

Consolidating Supply Depots Under DMRD 902

by LtCol Jeffrey W. O'Connell and Maj Peter Talleri

As budgets are tightened in the new post-Cold War era, consolidating resources will be looked at as a more attractive option than ever.

In April 1990, then-Secretary of Defense Richard Cheney directed that the Department of Defense's (DoD's) 30 supply depots be consolidated under single management. This move grew out of a Presidential request for management improvements within DoD. The results took the form of Defense Management Review Decisions (DMRD), which were one part of a larger effort to achieve long-term savings by streamlining DoD operations. Of particular concern to DoD supply depots was DMRD 902, Consolidation of Defense Supply Depots. The following article discusses the objectives, implementation, and impact of DMRD 902. It specifically addresses how the Marine Corps logistics bases have reorganized in order to participate in this initiative.

DMRD 902 directed that the management of distribution functions at DoD supply depots be consolidated and control transferred to the Defense Logistics Agency (DLA). The Director of DLA would then have overall management, resourcing, and oversight responsibilities for supply distribution at the 30 supply depots within the consolidation initiative. For the purposes of the supply depot consolidation initiative, "distribution" is defined as allocations involving the receipt of new procurement; redistribution of field returns; storage of materiel; issue of materiel; consolidation and containerization of material; preservation, packaging and marking; physical inventory; quality control; traffic management; unit material fielding and set assembly/disassembly; transhipment and minor repair.

On 16 March 1992, all the supply distribution functions of the DoD supply depots, including the Marine Corps Logistics Base (MCLB) Albany, MCLB Barstow, and Marine Corps Air Station (MCAS) Cherry Point were consolidated under DLA. At each Marine Corps facility these distribution functions, with the exception of major end-item storage, were assumed by DLA.

This process involved the transfer of personnel, assets, and facilities from the Marine Corps to DLA. Under the current command relationship, DLA is a tenant on each of these Marine Corps facilities. At MCLB Albany, DLA distribution functions have been reorganized as the Defense Distribution Depot Albany, GA; at MCLB Barstow as the Defense Distribution Depot Barstow, CA; and at MCAS Cherry Point as the Defense Distribution Depot Cherry Point, NC.

Prior to consolidation, DoD's supply depot system consisted of five different distribution operations interconnected by the Defense Logistics Standard System (DLSS). Each of the four Services and DLA managed its own supply depots; each had its own management and overhead structure; each developed and maintained its own computer systems; and each developed and prioritized its own facilities modernization and construction projects. While many of the depots are located close to one another, there has been little interaction or cooperation between them. While each depot has made substantial progress in opti-

mizing its own operations to provide efficient and responsive customer service, the system as a whole was duplicative and inefficient. Figure 1 shows the 30 depots and the owners prior to the supply depot consolidation initiative.

The primary goal of consolidation is to place all supply depot resources under a single manager and to facilitate DoD-wide management and operational distribution decisions. The specific objectives of supply depot consolidation include:

- To consolidate materiel distribution functions at defense supply depots under a single manager.
- To minimize the number of receiving, packing, and shipping points.
- To maximize the use of DoD storage space and future facilities investments.
- To make use of resources, such as manpower and equipment, as judiciously as possible.
- To consolidate materiel stocks at the minimum number of primary distribution sites.
- To reduce overhead and indirect support of distribution functions.
- To achieve more effective DoD-wide, long-term distribution planning and acquisition of warehouse facilities, equipment, consolidation points, and transportation hubs.

By consolidating all these functions under a single agency it was hoped that significant reductions in base and headquarters level overhead costs was to be achieved, as well as increases in existing facility capacity. Single management, it was thought, would give

SUPPLY DISTRIBUTION DEPOTS

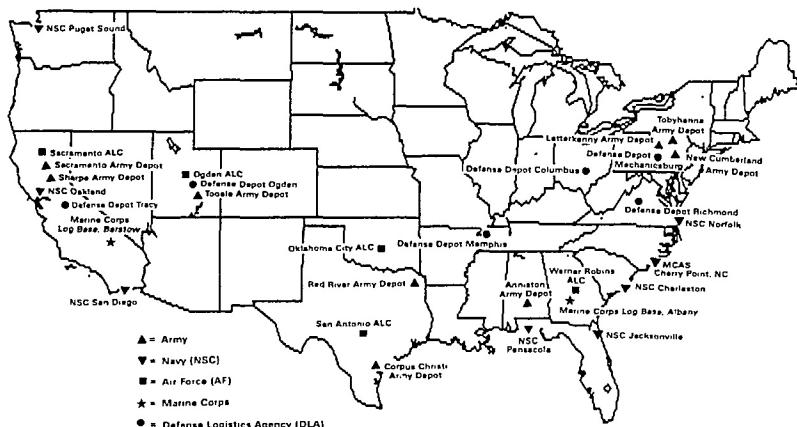


Figure 1

DoD the opportunity to employ a single automated data processing system and significantly reduce the recurring costs associated with the design, development, and maintenance of five separate supply depot systems. The savings from consolidation were projected to be \$1.2 billion between 1991-1997. Additionally, it is projected that military and civilian end strength can be reduced during this same timespan by approximately 5,500.

