



**Report to the Senior Executive Council,
Department of Defense**

**TRANSCOM-DLA
TASK GROUP**

Report FY03-3

- **Recommendations related to Defense supply chain integration to include the merits of combining U.S. Transportation Command (TRANSCOM) and the Defense Logistics Agency (DLA)**

June 17, 2003

Report Documentation Page

Form Approved
OMB No. 0704-0188

Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

1. REPORT DATE 17 JUN 2003		2. REPORT TYPE		3. DATES COVERED 00-00-2003 to 00-00-2003	
4. TITLE AND SUBTITLE Transcom-DLA Task Group				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Defense Business Board,1155 Defense Pentagon,Washington,DC,20301-1155				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

TRANSCOM-DLA TASK GROUP REPORT

TASK: At the direction of the Secretary of Defense, the Defense Business Practice Implementation Board was tasked with providing recommendations on the merging of the Defense Logistics Agency (DLA) and the U.S. Transportation Command (TRANSCOM). The focus of these recommendations was to take advantage of the significant opportunity to transform the Department of Defense's logistics capability while achieving substantial, quantifiable cost savings through a process oriented focus. The commercial analog for this approach, supply chain management, is universally recognized as the method that must be embraced by the Department to achieve needed transformational improvements in the efficiency and effectiveness of end-to-end logistics processes.

Specifically, the Task Group was asked to provide the following deliverables:

1. Strategic Validation. Determine what ought to be the Department's "future state" of integrated supply chain management and validate that a combined TRANSCOM-DLA is consistent with that view.
2. Organizational Design. Provide an organizational construct for TRANSCOM and DLA to operate as a single entity that seamlessly provides "future state" integrated end-to-end supply chain management for DoD resources.
3. Implementation Plan. Provide a roadmap for implementation of the recommended changes.

- DBB Task Group Chairman: Gus Pagonis
- DoD Task Group Liaison: Diane Morales, Deputy Under Secretary of Defense for Logistics and Materiel Readiness
- DBB Task Group Special Consultants/Members: General Larry Welch, USAF (Ret.), General Richard Hearney, USMC (Ret.), Mr. David Oliver, Mr. Jay Erb
- DBB Task Group Executive Secretary: Thomas Modly

PROCESS: The Task Group reviewed multiple studies on Defense supply chain and logistics reform. The Group also received command briefings from TRANSCOM and DLA and were provided updates on the status of DoD supply

Defense Business Practice Implementation Board

chain reform from representatives of the OSD and JCS staffs. The group met and deliberated on its findings and recommendations on April 17, 2003 at the Pentagon. The deliberations yielded three high level recommendations that were presented for debate and discussion to the entire DBB at its quarterly meeting on May 14, 2003.

RESULTS: The Task Group's three recommendations seek to elevate the debate over the combination of TRANSCOM and DLA to a higher level decision concerning broad integration of the DoD supply chain. The recommendations, as described below, were developed in an Information Memorandum for the Secretary of Defense (Attachment 1) and were later presented to a Senior Level Review Group on June 17, 2003 (Attachment 2).

Summary Recommendations

1. Do not combine TRANSCOM and DLA.
 - Roles, missions and competencies of the two organizations are too diverse to create a constructive combination.
 - Organizational merger would not significantly facilitate broader transformational objectives of supply chain integration.
 - Both organizations perform unique activities/functions in the supply chain. The real problem is not that the two organizations are separate, but that their activities are not well integrated.
2. Elevate leadership for DoD global supplies chain integration.
 - Designate a new Under Secretary of Defense for Global Supply Chain Integration (GSCI) reporting directly to the Secretary of Defense.
 - Ensure GSCI is a civilian with established credibility in the field of supply chain management.
 - Establish the GSCI's appointment as a fixed term for a minimum of 6 years.
 - Direct TRANSCOM and DLA to report to the GSCI.
 - Create a working relationship for the GSCI with the Chairman of the Joint Chiefs of Staff.
 - Build the GSCI's staff from existing staffs in OSD, TRANSCOM, and DLA.
3. Empower a Global Supply Chain Integrator (GSCI) with the required authority and control to effect integration. GSCI should be granted authority to:
 - Build end-to-end integrated supply chains through the establishment of policies and procedures.
 - Enable privatization and partnering with global commercial distributors.

