Procurement Test Program Plan for Phase II. This initiative increases the wing commander's flexibility to deal directly with parts suppliers and manufacturers. Vice President Gore's Defense Performance Review (DPR) initiative identifies enabling actions to allow commanders and managers access to all sources of common supplies and services in order to obtain best value products. The DPR initiative lends even greater credibility and importance to the potential gains of this test program.

2. The Local Procurement Test Program Phase II empowers commanders to procure consumable items, pertaining to aerospace support equipment, communications-electronics equipment, vehicles, aircraft, missiles, and space systems, when it is judged to be in the best interest of the government due to availability, cost, or quality. Local management decisions to procure items must be sensitive to stock fund issues and Congressional restrictions. Twenty-three test bases will commence testing on 1 Oct 93 through 30 Sep 94 and the major objectives of the test are empowerment, competition, and greater support.

3. Top management support of the Local Procurement Test Program is essential in achieving test objects. I'm confident the Air Force can count on your total commitment. Our POCs are Mr. Allen Beckett, DSN 224-3548; Mr. Jerome Yates, DSN 227-2369; and Ms. Winifred Reed, DSN 225-2531.

JOHN M. NOWAK, Lt Gen, USAF
DCS/Logistics

2 Atch
1. Distribution List
2. Test Plan

DISTRIBUTION LIST

HQ AFMC/CV
4375 Chidlaw Road, Suite 2
Wright-Patterson AFB OH 45433-5006

HQ ACC/CV
205 Dodd Blvd, Suite 207
Langley AFB VA 23665-2791

HQ AMC/CV
402 Scott Drive, Unit 3EC
Scott AFB IL 62225-5310

HQ AETC/CV
1 F Street, Suite 1
Randolph AFB TX 78150-4324

AFRES/CV
155 2nd Street
Robins AFB GA 31098-1635

ANGRC/CV
3500 Fechet Ave
Andrews AFB MD 20331-5157

USAFE/CV
Unit 3220 Box 385
APO AE 09094-0385

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10 Hickam Court, Bldg 2094
Hickam AFB HI 96853-5252

HQ AFSPACECOM/CV
153 Paine Street
Peterson AFB CO 80914-1300

HQ USAF/LGM/LGMM
1030 Air Force Pentagon
WASH DC 20330-1030

HQ USAF/LGS/LGSW
1030 Air Force Pentagon
WASH DC 20330-1030

HQ AFMC/LG/LGI/LGS/LGM/SEF/DOO/
FMB/PKO/XRMA/LGSSW/FMBSG
4375 Chidlaw Road, Suite 6
Wright-Patterson AFB OH 45433-5006

SAF/AQCO/AQCS
1060 Air Force Pentagon
WASH DC 20330-1060

HQ AMC/LG/LGS/LGM/LGC/LGSMS
402 Scott Drive
Scott AFB IL 62225-5363

HQ ACC/LG/LGS/LGM/LGC/LGSM
130 Douglas St Ste
Langley AFB VA 23665-2791

AFRES/LG/LGS/LGM/LGC/LGSMP
155 2nd Street
Robins AFB GA 31098-1635

ANGRC/LG/LGS/LGM/LGC
3500 Fechet Ave
Andrews AFB MD 20331-5157

AETC/LG/LGS/LGC/LGM/LGSPP
1850 First Street West
Randolph AFB TX 78150-5000

HQ AFSPACECOM/LKLS
150 Vandenberg St STE 1105
Peterson AFB CO 80914-4400

USAFE/LG/LGM/LGS/LGC
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APO AE 09094-5000

PACAF/LG/LGS/LGM/LGC
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LOCAL PROCUREMENT TEST PLAN
PHASE II

OBJECTIVE

Further increase the flexibility of installation commanders to locally procure centrally managed Expendability, Recoverability Repairability Category (ERRC) coded XB3 and XF3 items which are used on aerospace ground support equipment, communications-electronics equipment, vehicles, aircraft, missiles, and space systems. XB3 and XF3 items are noncomplex repair parts and supplies which are managed by the Air Force, DLA, and GSA.