It is expected that placement of all depot distribution functions under a single manager will provide a greater opportunity to standardize the method of measuring materiel management and determining the level of performance of the supply depots in supporting their customers. Stock positioning can also become more specialized by categorizing it according to customer need. Approximately 2.25 billion electronic transactions are processed through DoD logistics systems each year. Through stock positioning and centralization of materiel, this large volume of transactions can be operationally streamlined. By placing highly popular materiels at distribution sites that are accessible to customers, regardless of who owns and manages the material, shipment delays are expected to be reduced.

Further savings are also expected through the cancellation of military construction (MilCon) projects and making greater use of existing DoD storage facilities. Through depot consolidation, DLA will be able to store materiels based upon customer need



and capitalize upon the availability of newer state-of-the-art warehousing systems. Many existing warehouses are well past their functional life. Costs to upgrade or build new facilities can be avoided by using available storage space at more modern facilities. Prior to consolidation, each DoD component was responsible for the development and funding of MilCon projects to build and upgrade storage facilities. With the consolidation of 30 depots, DLA inherited 1,028 warehouses with over 111 million gross square feet. A number of these warehouses are within

in 100 miles of one another—some facilities are even within 10 miles of each other.

To organize and manage all 30 depots, DLA developed a 3-region concept. Figure 2 depicts the 30 depots segregated into 3 regions and shows the regional headquarters: Defense Distribution Region East (DDRE) located at New Cumberland, PA; Defense Distribution Region Central (DDRC) located at Memphis, TN; Defense Distribution Region West (DDRW) located at San Joaquin, CA. The Defense Distribution Depot Ogden, UT, currently stands alone. Defense Distribution Depot Albany, GA, is located in DDRC. Defense Distribution Depot Barstow, CA is located in DDRW, and Defense Distribution Depot Cherry Point, NC is located in DDRE.

Initially, each Service was inimically opposed to the implementation of DMRD 902. Factors such as multiple missions, geographic proximity, organizational infrastructure, integration of complex automated systems, and workload mix (see *MCG*, Jun92, p. 83) required separate analysis to ensure that smart defense decisions were administered. The Services stipulated that sustained combat service support to the forces must be maintained and that partisan automated, integrated, and internal logistical systems were critical to each Service's ability to accomplish successfully its mission.

The Marine Corps, excluding MCAS

DoD DISTRIBUTION DEPOTS

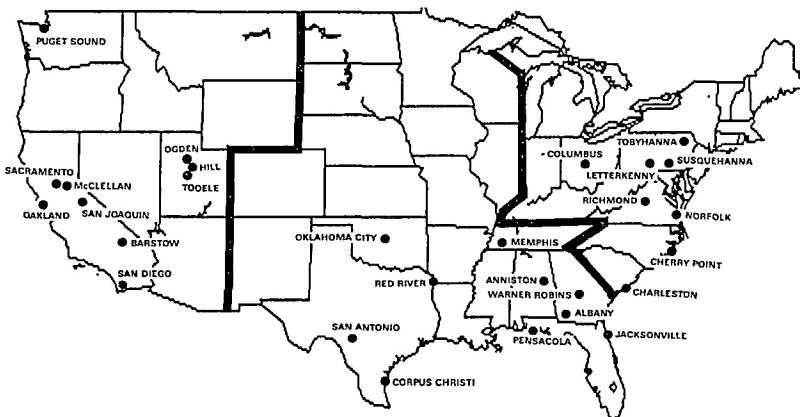
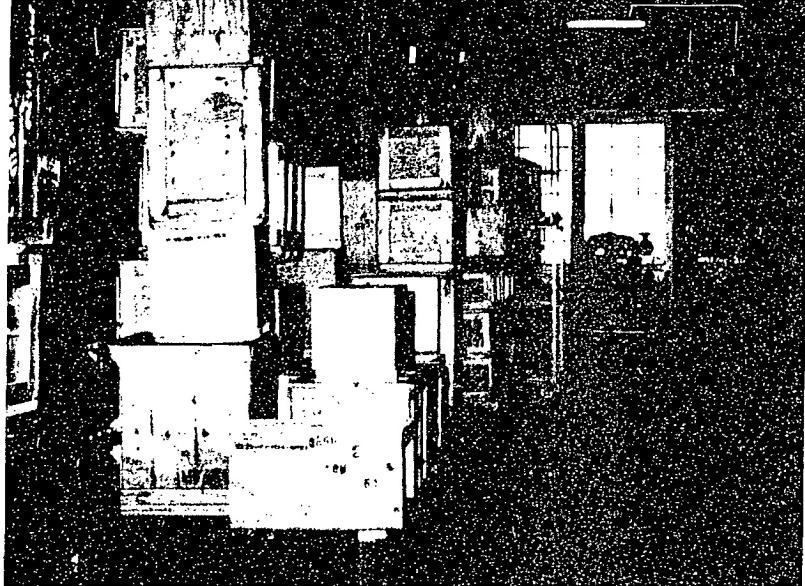


