Strategy Research Project

LEVERAGING COMMERCIAL LOGISTICS IN THE JOINT ARENA

BY

CAPTAIN STUART S. JONES
United States Navy

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USAWC STRATEGY RESEARCH PROJECT

LEVERAGING COMMERCIAL LOGISTICS IN THE JOINT ARENA

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Captain Stuart S. Jones
United States Navy

Colonel Ronda Urey
Project Adviser

This SRP is submitted in partial fulfillment of the requirements of the Master of Strategic Studies Degree. The U.S. Army War College is accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools, 3624 Market Street, Philadelphia, PA 19104, (215) 662-5606. The Commission on Higher Education is an institutional accrediting agency recognized by the U.S. Secretary of Education and the Council for Higher Education Accreditation.

U.S. Army War College
CARLISLE BARRACKS, PENNSYLVANIA 17013

ABSTRACT

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This paper analyzes the strategic implications of leveraging the commercial capabilities already in place across the globe to facilitate logistics/sustainment support for regional joint operations. The paper will provide a review of current joint doctrine on logistics sustainment and the use of commercial industry to satisfy warfighting sustainment requirements. Additionally, it reviews existing vehicles used by the various Services and/or the Defense Logistics Agency (DLA) along with other initiatives underway to expand the practice. In assessing strategic implications, the paper examines the impact to both U.S. domestic and international policy when pursuing commercial logistics contracts with non-U.S. commercial entities as a tool for the Combatant Commander's Theater Security Cooperation Strategy.

LEVERAGING COMMERCIAL LOGISTICS CAPABILITIES IN THE JOINT ARENA

The twenty-first century thus far has been a very dynamic period of evolving change for the United States military. The Department of Defense (DOD) embarked on a strategy of transformation to redefine business operations and processes to improve support to the warfighter while enabling financial capability across the entire military.[1] This drive for efficiency of operations is viewed by some as incompatible with the ongoing and extensive combat operations in which U.S. military forces have been engaged during the same period. In the six years since the terrorist attacks of September 11, 2001, all of the Services have been engaged in both Afghanistan and Iraq fighting with the same doctrine, weapons, force structures, and resources that are simultaneously undergoing transformation. While this seemingly conflicting focus is not unprecedented for the U.S. military, it places significant strategic challenges on its leadership to achieve mission success and be innovative at the same time. More importantly though, this sort of internal conflict of priorities presents enormous opportunities for military leaders to pursue new ways to train, equip, and fight that otherwise might not have been considered. Logistics strategy and policy present such an opportunity for DOD leadership. While the days of large stockpiles of spare equipment, parts, and provisions wholly owned and controlled by the individual Services has become somewhat of a relic of the past, many opportunities still exist for the Services to redefine how logistics is delivered to the warfighter...opportunities that can improve support to the warfighter, save valuable resources, and open other strategic opportunities. This paper looks at one such opportunity -- leveraging existing commercial logistics capabilities for Class IX material support. Specifically, this paper

analyzes the strategic implications of leveraging the commercial capabilities already in place across the globe to facilitate logistics/sustainment support for regional joint operations. To do this, a review is provided of current logistics joint doctrine and the use of commercial industry to satisfy warfighting sustainment requirements. Additionally, it analyzes existing vehicles used by the military services and/or the Defense Logistics Agency (DLA) along with other initiatives underway to expand the practice. In assessing the strategic implications, the paper examines the impact to both the U.S. domestic and international policy along with the unique opportunities for the Combatant Commanders (CCDR) to use commercial logistics contracts with non-U.S. commercial vendors as a tool to support the regional theater security cooperation (TSC) strategy.

Logistics Doctrine and Policy

To understand and assess the strategic implications for DOD in pursuing and expanding commercial logistics, it is important to first identify the existing policy and guidance. In his introductory letter to the Doctrine for Logistic Support of Joint Operations (JP 4-0), the then-Chairman of the Joint Chiefs of Staff, GEN Henry Shelton provided a very clear signal of intent with regard to the need for finding and exploiting innovative and transformational logistics processes. He identified a mandate for the Services to adjust the size of their inventories and take advantage of improved business practices and information technology because of limited resources. By cutting the costs of maintaining and distributing stockpiles of material, the Services can improve overall logistics support system responsiveness and force readiness. Moreover, the Chairman said that improved responsiveness, visibility, and access to logistic resources come from adopting technologies and processes of a distribution-based logistics system over

a supply-based system. In giving this vision of mission support through less inventory, he saw the logistics sustainment pipeline from the source of supply to the warfighter as "the lifeblood of our combat power."[2]