Defense Business Practice Implementation Board

- Oversee program management decisions related to major systems vendor support.
- Establish/authorize organizations and processes to control flow during deployment/wartime scenarios.
- Control budgetary decisions affecting TRANSCOM, DLA, and the distribution budgets of the Services.

Respectfully submitted,

William G. Pagonis

Attachments:
As stated



DEFENSE BUSINESS PRACTICE IMPLEMENTATION BOARD

TRANSCOM - DLA TASK GROUP

**Report of Findings
June 17, 2003**



Secretary Rumsfeld Designated A High-Level Task Group to Examine TRANSCOM-DLA Combination



Gus Pagonis-Chairman
General Larry Welch, USAF (Retired)
General Richard Hearney, USMC (Retired)
David Oliver, Former Principal Deputy USD (AT&L)
Jay Erb, J-4 Staff



DEFENSE BUSINESS PRACTICE IMPLEMENTATION BOARD

◆ Task Group ◆ Objectives ◆ Process ◆ Recommendations ◆ Next Steps



SHOULD TRANSCOM & DLA BE COMBINED?



PROPOSE COMBINED ORGANIZATIONAL STRUCTURE and IMPLEMENTATION PLAN

YES

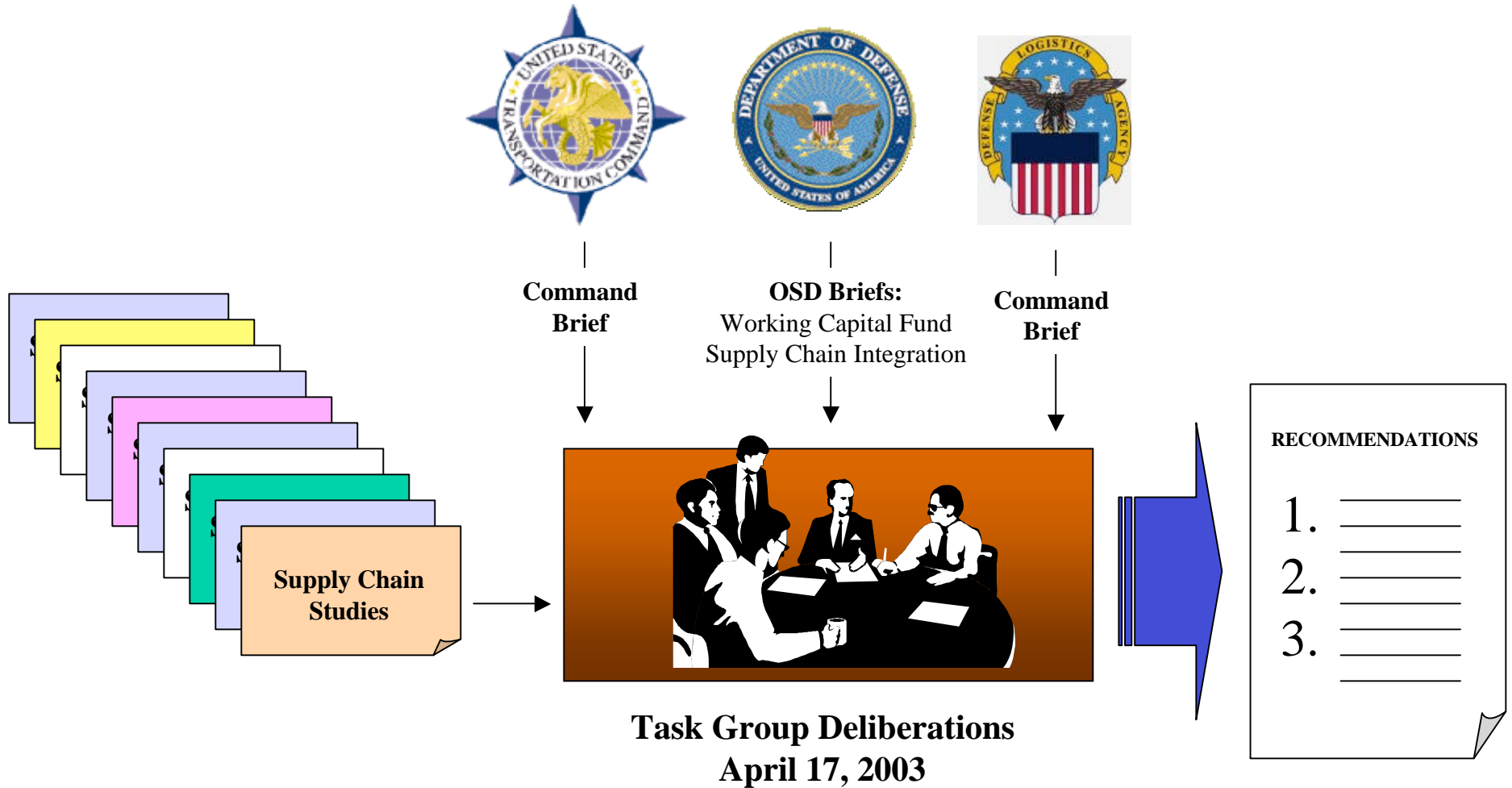
NO

PROPOSE ALTERNATE SOLUTION TO PROMOTE SUPPLY CHAIN INTEGRATION



DEFENSE BUSINESS PRACTICE IMPLEMENTATION BOARD

◆ Task Group ◆ Objectives ◆ **Process** ◆ Recommendations ◆ Next Steps





Recommendation 1: Do Not Combine TRANSCOM & DLA



SHOULD TRANSCOM & DLA BE COMBINED?

NO

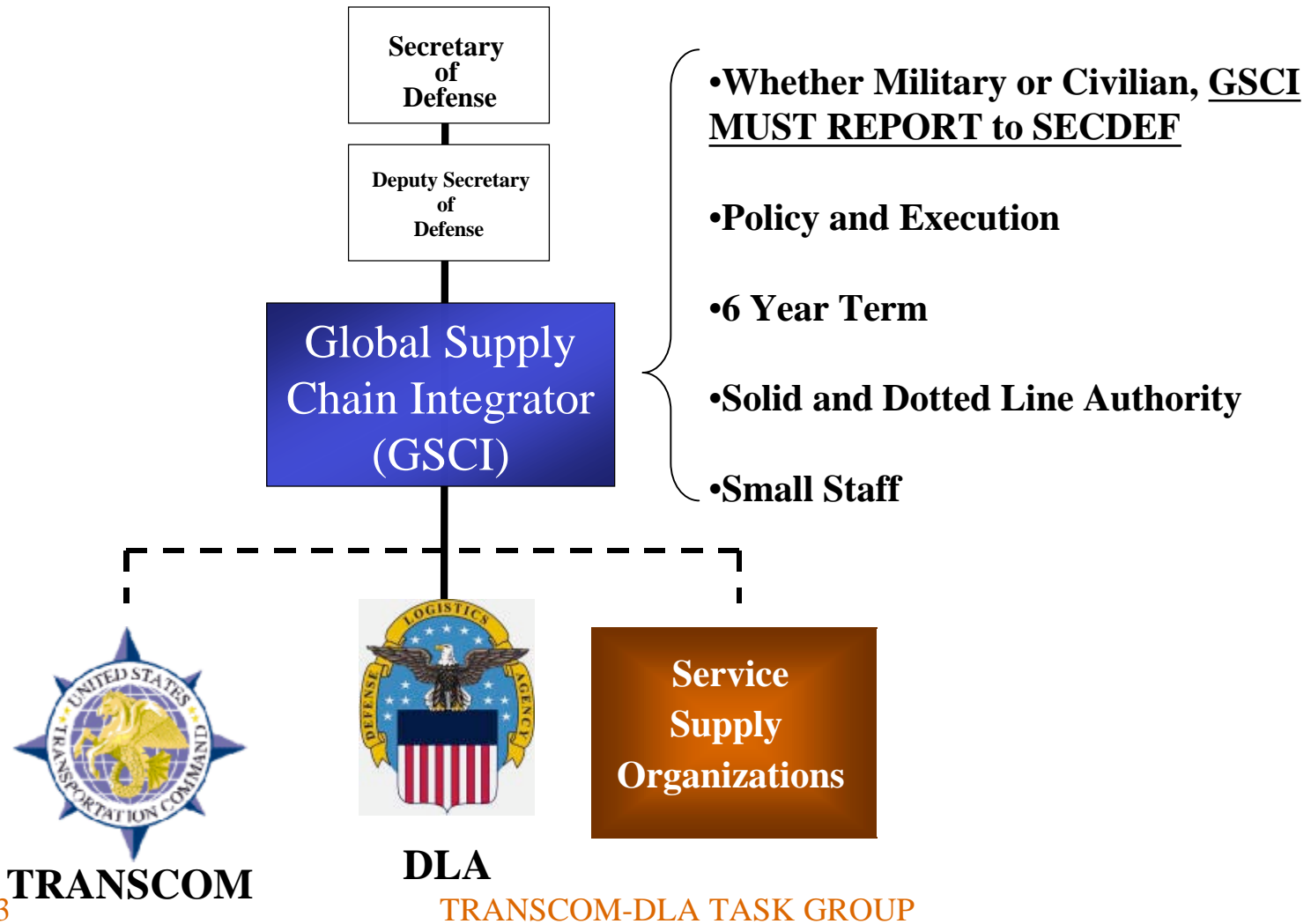
- roles, missions, competencies too diverse
- would not facilitate broader supply chain integration