BACKGROUND

In 1988, changes were made in the way installation commanders could acquire centrally managed items. These changes emanated from DoDD 4001.1, Installation Management and the DoD Federal Acquisition Regulation Supplement (DFARS). Commanders can now approve some local purchases provided such actions are in the best interest of the government in terms of quality, timeliness, and cost. The result has been increased flexibility for both organizational and wing commanders. In addition, wing commanders have the authority to approve local procurement of centrally managed items when an emergency exists. However, exclusions are included in the DFARS that were not in DoDD 4001.1. These exclusions limit the ability of the installation commanders to respond to changing requirements. One such exclusion is "items directly related to the operation of a weapon system or its support equipment".

BOUNDARIES

Inclusion Items: ERRC coded XB3 and XF3 items pertaining to aerospace ground support equipment, communications-electronics equipment, vehicles, aircraft, missiles, and space systems.

Exclusion Items:

a) Items requiring nuclear/special weapons certification

b) Depot recoverables (XD2)

c) Items of a dangerous nature such as Munitions/commercial explosives as specified in AFM 67-1, Vol I, Part One, Chapter 8.

d) Special security characteristics

e) Safety critical items as determined by the Air Logistics Centers (ALCs) Item Manager (IM)/Equipment Specialist (ES) team.

SCHEDULED TEST DATES

1 October 93 through 30 September 94

SCOPE OF TEST

Bases will be selected from each of the following major commands: AMC, AFMC, AFRES, ATC, ACC, USAFE, PACAF and the Air National Guard.

REFERENCES

DODD 4001.1, Installation Management
DFAR 208.7003-1, Assignment Under Integrated Materiel Management
AFM 67-1, Supply Manual, Vol I, Part One; Vol I, Part II, Chapter 2; and Vol Two, Part Two

EXPECTED BENEFITS

Benefits should result from better responsiveness, lower cost, and equal/better quality of the items procured under the test program. Ideally, other benefits include higher mission capable rates from a decrease in the number of mission capable (MICAP) incidents, lower costs associated with local procurement, and shorter pipeline times for local purchases vice wholesale order and ship times.

PROCEDURES

Activities are authorized to locally procure, at their option, any centrally managed, Service (Air Force, Army, Navy), DLA or GSA XB3 or XF3 items which are commercially available, provided such actions are judged to be in the best interest of the government in terms of the combination of quality, timeliness, and cost.

This test empowers the commander to expedite procurement of items when the normal source of supply is unacceptable due to availability, cost, or quality. By circumventing the routine logistics system, however, the commander takes on a new responsibility. Safety of flight, for example, is of paramount importance. It is recognized that the technical experts are the maintenance technicians at wing level, and the depot engineers, item managers and equipment specialists at the ALCs.

It is imperative that the commander establish local procedures involving the unit's "chain of command" that ensures the following are considered:

a) Local purchase items meet or exceed MIL-SPEC requirements (refer to DO43).

b) Procure items from approved/certified manufacturer or vendor/source of supply.

c) HAZMAT procurements are coordinated with the Base Environmental Engineer.

d) For Aircraft, Missile, or Space System items, mandatory coordination with the Air Logistics Center Item Manager/Equipment Specialist Team.

e) Source of Supply informed of local procurement (Phone call or Fax)

The approval, submitted by the organizational commander/designated representative, should address quality, timeliness, and cost. However, it is not necessary that every factor be advantageous. For example, timely delivery may outweigh costs when mission requirements are considered. The approval should also state that the item does not fall into any of the categories of materiel excluded by this test.

The base customer is responsible to research item application for aircraft, missile, and space system LP procurements. The customer, with the assistance of base supply, shall coordinate with the ALCs IM/ES team to identify item applicability, approved vendors, and military specifications. ALC IM/ES teams and DLA/GSA IMs have a maximum of five working days to provide any information as to why the LP should not take place (poor quality parts from source, part does not meet Mil-Spec...etc) for aircraft, missile, or space systems. All information should be documented on Data Collection items #14 & #15 by base supply and passed on to the Air Force Logistics Management Agency (AFLMA).