Beyond the stated guidance of the CJCS to pursue logistics innovation in order to improve warfighter support and achieve cost reductions, JP 4-0 also addresses the means to achieve this. While the Services are responsible for the logistics support of their own forces, Combatant Commanders (CCDRs) are tasked with the directive authority for logistics planning and operations within their theater of operations. The intent is to ensure effectiveness of operational plans while simultaneously preventing or eliminating duplication of logistics functions amongst the Services. To aide in that and to determine the actual theater requirements for operational planning, the CCDRs are directed to consider four elements of the logistics process: procurement and contracting, distribution, sustainment, and disposition and disposal.[3] Combatant Commanders can and should provide input to the Services on how to address these elements so as to ensure that their forces are postured for effective and efficient sustainment. If, however, the commander's assessment of his area of operations (AOR) reveals inefficiencies or redundancies, he has the direct authority to shift or adjust the Services' logistics resources as necessary to support the mission. Tools like contracting for supplies and services, contingency contracting, and distribution process reengineering are available to the CCDR to achieve his operational ends.[4] Ultimately, the logistics support system in the AOR must be in alignment with the supported forces. The resources must be optimized at the strategic, operational, and tactical levels, which necessitate careful planning and buildup of inventory levels needed to sustain combat

operations.[5] As part of the planning effort needed to ensure alignment, JP 4-0 specifically directs the identification of sources of supply and services from commercial activities and integration with the logistics operational requirements.[6]

Logistics Theory and Supply Chain Management

To effectively take advantage of and exploit these individual logistics process opportunities directed in JP 4-0, the CCDRs and Services need to follow a coordinated approach. To a logistics professional, this is known as applying supply chain management (SCM). A concept not foreign to the Services, SCM is defined as the systematic, strategic coordination of traditional business functions and the tactics across these functions both within a particular organization and across businesses within the supply chain. The intent of SCM is the improvement of long-term performance of the individual organization and the supply chain in its entirety.[7] The Services and the Defense Logistics Agency (DLA) each practice SCM as they perform inventory management functions for the repairable spare parts and consumable material under the cognizance. The management of the business processes and relationships with the organic and commercial organizations that produce, repair, stow, and distribute the inventories form the basis of existing SCM practices within the DOD.

All logisticians, whether in the military or private sector, must continually seek out ways to improve their SCM practices. As discussed above, SCM includes the strategic coordination of the traditional business functions together with the tactics or operating procedures used to specify elements of the supply chain. In conducting that strategic coordination, an organization may make adjustments or changes to its fundamental business operations in order to bring about improvements to the overall supply chain in

which it operates. Because the supply chain includes that organization's partners and suppliers, this premise can also mean that a business process adjustment may be required by some of those partners and suppliers to effect improvement across the whole supply chain. To do this effectively necessitates collaboration among all players in the chain.[8] The same concept applies to DOD and the supply chains that make up its logistics support infrastructure. If the Services and the CCDRs are to execute the direction of JP 4-0 and pursue logistics innovation to improve warfighter support, it stands to reason that they need to view the military supply chain holistically and seek improvements that consider both the Services and the CCDRs as members of the same supply chain. Those improvements must be part of the overall strategic planning for logistics support.

For the military to adopt new perspectives on SCM as outlined in JP 4-0, it can use the example of commercial industry. In effect, JP 4-0 directs the Services, with the oversight of the CCDRs, to achieve logistics transformation by challenging them to provide new and innovative ways to improve logistics support and transform the current logistics infrastructure into the most efficient support system possible. The best practices of commercial industry for supply support and acquisition can be critical in achieving true logistics transformation. Over the last several years, some within commercial industry have improved profitability through effective management of the supply chain -- supply chains that are increasingly part of a globalized economy. Some of the more successful ways private sector companies have coordinated the flow of materials in their respective supply chains include developing close relationships with suppliers to produce and deliver quality products in a timely manner. By taking delivery