Figure 2

Cherry Point, however, did not operate its supply depots as described in DMRD 902. Prior to implementing DMRD 902, the Corps utilized materiel divisions (MatDivs) located aboard MCLBs Albany and Barstow, in direct support of the Fleet Marine Force (FMF) as well as Reserve and cadre units. These MatDivs were configured to support Marine Corps mission profiles in both a hostile and peacetime environment. The MatDivs were collocated with the Marine Corps' two Multi-Commodity Maintenance Centers (MC3s) for optimal mission support. The MatDivs and MC3s were subordinate to the commander of the MCLBs, which also included the Corps' single inventory control point (ICP). They predominately stored Marine Corps assets not involved in the DoD wholesale distribution system. The wholesale stock-funded activity represented only 15 percent of the MatDiv's workload. Most significant, the weapon systems manager's activities at the ICP were inextricably interwoven with the activities of the MatDivs; therefore, the Marine Corps concluded that the management of these activities must not be decoupled.

In spite of the Services' concerns, the Deputy Secretary of Defense conducted a formal review and found nothing that would cause him to change the direction of his memorandum of 12 April 1990 with regard to consolidation. With the decision made, the next step in the process was for DLA to negotiate a Master Memorandum of Agreement (MMOA) with each Service outlining the general provisions of the functional transfers that would occur at each of the service sites.



Effective 16 March 1992, a MMOA was signed between the Marine Corps and DLA that set forth responsibilities for the consolidation of physical distribution functions within DLA. The MMOA was also used as a baseline document for developing inter-Service support agreements (ISSAs) that identified specific functions to be performed by DLA and the Marine Corps. Physical distribution functions were also apportioned in the document between DLA and the Corps.

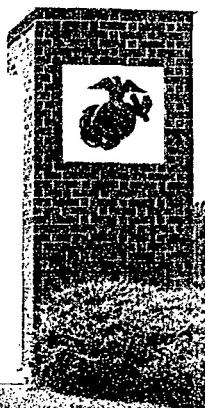
The MMOA basically called for the Corps to retain responsibility for the storage and care-in-storage of principal end items (PEIs) and their associated functions. DLA assumed the missions of receiving and receipting all supplies handled by the MatDivs, the

storing and care-in-storage of all consumable items and repairable assets handled by the MatDivs, and the issue and shipment of all supplies shipped by the MatDivs. The transfer of the above missions required the transfer of personnel, facilities tenancy, supplies, and financial responsibilities—all in concert with a separate ISSA between each MCLB and their respective Defense Distribution Region. The ISSAs presently being negotiated will define the specific defense regional interservice support to be provided in accordance with DoD 4000.19-R. The establishment of these ISSAs and the transition of work without interrupting support to Marine customers has involved almost every organization in the Corps' logistics base network.

With DMRD 902 in effect, the MatDivs were abolished. To provide the continuity of support required to execute the mission of the storage and care-in-storage for PEIs, new organizations sprang up at MCLBs Albany and Barstow titled Fleet Support Divisions (FSDs). Although the mission of the FSD at each MCLB varies slightly, the basic FSD mission consists of the following elements:

- Provide storage, care-in-storage, accountability, inspection, security, transfer and maintenance of Marine Corps PEIs.
- Assemble/disassemble collateral equipment, end item components and sets, kits, and chests for association with PEIs in support of Marine Corps requirements.