Base supply is responsible for processing the request to include determining the availability of assets, identifying approved vendors, military specification requirements, if a suitable substitute exists (on-hand stock, to include suitable substitutes, will be issued versus local purchase), assigning the appropriate stock number, etc. Supply will assist the customer, when requested, in any technical way necessary to correctly document the request. For example, supply will be required to interrogate DO43C to identify approved vendors for aircraft, missile or space system items. Base supply will record the appropriate demand and consumption data for stock leveling purposes. The request will then be forwarded to operational contracting office. Supply will forward a copy of the contractual document (provided by contracting after they have processed the request) to a central point identified at each of the air logistics centers (ALCs) and supply centers (DLA).

The operational contracting office is responsible for procuring the XB3 or XF3 item and verifying approved vendors. The contracting officer will review the local purchase request to ensure the justification is included and warrants local purchase. For items assigned for integrated materiel management (IMM), the documentation/waiver request requirements of DFAR 208.7003-1 still apply (Note: Effective 31 December 1991 the DFAR included the following change: deleted the requirement for review and approval one level above the contracting officer for local purchases between $1,000 and $5,000).

When necessary, payment of a higher price than originally estimated or evaluation of the quality of a new source will be coordinated with the user and technical experts before final acquisition. Contracting will provide a copy of the contractual document to Base Supply. The following information must be included within or attached to the contractual document.

a) Manufacturer's name and model or part number

b) National stock number or schedule number and special item number (i.e., 6711B, special item 195-2)

c) seller's name and address

d) actual price paid

e) warranty conditions, when appropriate, or quality assurance data

f) any other pertinent information.

Each of the air logistics centers (ALCs) and supply centers (DLA) will establish a central point where bases can forward these contractual documents. The central point will receive and distribute them to the applicable item manager.

The Air Force Logistics Management Agency (AFLMA) will conduct an analysis of the data collected during the test. To help facilitate the data collection and the analysis, the major commands should direct the test bases to use one of the issue exception codes designated for their use. Each base is required to forward information collected manually for analysis to AFLMA/LGC, Gunter AFB AL 36114, DSN 596-4085. AFLMA will provide a format to collect test data.

DATA COLLECTION

A supply/maintenance/contracting study group should be established to monitor the program during the test. In addition to the responsibilities identified under the test methodology, the group should track the number of occurrences when local purchase is used to order centrally managed items and the dollar values in comparison to the costs when ordered from established sources of supply. In addition, lead times for the local purchases should also be tracked for comparison to established order and ship times. The following information, must be documented for each transaction processed under the rules of this test plan.

1 National Stock Number

2 Noun

3 Source of Supply

4 Quantity

5 Price Paid

6 Extended Dollar Value (Line 4 x Line 5)

7 Standard Price (Item Record or SNUD)

8 Extended Estimate (Line 4 x Line 7)

9 Difference (Line 6 Minus Line 8)

10 Estimated O&ST Days (From Item Record in SBSS)

11 Actual O&ST Days (From Contracting Contractual document)

12 Difference (Line 10 Minus Line 11)

13 Date Copy of Contractual document Mailed to Source of Supply

14 Did item (s) meet or exceed Mil-Spec/drawing requirements? If not provide rationale.

15 Document negative and positive intangible benefits, i.e., procurement backlogs, delays in approval from item manager for items over the funding limits, etc. Also document any details viewed as significant, yet cannot be quantified.

16 Document any item discrepancies and maintain reports of item discrepancies for post evaluation purposes.

17 Recommended changes to AFM 67-1.

Supply should also monitor pre-test, test, and post-test MICAP rates. Contracting personnel should monitor areas such as increases in work load, on-time contract awards, average local purchase lead times, etc.