on material closer to the time of use or consumption, companies are then able to realize improved stock replenishment turn times by decreasing the quantity of inventory they maintain in stock.[9] Companies have also recognized business efficiency and effectiveness success by integrating logistics with other functional areas like production, marketing, and corporate strategies and recognized the full potential of its value-added activities. Similarly, many companies have turned to outsourcing as an option to improve their competitive advantage. By paying a business partner to execute certain elements of the logistics functions or supply chain, the company frees resources needed to focus on their core business competencies. Through outsourcing, some companies have realized benefits such as distribution of savings, greater control of business, better customer service and satisfaction, and the addition of outside expertise to supplement the capabilities of their own organization. Likewise, outsourcing can lead to a reduction in capital investment in facilities, equipment, and information technology. Transportation, warehousing, and distribution functions are some of the business segments commercial industry often outsource.[10]

In addition to following the commercial sector best practices, DOD logisticians must also recognize that the commercial industry is an integral partner in the execution of military supply chain management. In that partnership, they have a common concern with focused logistics, precision and velocity, coordinated delivery schedules, fast and flexible distribution, and good infrastructure and equipment distribution centers. This integration of the military and the private sector in the supply chain opens doors to achieve the direction laid out in JP 4-0. By way of example, the exchange of logistics information in the supply chain offers a source of efficiency for DOD and its commercial

partners. Many private sector companies have turned to virtual service providers for the exchange of information among their global retail locations. Since economy of scale is the driving force in commercial industry, the larger the conglomerate of supply chain partners, the better for business. As the supply chain grows larger, information technology, e-commerce, e-procurement, e-retailing, and the like become increasingly important. Suppliers of material for DOD can view each military installation or customer as a decentralized retail center. They can then be connected to the supplier's centralized major distribution center that can distribute supplies, thus making the military customer another hub in its logistics delivery chain. By turning over, or outsourcing, segments of inventory management like material distribution to the private sector, DOD follows a logistics process improvement strategy that gives the responsibility of material management to a commercial entity and relieves DOD of maintaining inventory in stock. Material shortages, in general, are not the major obstacle in military logistics, but rather material availability at the requisitioner's location.[11] While not all military inventories can be turned over to the private sector for management, this option provides significant strategic opportunities for the DOD logisticians.

Strategic Implications of Commercial Logistics

Capitalizing on those strategic opportunities in a joint environment begins with the Combatant Commander. A study conducted by the Council of Logistics Management (CLM) revealed that leading edge companies tended to deploy logistics as a strategic weapon to gain and maintain competitive advantage. Likewise, those same companies conducted logistics strategic planning and developed formal logistics plans to ensure their competitive edge.[12] A Combatant Commander who is strategically focused on his

mission in his AOR must follow that principle. As discussed above, JP 4-0 gives each CCDR the responsibility for planning and ensuring that the campaign plans fully integrate operational and logistics capabilities in his AOR. That is done by employing the logistics resources provided by each of the Services to support the commander's theater concept of operations.[13] While the CCDR must work with the resources given to him, it is incumbent upon the Services to match their respective logistics resources to the operational requirements of the theater commander. Similarly, the CCDR must provide the Services with input on the theater logistics requirements. A vehicle available to do this is the Theater Concept of Logistics Support plan. This product of the operational planning process is derived from the estimate of logistics supportability of one or more courses of action (COA) developed during the commander's estimate phase in the scenario planning. This concept of logistics support details the manner in which the capabilities and resources of the combatant command services are used to provide supply and services, maintenance, transportation, engineering, and health services in the AOR. It specifies how operations are supported to include major lines of communication (LOC) as well as support provided by each allied or coalition nation.[14] It is critical that the Services' logistics funding priorities are aligned with each CCDR's Theater Concept of Logistics Support plan to ensure the correct logistics sustainment tools are available to support the warfighter.

