



**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

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

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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.

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- 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

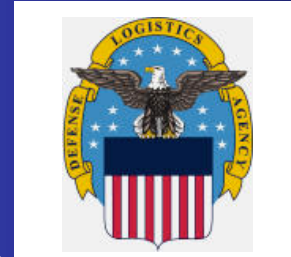


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◆ Task Group ◆ Objectives ◆ Process ◆ Recommendations ◆ Next Steps



SHOULD TRANSCOM & DLA BE COMBINED?



**PROPOSE COMBINED
ORGANIZATIONAL
STRUCTURE and
IMPLEMENTATION
PLAN**

YES

NO

**PROPOSE ALTERNATE
SOLUTION TO
PROMOTE SUPPLY
CHAIN INTEGRATION**



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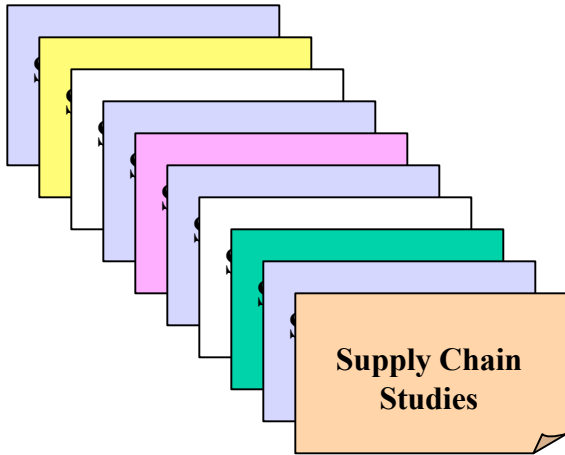
◆ Task Group ◆ Objectives ◆ **Process** ◆ Recommendations ◆ Next Steps



Command Brief

OSD Briefs:
Working Capital Fund
Supply Chain Integration

Command Brief



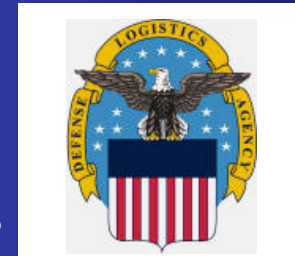
**Task Group Deliberations
April 17, 2003**

RECOMMENDATIONS

1. _____
2. _____
3. _____



Recommendation 1: Do Not Combine TRANSCOM & DLA



SHOULD TRANSCOM & DLA BE COMBINED?

NO

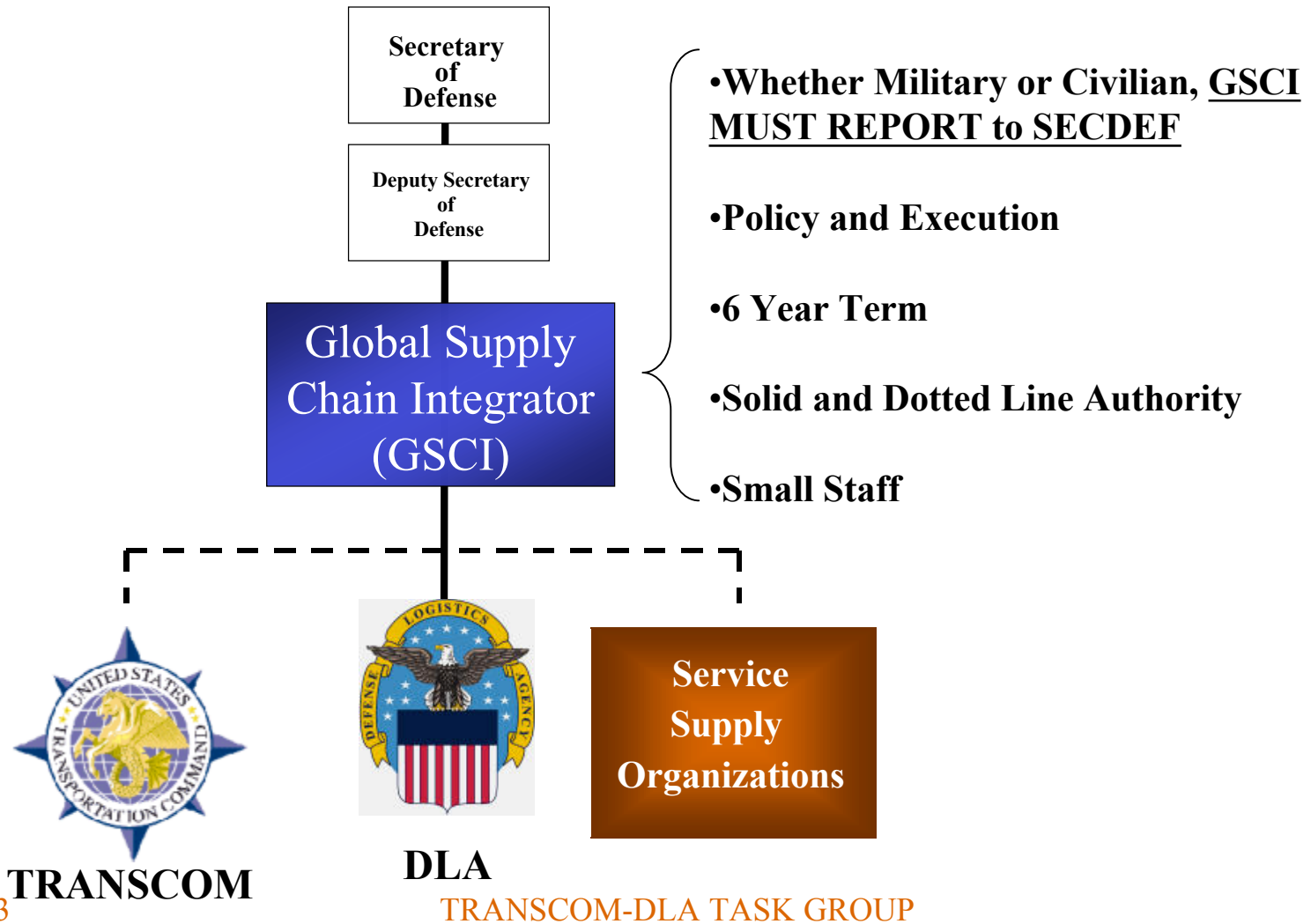
- roles, missions, competencies too diverse
- would not facilitate broader supply chain integration