MARINE CORPS SUPPLY CENTER ALBANY, GEORGIA



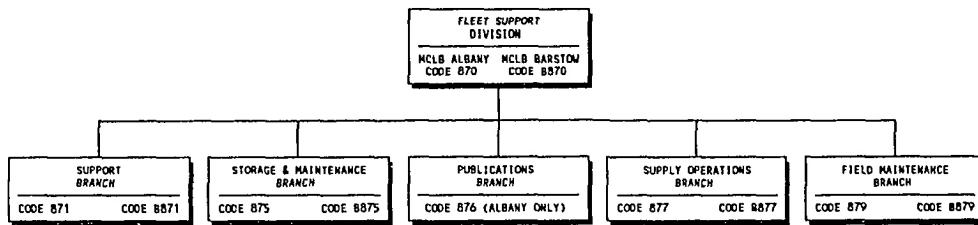


Figure 3

- Provide inventory management, storage, and distribution of both classified and unclassified publications (Albany FSD only).
- Receive, store, assemble, pack, and ship components for various end items and customers on a reimbursable basis.

To perform their varied mission, the FSDs are organized by branches. The branch organization for the FSDs is depicted in Figure 3. A brief description of each branch follows:

The Support Branch. This diverse branch performs supply planning functions by advising and assisting the FSD director in achieving and maintaining efficiency in supply operations. It also provides analytical support to all branches with regard to the various data processing systems used by the division. The Support Branch also develops, installs, and monitors quality control systems, procedures, and plans related to materiel, document processes, and operations of concern to the FSD; it establishes quality levels for PEI materiel procured, received, stored, preserved, and shipped; it directs technical research/and stock identification; it summarizes and interprets statistical quality data; it processes and monitors discrepancy reports and initiates corrective follow-up action; and, finally, it assembles, procures, stores, and receives components for reimbursable Marine Corps special projects.

The Storage and Maintenance Branch. This is the principal branch of the FSD. It performs the receipt, storage, security, care-in-storage, issue, maintenance, and preservation of Marine Corps supply system stock, which includes small arms, all PEI assets (both serviceable and nonserviceable), and controlled cryptographic items. The workload is predicated on supply maintenance functions determined by the operational test code (OTC), which is assigned by the Technical Support

Division of the Integrated Logistics Support Division and determines the care-in-storage frequency schedule. Care-in-storage is normally performed every 6 months for the majority of Marine Corps assets. Exceptions are inside storage (3 years), trailers (1 year), and condition code F (nonserviceable) assets (1 year), which are scheduled on the master work schedule. The time that is required to process an end item through the care-in-storage cycle varies significantly from vehicle to vehicle. Third echelon maintenance and higher is deferred to the MC3s as well as all repairs on communication and ordnance equipment due to a lack of facilities and equipment required to perform repairs. The branch at Albany administers the FSD's space utilization program for 1.26 million square feet of inside storage of which 814,000 square feet is dedicated to the PEI mission and 4.7 million square feet to outside storage. The complexity of this type of work is evident in the estimated 2,100 line items that are routinely processed at a cost of \$1.2 billion. The branch at Barstow is responsible for similar quantities of space and materiel.

The Publications Branch. This branch (located at Albany) provides worldwide publications support of technical, nontechnical, classified, and nonclassified publications. The branch managed 17,600 line items and processed 540,493 requisitions last year. This equates to 45,041 requisitions per month.

The Supply Operations Branch. This branch conducts continuous planning and review of supply operations by administering and executing workload forecasts and the Marine Corps Supply Support Program. Supply support is the coordination for the assembly, disassembly, inventory, storage, receipt, and procurement of components for sets, kits, chests, and collateral materiel for association with PEIs as required. This branch spends a

large amount of time acting as a liaison between the different branches, the ICP, and the MC3s negotiating capacity.

The Field Maintenance Branch. This new branch, consisting of Marines who were formerly assigned to the MC3s, provides special maintenance skills necessary to support FMF and Reserve forces. Its duties include providing technical assistance and overflow maintenance support to Reserve units and providing limited technical inspection teams, equipment handoff teams, and technical guidance and instruction to units in the FMF, Blount Island Command, and any other organization or Service that request it.

In conclusion, DMRD 902 is an effort to achieve long-term savings through streamlining DoD distribution operations and centralizing policy and systems, while decentralizing implementation and execution. Adopting it has been an iterative process that requires significant degrees of coordination, negotiation, and cooperation among all involved DoD activities. Many of the details and issues required by the development of a DoD distribution system still remain unresolved; however, the principal transitions have occurred and savings are already being realized. Indications are strong that future savings will continue to accrue as base and headquarters overhead is reduced, systems development costs are consolidated, and facility capacities are realized. The Marine Corps supports the spirit and intent of DMRD 902 and understands that developing a DoD distribution system is the way of future supply support. The Marine Corps' participation in DMRD 902 ensures the most efficient and economical method to provide sustained support to the FMF.



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