

# GE Corporate Contract Reflects Real Change in Traditional Logistics Process

## Streamlining Spare Parts Delivery

LARRY TABOR

**H**o, hum. Another story on acquisition reform. Spare parts no less. But if you need parts, read on — this a story of real change to the traditional Air Force logistics process.

The process to get a military-peculiar part in the hands of the mechanic is a lengthy one. Almost three years can pass from the time the Item Manager starts the process to determine the requirement until the part arrives. Four major phases are involved in the process: requirements determination, purchase request processing, contract award, and production (Figure 1).

Under a new contract awarded by Oklahoma City Air Logistics Center (OC-ALC) to General Electric Aircraft Engines (GEAE) and General Electric Support Services (GESS), the second and third phases of this process will be virtually eliminated, saving a year's worth of administrative leadtime. A number of other benefits, which translate to better customer support, are also expected.

The contract will cover parts that are sole source to GEAE. It combines Air Force, Defense Logistics Agency (DLA), and Navy requirements for the F110 engine family (F101, F108, F110, and F118). Covering a 10-year period, it is a "Corporate Contract" that is estimated at about \$2 billion.

The contract builds on a prior long-term contract between OC-ALC and GE and incorporates the innovations of Phillip

FIGURE 1. Acquisition Cycle

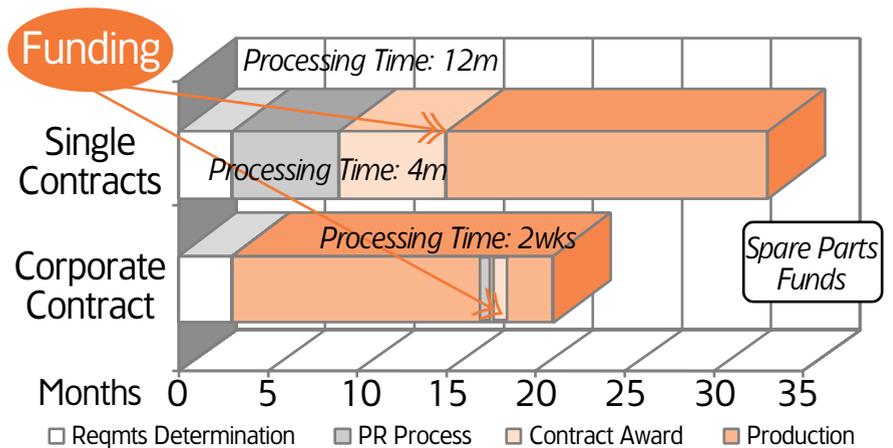
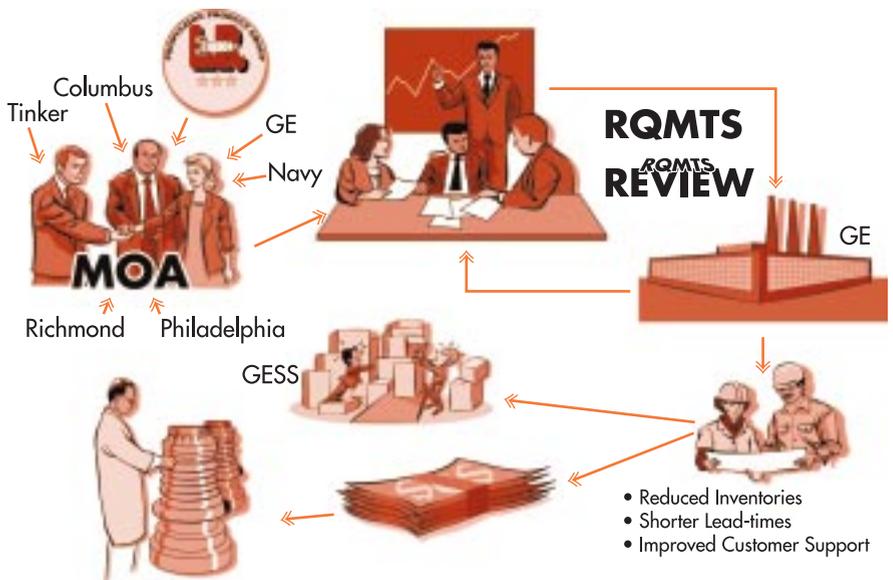


FIGURE 2. The Process



Tabor is the Chief of the General Electric Contracting Section, Directorate of Propulsion, Oklahoma City Air Logistics Center.