BOTTOM LINE:

- problem not that organizations are separate,
but that activities are not integrated

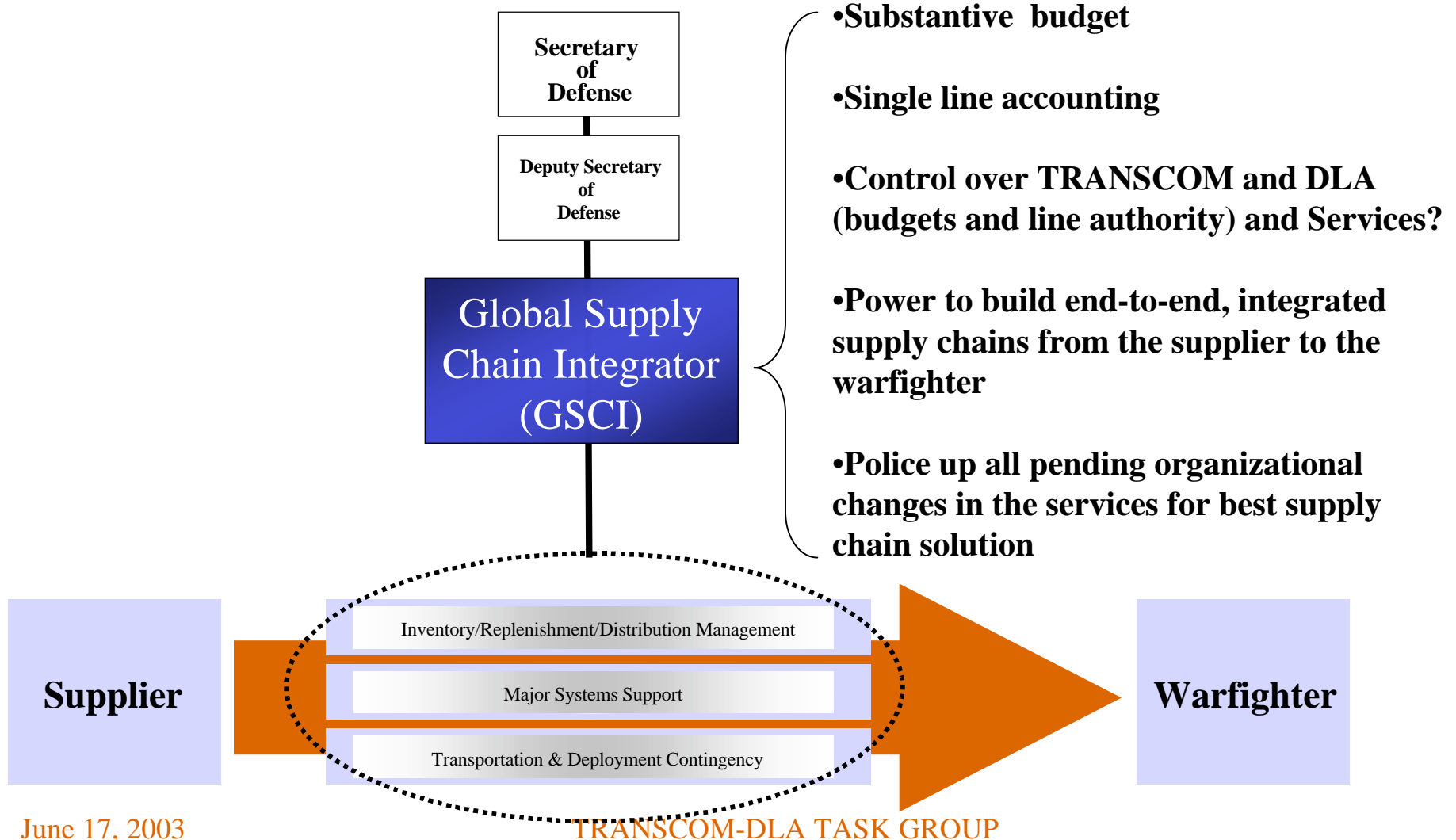


Recommendation 2: Elevate Leadership & Control of DoD Supply Chain





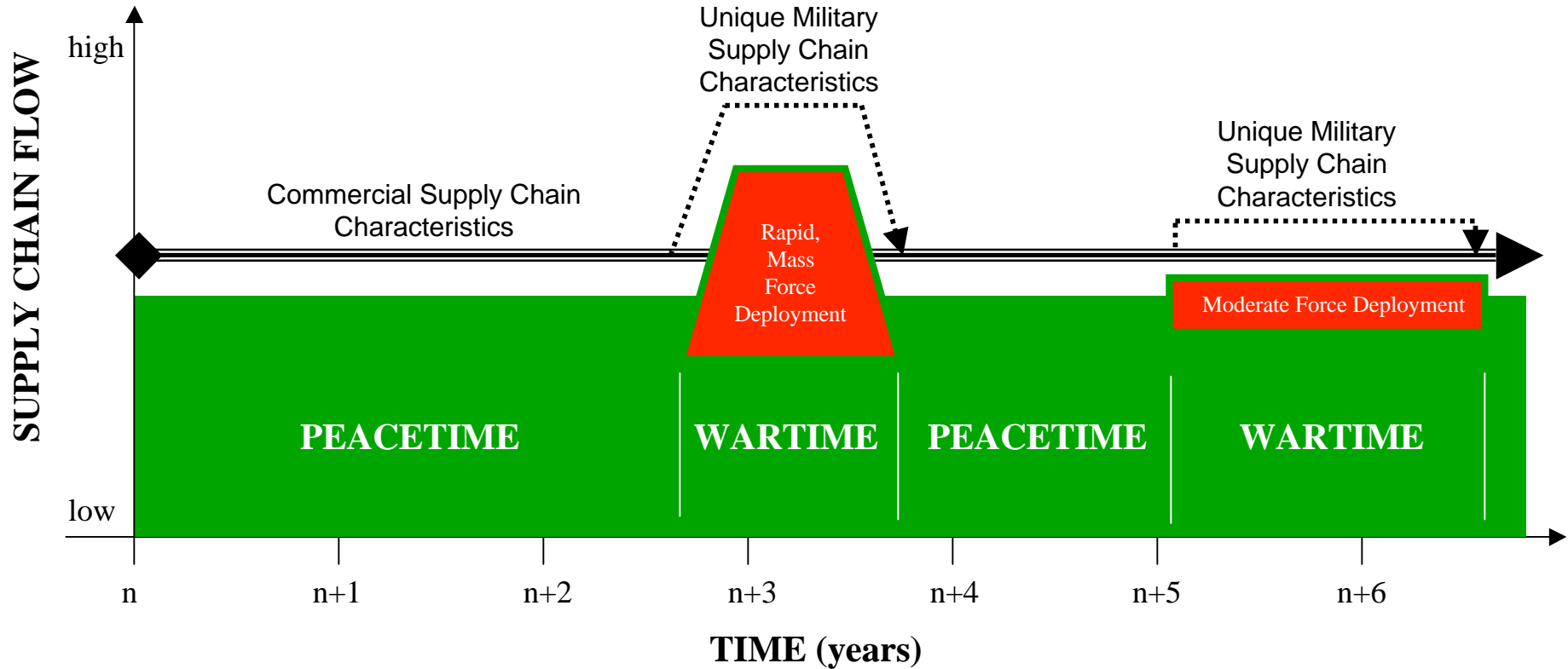
Recommendation 3: Empower GSCI to Effect Integration





Design Global Supply Chain Integration Around Peacetime Needs with Agility and Flexibility to Adapt to Wartime Contingencies

Vast Majority of DoD Supply Chain Flow Occurs During Peacetime





DEFENSE BUSINESS PRACTICE IMPLEMENTATION BOARD

◆ Task Group ◆ Objectives ◆ Process ◆ Recommendations ◆ **Next Steps**