The CCDR's Theater Concept of Logistics Support plan can contribute to the commander's overall strategy for theater engagement. Whether it is in the private sector or in DOD, sound logistics support plans have prioritized objectives consistent with the organization's priorities and strategic direction.[15] A significant aspect of the combatant

commander's theater strategy is the Theater Security Cooperation (TSC) plan. The TSC is that part of the CCDR's strategy that links military activities involving other countries to U.S. national strategic objectives. It consists of programs of bilateral and multilateral defense activities conducted with other countries to serve the security interests of the U.S. while simultaneously building the right defense partnerships for the future.[16] A CCDR is in the unique position of advancing bilateral and multilateral country engagements while simultaneously crafting a logistics support plan that delivers the required support for the operational forces. For example, many of the materials required by the CCDR's forces are readily available from commercial companies located in the various countries of his AOR. By working through the DLA and Services' procurement agencies, the commander can establish business relationships that support his forces with material availability closer to the point of consumption, free critical capacity in Air Mobility Command (AMC) aircraft and Military Sealift Command (MSC) ships delivering material to the AOR, and link U.S. strategic interests with the economic well-being of the regional countries. Efforts in this area also directly tie into the DOD transformation strategy in that it enables the military, through the CCDR, to achieve and maintain advantage through changes in operational concepts, organizational structure, and/or technologies that significantly improve warfighting capabilities or ability to meet the demands of a changing security environment.[17] This sort of strategy of leveraging existing commercial infrastructure to support the warfighter has been employed to a greater degree in the post-Cold War years. During Operation Joint Endeavor for example, force deployment and sustainment leveraged extensively existing commercial resources in the vicinity of the bases of operations in Hungary, Germany and Spain.[18]

In addition to supporting the CCDR's TSC strategy to enhance bilateral and multilateral engagements, a solid logistics support plan can also have significant strategic implications on overall U.S. domestic and DOD-wide policy. In the budget battles in Washington, DC, where the funding priorities of the Department of Defense compete against those of other agencies both within the Executive Branch and then ultimately within the Congress, resources are often scarce or limited for each of the Services' logistics requirements. As the Services strive to replace aging equipment that is nearing the end of its service life, funding allocated for major weapon system procurements is often scaled back in the area of logistical support. Likewise, many of the funds programmed to modernize major equipment and systems are siphoned off in the year of execution to pay for unplanned repairs caused by the aging systems that need to be replaced, thus creating a death spiral of increasing modernization and repair requirements. By adopting proven industry best practices for acquisition and system support, DOD can free up needed dollars for modernization of existing weapon systems as well as provide funding to replace aging equipment and support assets.[19] Also by exploiting commercial logistics processes when it makes sense, resources can be made available for immediate requirements in direct support of the warfighter. This is no more evident than in the area of transportation and distribution. The U.S. Transportation Command (USTRANSCOM) funding for the Defense Air Transportation System was $7.7 billion in FY06, $7.4 billion in FY07, and $7.8 billion in FY08. This program funds airlift to project and sustain military forces for wartime, contingencies, and peacetime.[20] By establishing in theater contracts for material such as provisions (Class I) or consumables (Class IX), needed pallet position capacity on TRANSCOM assets can be

freed up to move other critical equipment, supplies, and personnel into the theater to support the CCDR's mission. During the period from June 2007 through November 2007, TRANSCOM shipped 4.1 million cubic feet of material via air transport to DOD customers in each of the OCONUS regional CCDRs' (CENTCOM, PACOM, EUCOM, and SOUTHCOM) areas of operation. That represented over 55% of the total amount shipped by TRANSCOM via both air and sea lift during that period.[21] While this included all classes of material, it represents potentially significant opportunities for either transportation budget savings or in additional airlift capacity by leveraging third party, commercial logistics distribution opportunities.

The Services and DLA to date have established some successful third party, commercial logistics tools to deliver material and services to the warfighter. As the lead DOD agency for the procurement and management of general use materials and supplies, DLA has taken significant steps in the area of prime vendor contracts. In 1997, DLA altered its business practices and entered into long term prime vendor sustainment contracts with various suppliers to provide materials needed to support the maintenance, repair, and operation (MRO) of government facilities. The vendors that bid on the contracts did not need to make the items. Instead, the goal was to use purchasing power and commercial purchasing practices as a means to gain the best prices, rapid material delivery, and little to no overhead costs. The Defense Supply Center Philadelphia (DSCP) was the lead contracting activity for DLA for this effort and set up multiple contracts with an average value of $500 million over two years. These contracts are with a variety of U.S. commercial businesses and provide MRO supplies

and services in the different regions of the U.S. (e.g. Northeast, North Central, Southeast, South Central) as well as in the CENTCOM and Pacific regions.[22]