Hughes of GE and James Whittern of OC-ALC, both now retired. Their combined ideas provided the framework for the new initiative. Their plan was to implement Quarterly Requirements Reviews between all parties, for GE to “risk release” parts to production, and for the government to delay issuing its orders for spare parts until the end of production (Figure 2).

During the Quarterly Requirements Reviews, all parties will come together and project DoD’s requirements. GE will take the identified requirements and commence production. Ninety days prior to completion of production, DoD will make a decision to buy or not to buy specific parts. If the decision is to buy, an order will be issued and the part delivered within 90 days. If the decision is not to buy, GEAE will transfer the item to GESS for storage and resale to any potential customer; the government will not be obligated to buy the parts.

Current logistics practices have evolved over many years. Even small changes to these practices can have a number of un-

foreseen consequences. This contract represents a significant change, moving the traditional ordering point from “lead-time-away,” closer to “just-in-time.” Working through the details of this change has been the task of the OC-ALC Contracting and Item Management Team. The buying team included Mary Wade, Georgette Strub, and Mark Jackson. Analysts Joyce Cobb and Sherri Barker performed cost and price analysis of the parts. Teresa Cobb and Vince Howie represented Item Management. The team worked for over a year with representatives from GE, GESS, DLA, and the Navy to bring the initiative to fruition. Interface with other functional areas – Headquarters Air Force Materiel Command and Office of the Assistant Secretary of the Air Force (Acquisition) – was required.

The contract should go a long way toward resembling a commercial logistics situation. For commercial items, we expect parts to be sitting on the shelf, on demand. The plan for this contract is to have the parts available when needed, but not require the manufacturer to carry

shelf stock. “Off the shelf” usually means substantially higher prices because of the inventory costs.

Further, we used Federal Acquisition Regulation procedures for commercial acquisitions to make the contract easier to award and reduce oversight of the contractor during production.

Frequent sharing of information between the government and the contractor should improve the likelihood that parts will be available “just in time,” when they are actually needed. The government’s requirements for pipeline inventory will be substantially reduced. Moreover, the government will benefit from a large, upfront cost deferral since items will not go on-contract until a short time before delivery. For the same reason, terminations will be reduced. In the final analysis, the contract will provide better spare parts support for the F110 family of engines.

**Editor’s Note:** The author welcomes questions or comments. Contact him at [larry.g.tabor@tinker.af.mil](mailto:larry.g.tabor@tinker.af.mil).

## SOLOWAY RELEASES A GUIDE TO COLLECTION AND USE OF PAST PERFORMANCE INFORMATION

**D**eputy Under Secretary of Defense (Acquisition Reform), Stan Z. Soloway has released for online publication *A Guide to Collection and Use of Past Performance Information*. Dated May 1999, the guide was a joint team effort of members from the Past Performance Integrated Product Team, and the Federal Acquisition Regulation (FAR) 15 Rewrite Team.

This guide is designed to articulate the key techniques and practices for the use and collection of past performance information. Consistent with the spirit of acquisition reform, it provides guidance to encourage the use of innovative techniques in acquiring the best value goods and services. Its purpose is to provide you with a practical reference tool regarding DoD past performance policy. The guide is also designed for use by the entire acquisition workforce – government and industry – to

promote the goal of achieving “best value”. It explains best practices for the use of past performance information during source selection, ongoing performance, and during collection of the information.

Commenting on the joint team’s efforts, Soloway said, “I commend the Rewrite and IPT teams for a job well done, and want to thank those members of industry for their comments on the guide as well.”

Soloway encourages the acquisition workforce, “to read and use this guide in your efforts to obtain the best value for the Department of Defense and the American taxpayer.”

**Editor’s Note:** To download the entire guide, go to <http://www.acq.osd.mil/ar/#sat1> on the DUSD(AR) Web site.