BOTTOM LINE:

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

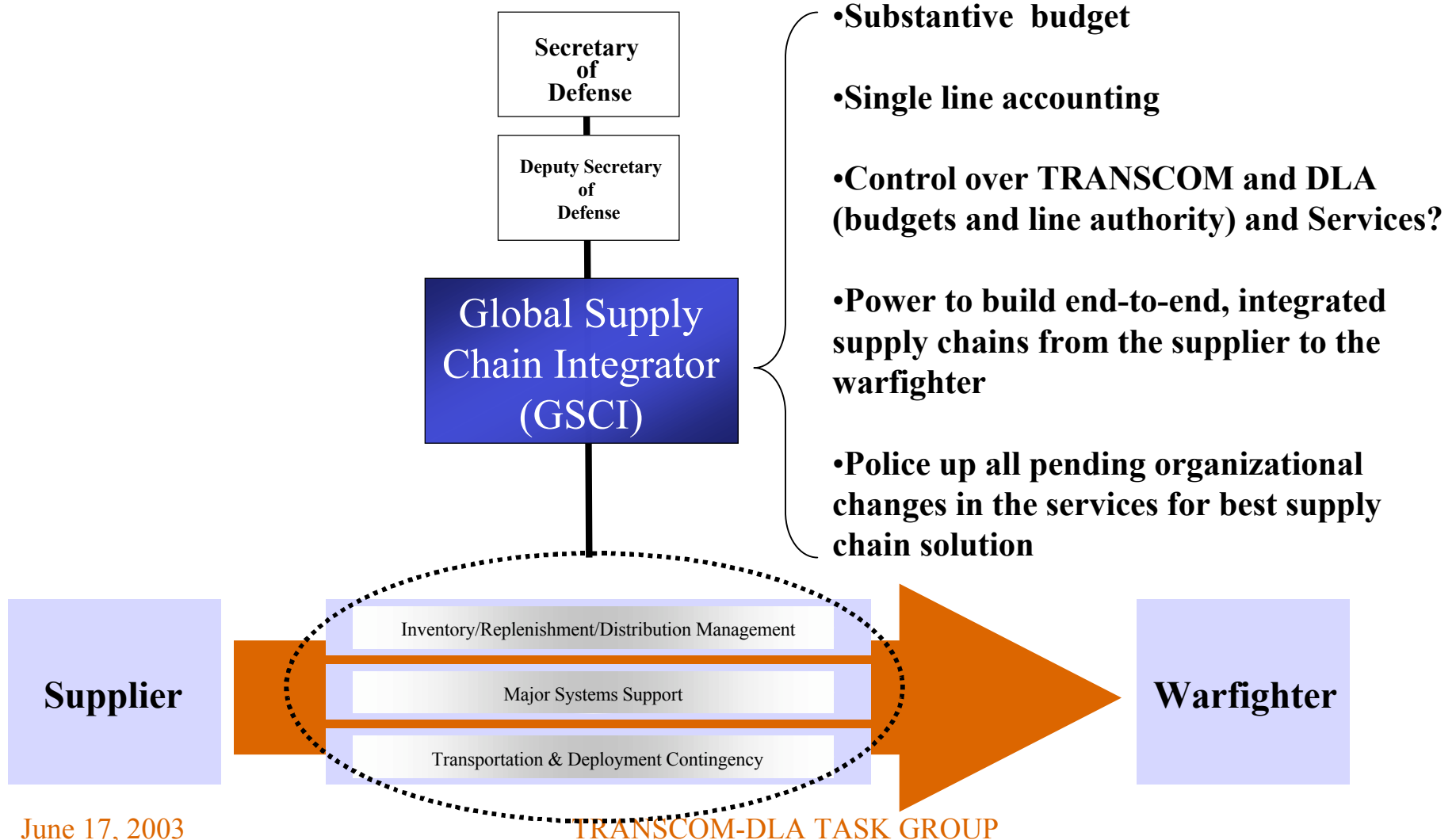


Recommendation 2: Elevate Leadership & Control of DoD Supply Chain