U.S. Navy Material Prime Vendor Prototype

While these existing commercial logistics tools have been successful in providing material and services to the operational forces, the U.S. Navy is currently pursuing a similar prime vendor initiative that can simultaneously provide the combatant commander with a strategic tool for theater engagement and for achieving U.S. global national interests. The Naval Supply Systems Command (NAVSUP) is pursuing a material prime vendor program in Singapore to support U.S. Navy ships operating in the Western Pacific region. The principal difference with this prime vendor arrangement is that the targeted sources for bids are vendors in Singapore and/or Southeast Asia as opposed to domestic U.S. companies as is the case with the DLA MRO prime vendor contracts discussed above. Currently, no Prime Vendor program exists for Class IX consumable items that are traditionally requisitioned from the General Services Administration (GSA). Ships deployed in that region today place their orders with GSA. The material is shipped from GSA warehouses to Japan for further transfer to Singapore before being loaded onto the Navy ships for further distribution/consumption. This extended requisition, shipping, and delivery pipeline has resulted in a high incidence of backorders, increased costs due to complicated shipping routes, and long customer wait times.[23] During 2006, U.S. Navy ships deployed in the PACOM AOR experienced backorders on 31% of the GSA items that were ordered, which had a direct effect on the logistics response time (LRT) for the material. If the item was available onboard a supply ship in the vicinity of the requisitioner, the wait time averaged 18 days;

34 days if the material was available in retail shelf stock at the Navy's Fleet and Industrial Supply Center (FISC) in Yokosuka, Japan; 40 days if the material was available only in GSA stocks; and 70 days if it was not available anywhere at the time of the requisition and entered into a backorder status. On average, it took 39.05 days for the material to reach the requisitioning activity.[24] During the Tsunami relief efforts in Southeast Asia in late 2004 and early 2005, a heavy demand was placed on AMC to move large quantities of consumable material like water bottles, blankets, and tarpaulins into the region because the joint force logisticians perceived it would more expeditious given there was no existing commercial contract in place within the region to gain access to the required items. As a result, NAVSUP determined there was strategic value in establishing a material prime vendor contract with a commercial source in Singapore -- the Navy's logistics hub in Southeast Asia -- which would benefit the government by reducing the Navy's investment in inventory, improving average customer wait times, creating transportation efficiencies, and reducing the receipt, storage, and reissue costs.[25]

The specifics of this material prime vendor initiative are designed to address these existing logistics shortfalls while providing the strategic tool for the combatant commander. This prototype is intended to reduce retail inventory investment and improve system delivery performance for Class IX high-use consumable items. The initiative is focused on a pool of 450 items that represents 71% of the items that were requisitioned onboard U.S Navy ships operating in the Seventh Fleet. Likewise, this pool of items accounts for 52% of the requisitions that could not be filled from shipboard inventory.[26] Items in the prototype include high usage consumables such as rags, toilet

paper, plastic/paper bags, mops, copy paper, and ball-point pens.[27] To execute the contract, the Navy selected the Fleet and Industrial Supply Center (FISC) Yokosuka, the Navy's supply center responsible for the Western Pacific AOR. Together with NAVSUP personnel, they developed a statement of work (SOW) that calls out specific performance criteria for potential bidders. The performance criteria include a material availability equal to or greater than the 92% effectiveness goal in the current GSA memorandum of agreement (MOA) with DOD, three day delivery, proper product labeling (e.g. national stock numbers and bar codes), ability to return undeliverable material, options to modify the range of items on contract, material costs equal to or less than current GSA pricing, and the use of Military Standard Requisitioning and Issue Procedures (MILSTRIP) for Navy customers. Vendors who desire to bid on the contract will assume the inventory management responsibility from the Navy for these items and provide a transparent service to the customer using existing ordering and delivery processes. This in turn will result in reduced Navy inventory investment, an equivalent or improved average customer wait time (ACWT) for these items, realized transportation efficiencies, and reduced storage/issue costs across the supply chain.[28] In addition to the benefits to the Navy, this material prime vendor initiative will also provide a strategic opportunity for the combatant commander. Specifically, the process efficiencies and inventory savings will directly support USPACOM's TSC efforts in Southeast Asia and provide a template for future commercial logistics initiatives to support other CCDRs. In his April 2007 testimony before the Senate Armed Services Committee, ADM Keating, the USPACOM Commander, referred to his TSC as the "primary blueprint to enhance U.S. relationships and military capacities of allies and regional partners."[29] A prime

vendor program that leverages the local economy within a country of the region is well suited to support that blueprint.