OTHER INFORMATION

Work loads may increase as a result of this test. It is important that functional areas monitor the increase as accurately as possible. For test purposes, manpower standards will not be affected. The data collected to support the increased work load will then be available should the test be approved as Air Force policy and should the manpower standards need adjusting.

On-hand stock, to include suitable substitutes, must be issued before establishing backorders. Minimum order quantities will be a factor the customer should address in determining the cost advantage for local purchase. Supply will not stock or be responsible for any excess quantity between the minimum order quantity and the customer's requirement.

The International Merchant Purchase Authorization Card (IMPAC) WILL NOT BE USED TO PROCURE ANY ITEM INCLUDED IN THIS TEST.

To the fullest extent possible, national stock numbers should be used in lieu of "L" or "P" numbers. This ensures proper consumption is recorded and demand data updated accordingly. Establish memo due-outs (with TEX code 7) and source of supply routing identifier. Using special requisitioning procedures, "SPR" in the due-in with "JBB" routing identifier and link to the due-out document number in columns 67-80. Local purchase status (LPS) will follow and change the price to the local purchase price. If SNUD passes a price change during the year on a national stock number under the test, the due-out release can be reverse posted and reprocessed with the local purchase price.

All test bases will fund items through their stock fund. The test program is not intended to bypass the Stock Fund or circumvent any Congressional restrictions. Local management decisions to procure items must be sensitive to these parameters.

AFM 67-1, Vol 1, Part One, Chapter 8, Para. 5d (6), is partially applicable to this test program. The central procurement item manager will not provide reimbursement funds for local purchases of Air Force managed items during the test.

The following identifies ALCs, DLA's and GSA's supply centers central points of contact where contract documents will be forwarded after items are local purchased:

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Defense General Supply Center (DGSC)
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Defense Industrial Supply Center (DISC)
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APPENDIX D

GLOSSARY

GLOSSARY

AAC	Acquisition Advice Code
AFLMA	Air Force Logistics Management Agency
AFLOGMET	Air Force Logistics Management Engineering Team
ANSI	American National Standards Institute
C	Construction Commodity Items
CAILR	HQ DLA, Corporate Administration, Plans & Policy Integration, Corporate Research Team
CONUS	Continental United States
DCSC	Defense Construction Supply Center
DESC	Defense Electronics Supply Center
DFAR	Defense Federal Supply Center
DFSC	Defense Fuel Supply Center
DGSC	Defense General Supply Center
DIDB	DLA Integrated Data Bank
DISC	Defense Industrial Supply Center
DLA	Defense Logistics Agency
DoD	Department of Defense
DORO	DLA Operations Research Office
DPSC	Defense Personnel Support Center
E	Electronic Commodity Items
G	General Commodity Items
GSA	General Services Administration
I	Industrial Commodity Items
ICC	Item Category Code
ICP	Inventory Control Point
IPG	Issue Priority Group
LGS	HQ USAF, DCS/Logistics, Directorate of Supply
MILSPEC	Military Specification
MILSTD	Military Standard
MMSL	HQ DLA, Materiel Management, Supply Management Policy Group
NSO	Numeric Stockage Objective
OEM	Original Equipment Manufacturer
QAP	Quality Assurance Provisions
QFD	Quarterly Forecasted Demand
QPL	Qualified Product List
SPEC	Specification
SSC	Supply Status Code
UMMIPS	Uniform Materiel Movement and Issue Priority System
WSDC	Weapon System Designator Code

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This project evaluated test results of the USAF Wing Commanders' Flexibility Program (1st phase only) from a system level perspective. This test (which is being conducted under two phases) was initiated by USAF to enhance the wing commanders' acquisition options for meeting mission requirements by expanding the use of local purchase. The first phase of the test covered the time period of October 1991 thru September 1993 and was restricted to consumable items for base support, equipment and vehicles (excluding weapons, flight, and space systems). This review looks at the test results from a DoD perspective and takes into account the objectives of the on-going National Performance Review. Significant findings were that local purchases could be received by the air bases participating in the test faster than from the central system but this quicker service was obtained at a greater cost.

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