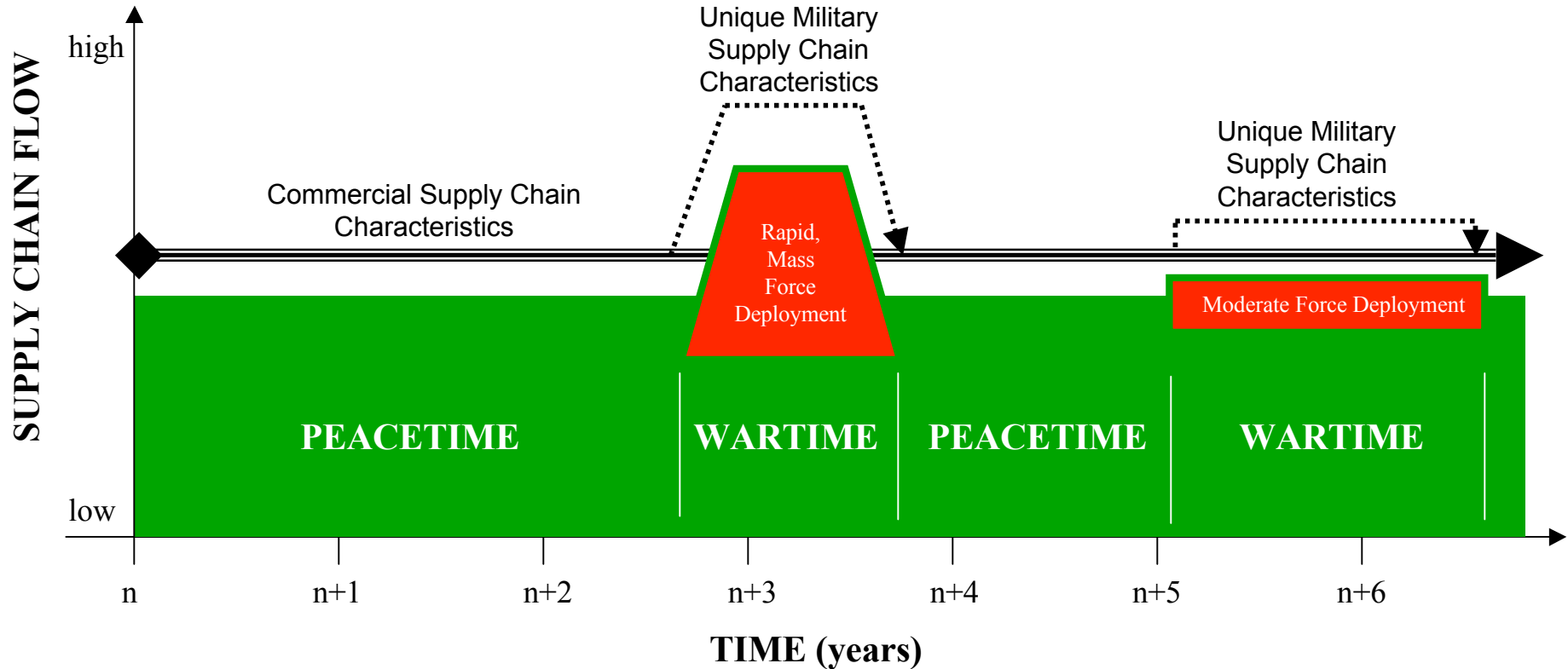
Recommendation 3: Empower GSCI to Effect Integration





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





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