

Defense Transportation Coordination Initiative (DTCI)

Background Paper On Pilot Program Lessons Learned

Overview: “Lessons Learned” from a Southeast region prototype effort have been instrumental in the design and contract structure for the current DTCI effort. In addition, lessons learned from the prototype continue to drive program planning and have given the DoD the confidence to move forward with a full program aimed at transforming CONUS DoD shipping for both the Defense Logistics Agency (DLA) and the Services.

Background: A Southeast region prototype for DTCI was conducted for DLA and the Services from 30 Mar 01- 31 Jan 05. The purpose was to determine if the business practices of a 3rd party Logistics (3PL) provider could be integrated with DoD CONUS shipping business practices. The prototype was not designed to meet the unique needs of the Services and they saw higher freight rates during the prototype while ensuring supplies got to the warfighter in a timely manner. The Services decided not to continue with the prototype, but DLA continued the pilot for two more years and was pleased with the results. DLA sought to discern very objective “Lessons Learned” in order to provide valuable insight for the potential DTCI follow-on program.

Results: DoD and independent after action reports found the prototype proved the original objectives. The final reports indicated the government could achieve effectiveness and efficiencies with a long term partnership with a world class transportation services provider.

Lessons Learned Analysis: Shortfalls in the Southeast region prototype have been fully addressed in the DTCI program. The DTCI Program Management Office (PMO) has included Information Technology testing requirements, a transition plan built on key milestone events, a 3-year phased-in approach for site activation, and others requirements to ensure the lessons learned from the pilot program will not be repeated under DTCI. Clear performance measures will be used to monitor implementation and progress. These performance measures are tied directly to contractor incentives and disincentives. DTCI also calls for spirals with process improvements to provide the flexibility to adapt to changing future requirements. Complete Lessons Learned from the pilot are posted on web at:

http://www.acq.osd.mil/log/logistics_materiel_readiness/organizations/tp/DTCI/assets/Pprototype_Lessons_Learned.pdf

Lessons Learned and Mitigating Actions: The following table details lessons learned from the Southeast region prototype and what the DTCl PMO has done to mitigate risks in each area:

Lessons Learned	Mitigating Actions
<p>1. There should be a continuous exchange of information between DoD and the contractor.</p>	<ul style="list-style-type: none"> • The final solicitation requires the winning DTCl coordinator to participate in monthly meetings with the DTCl PMO. • Two Program Management Reviews are scheduled at three month intervals during the site implementation phase in order to provide time for a thorough, ongoing review as the implementation is underway. • The DTCl contractor is required to affirmatively engage transportation association leaders and industry partners. • The DTCl contractor will participate as a member of the DTCl Process Improvement Team to facilitate process improvements.
<p>2. There needs to be buy-in from all stakeholders.</p>	<ul style="list-style-type: none"> • DLA and the Services all support DTCl. • There is already strong teaming with DLA's DDC change management team. • There has been good teaming and cooperation with the first few Distribution Centers scheduled for DTCl implementation. • DTCl transition planning includes continuing engagement to build "buy-in" at all transportation officer levels. • Concurrence from DLA and all services has been obtained on all contracting documentation.
<p>3. There needs to be a thorough understanding of what 3PLs can do.</p>	<ul style="list-style-type: none"> • Contractor support to the PMO includes GENCO, one of the top 25 3PLs in the US. • The DTCl PMO has solicited, received, and incorporated many comments from the 3PL industry during development of RFP. • There has been tremendous input from industry regarding draft requirements development and a draft solicitation. Many Requests for Information were sent out to industry for formal feedback and one-on-one meetings were also held to obtain informal comments and recommendations • LMI and GENCO continue to review contract clauses and is intimately involved in the development of cost and performance metrics.

Lessons Learned	Mitigating Actions
<p>4. Proposed contract modifications should be resolved and implemented quickly. Timely resolution of contract issues is essential for service.</p>	<ul style="list-style-type: none"> • The solicitation has built in the necessary provisions to allow for quick response to surge requirements. • The solicitation also includes procedures to adjust the Monthly Management Services Contract Line Item (CLIN) for surge. <p>USTRANSCOM is building a robust and fully staffed post-award contract management structure postured to be fully responsive to contractual issues.</p>
<p>5. Contract must be structured to identify cost savings, if applicable to the contractor.</p>	<ul style="list-style-type: none"> • Typical commercial gain sharing (typical for commercial 3PL arrangements) is not an option available to DTCL in Federal Acquisition Regulations. • DTCL has an award fee structured with incentives for cost savings. • The DTCL solicitation will have cost savings goals identified throughout the life of the contract and metrics in order to facilitate measurement of the coordinator's progress toward that goal. • A hybrid contract type which includes fixed-price and cost-reimbursement provisions will be awarded, driving the desired outcomes, including cost savings.
<p>6. A one year time frame is inadequate to demand commitment or investment from the partners.</p>	<ul style="list-style-type: none"> • The current DTCL contract is a three year base ordering period with two 1-year options and two 1-year award term options. So, there is a potential for a 7-year DTCL contract period. •
<p>7. The first shipment should not be released until all systems have been tested and are working properly. A poorly executed startup can risk the perception of poor customer service. Both parties should agree that their systems and processes are in order before sending out the first shipment.</p>	<ul style="list-style-type: none"> • The DTCL final solicitation specifies the contractor shall achieve a level of Developmental Authority to Operate "prior to the rollout of the first DTCL location...." • The contractor will prepare test plans that must be approved by the DTCL PMO. • The Final DTCL Joint Test Plan is due NLT 30 days after contract award. • Site specific test plan addendums are due NLT 30 calendar days prior to implementation at each DTCL shipping location.
<p>8. Conduct site visits with Government and contractor personnel prior to start-up to ensure all sites understand the processes and are "ready to go."</p>	<ul style="list-style-type: none"> • Initial government visits have already been completed with three depots (as of 1 Jun 06). • The Transition Planning team is planning a series of Rehearsal of Concept (ROC) drills at the initial implementation sites. These will then be revisited with the winning DTCL coordinator as part of the transition plan.