The Navy's prime vendor initiative represents a relatively low-risk option for support to PACOM forces. While sourcing the material with non-U.S. commercial vendors in the AOR is innovative, the impact to force readiness would arguably be minimal if the selected vendor failed to meet the contract delivery specifications or if political issues necessitated suspension of the contract. As discussed above, the universe of items currently in the contract solicitation is comprised of high-use consumable items that are readily available through existing U.S. domestic commercial vendors as well as through GSA. Any sudden loss of material support from the foreign contractor could be offset by immediately redirecting requisitions from the PACOM customers back to these existing sources of supply. While it is conceivable that this could create a sudden surge in demand for these items that exceeds GSA and/or domestic commercial vendor stock availability, this unlikely scenario could be mitigated by tracking historical usage rates from the PACOM customers. This could be accomplished by capturing the requisition data from the Defense Automatic Addressing System Center (DAASC), providing it to the chosen domestic source of supply to effect inventory buys, and building up on hand stock to meet the PACOM customer demand. If the CCDR determined that the operational force readiness was significantly impacted by the sudden loss of material support in theater, assistance could be requested from TRANSCOM for dedicated airlift of the requisite amount of material to meet the immediate need until stateside replenishment was received via traditional (e.g. sealift) means.

While the Navy's Material Prime Vendor (MPV) Program prototype can provide the CCDR with a low-risk, commercial logistics tool that supports both the operational forces along with an overall TSC strategy, it has brought to light certain challenges that must be overcome before it can become a reality. Principle among the challenges include the existing acquisition regulations that govern award of these types of contracting vehicles. Many of the items included in the solicitation for the material prime vendor come under the umbrella of the Ability One Program -- formerly know as the Javits-Wagner-O'Day (JWOD) program.[30] The Javits-Wagner-O'Day Act (41 U.S.C. 46-48c) mandates that government agencies purchase commodities or services listed on the current Ability One/JWOD procurement schedule from a qualified nonprofit agency for the blind or an agency for other severely handicapped persons.[31] Of the original 450 items on the SOW, 170 line items are JWOD and must be sourced through the National Industries for the Blind.[32] While not an insurmountable obstacle for a potential contract bidder in Singapore, this U.S. domestic policy intended to provide employment opportunities for blind or disabled Americans may trump the strategic intent of the MPV. If these items remain on the SOW, vendors in Singapore would have to demonstrate that they are procuring them from Ability One. This would result in an overall higher procurement cost for the items because of the associated costs to import them from the U.S. Attempts by the Navy to secure waivers from the Ability One requirement have been unsuccessful; as a result, the SOW was modified to remove those items, thus resulting in less than a full realization of potential inventory savings and transportation efficiencies. As of the writing of this paper, the SOW has yet to be advertised for

bidders. Therefore, it remains to be seen if the removal of the Ability One items will have an impact on the pool of potential bidders for the contract.

Another significant hurdle faced by the Navy with the Material Prime Vendor prototype involves the Balance of Payments program. U.S. government agencies are required under the Balance of Payments Program to procure only domestic end products for use outside the United States.[33] Similar to the Ability One/JWOD requirement, the contracting officers at FISC Yokosuka are hampered by a U.S. domestic policy that is intended to protect U.S. businesses by ensuring they receive business from DOD. By citing the Balance of Payments requirement in the SOW on the contract request for proposal (RFP), potential vendors' ability to leverage the local market to source the items will be severely limited. At the time of the writing of this paper, the NAVSUP contracting officers and legal staff were reviewing the candidate list of items to identify those that may not be included in the "domestic end products" category. Additionally, they were pursuing a waiver request from the regulation.[34] If the Navy is unsuccessful in obtaining the waiver, the strategic benefits of the Singapore MPV prototype will be significantly decreased.

A third challenge encountered in establishing the Singapore MPV prototype is related to the process for placing orders against the contract vehicle once established. While the primary goals in setting up a commercial prime vendor contract with international vendors are to leverage the local economy, reduce U.S. investment in inventory, and reduce transportation inefficiencies, the Navy leadership also wanted to ensure that customers would be able to use existing ordering procedures and processes. In other words, the intent was to have the sailor onboard a Navy ship

operating in the PACOM AOR use the same process and logistics information technology (IT) systems to requisition, track status, receive, and financially manage requisitions as he does today. To do this, the contractor would need to be able to receive a MILSTRIP requisition that was generated from the existing shipboard supply and financial inventory management system. Most Navy ships today use a version of R-Supply that manages retail level inventories, generates requisitions and receives status via standard MILSTRIP, and maintains memorandum operating budget financial records. However, most of the existing prime vendor contractors use web-based ordering to receive and process requisitions from customers. Currently the Navy's shipboard IT systems for supply and financial management can not interface directly with web-based ordering tools. Because of this, customers must create a memorandum requisition in the IT system while the actual order is placed on the contractor's web site. This separate process for ordering, tracking, receiving, and financial transaction accounting for the prime vendor items creates inefficiencies for the warfighting customer and is susceptible to errors. To overcome this, the Navy is evaluating a number of different alternatives that use existing IT systems and processes. Unfortunately, each one fails to seamlessly integrate the current shipboard ordering and receiving system with vendor processes. As a result, local "work arounds" would have to be established for the dual processes.[35] If the Navy does not expend resources to modify the IT systems, tradeoffs will have to be made on the amount of risk willing to be accepted with the receiving and ordering processes afloat in order to achieve the greater goals of establishing the MPV.

Conclusion and Recommendations

The idea of using commercial logistics to gain a strategic advantage has been a part of U.S. military history as far back as the Revolutionary War. On Christmas night, 1776, the U.S. Army successfully crossed the ice-filled Delaware River and destroyed a British Army outpost at Trenton, NJ. This battlefield victory was due in large part to the tactical decision of General George Washington to move his troops by employing large, shallow-draft wide-beamed *commercial* watercraft that were designed to carry heavy and outsized cargo on shallow waters.[36] As this paper has articulated, commercial logistics presents significant strategic opportunities for the Combatant Commanders even more so today. The combination of the joint doctrine guidance of JP 4-0 and the DOD transformation initiatives empowers them to be innovative in planning and executing their Theater Concept of Logistics Support plans. While they are reliant on the individual Services to provide the logistics tools and processes for employment in the AOR, the CCDRs are uniquely positioned to define logistics requirements to the Services that rely on many of the commercial best practices like outsourcing and prime vendor contracts. Employment of commercial logistics practices or contracted commercial services benefits both the CCDR and the Services through decreased inventory investment, increased material availability, and lower customer wait times for material delivery. The existing commercial logistics support vehicles such as prime vendor contracts, performance based logistics (PBL) contracts, and commercial transportation contracts have all proven beneficial for the CCDRs and Services and have become integral to the military's supply chains and distribution pipelines. The Navy's material prime vendor initiative discussed in this paper has the advantage of providing these same benefits for logistics sustainment while offering the additional

strategic tool to the CCDR of supporting his Theater Security Strategy. By contracting with a Singaporean vendor to provide the high use consumable material to Navy customers operating in the Southeast Asian region, the benefits to the local economy further enhance strategic cooperation between the U.S. and the host country while supporting long-term U.S. strategic interests.

As highlighted in this paper, this material prime vendor initiative faces major hurdles for it to realize its full strategic potential. Primary among them are the Balance of Payments program and the Ability One/JWOD program. While a Singaporean vendor could bid on the contract and demonstrate it would source the Class IX consumables referenced in the SOW through Ability One and that they would be manufactured in the U.S., the potential for it to execute the contract at an overall savings to DOD is low given the vendor would have to pass on the importation costs along in its item pricing. The strategic benefits for the Services, the combatant commander, and the U.S. from programs like this are significant enough that existing domestic policy should be changed. For this to happen, the individual service chiefs first must align their logistics requirements with those of the CCDR since they have the Title X responsibility for budgeting logistics resources. Secondly, the combination of the commercial logistics and theater security cooperation opportunities are incentive for DOD to work with Congress to amend current policies and laws. This would not be easy given the potential of this being perceived as detrimental to domestic interests from lost revenue to U.S. businesses and disabled persons. It, however, is the opinion of this author that the strategic benefits to the U.S. from these sorts of programs outweigh any negative

domestic impacts because of opportunities for assisting with promoting peace and stability around the globe.

Endnotes

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