Lessons Learned	Mitigating Actions
	<ul style="list-style-type: none"> • Detailed implementation plan is due NLT 15 days after contract award. • Shipper Unique Requirements have been identified in Appendix A to the PWS
<p>9. Get agreement up-front regarding the data to be used to prepare metrics reports. Eagle and DoD had discrepancies between what each was reporting as the percent of on-time delivery. This could have been avoided, or minimized if both parties would have met early in the project, and agreed to the data source and methodology.</p>	<ul style="list-style-type: none"> • The DTIC final solicitation and the Quality Assurance Surveillance Plan (QASP) both define performance and cost metrics and data. • Metrics management will be a key part of the post-award phase – including meetings with the winning coordinator to gain full agreement on metrics definition, data source, frequency of measurement, etc.... • Industry has provided the DTIC PMO with feedback on the Key Performance Indicators and Metrics in the solicitation.
<p>10. Require the contractor to modify systems to reflect contract specifications.</p>	<ul style="list-style-type: none"> • Information Management is one of the Best Value Evaluation Factors under the DTIC solicitation. • The post-award conference will fully detail the contract specifications for the winning coordinator—any misunderstandings or disagreements will be considered at that time—well before the implementation phase. • With respect to IT systems, the final solicitation includes a table listing all data exchange requirements.
<p>11. Where operationally and economically feasible, utilize the contractor’s operating system to process shipment requests and track shipments, and make certain DoD personnel are trained on how to use the system.</p>	<ul style="list-style-type: none"> • The preferred method by DLA and the Service shippers is to use their existing systems and this is specified in the final solicitation. • However, the solicitation also specifies that coordinator must manage transportation movements via their own system as well. • The solicitation specifies shipper training requirements for the coordinator prior to implementation.
<p>12. A core of system personnel should be available and dedicated to supporting launch.</p>	<ul style="list-style-type: none"> • The DTIC program is already standing up a dedicated Transition Planning Team (TPT) to be dedicated to the DTIC implementation phase. • The TPT is already working with DLA change management personnel who will be dedicated to the implementation phase as well. • Finally, our TPT and the DLA change management personnel will merge with the winning coordinator’s implementation team to form a strongly integrated Gov’t/contractor site implementation team to effect a

Lessons Learned	Mitigating Actions
	strongly integrated site activation phase.
13. Transportation Discrepancy Reporting (loss and damage claim) process is ineffective, confusing, and needs to be revamped.	<ul style="list-style-type: none"> • Although the Transportation Discrepancy Report will continue to be utilized, the final solicitation requires the coordinator to provide claims reporting tools and processes. The contractors' proposals will be evaluated for the strength of their claims' processes.
14. Service level definitions should be clearly defined and understood by both the TOs and the 3PL contractor to avoid confusion regarding the transit time standards.	<ul style="list-style-type: none"> • The solicitation is written as a performance contract. The winning coordinator must decide which mode will be used to meet the mandatory delivery date. (In contrast, the prototype was a tariff-based contract where the Gov't shipper made all modal decisions.) • The solicitation has defined expedited service, surge requirements, etc....
15. Allow for seasonal pricing.	<ul style="list-style-type: none"> • The DTCI contract balances risk to the contractor by: 1) providing significant historical workload data to include spikes due to seasonal demands for the offerors to base their proposed rates; 2) the proposed rates will be priced on a NTE basis with their actual costs reimbursed on a direct cost basis allowing for some degree of fluctuation (within the NTE) caused by foreseen seasonal demands and other factors. • The DTCI Not-to-Exceed (NTE) rates will cover seasonal pricing known or projected fluctuations. • In the event of a declared exigency, NTE rates may be adjusted
16. Continue use of web reporting tool.	<ul style="list-style-type: none"> • Web reporting is a requirement in the DTCI solicitation. • Report requirements are listed in the solicitation.
17. Training should have been longer, more specific and closer to launch	<ul style="list-style-type: none"> • Shipper training will be provided either locally (Phase I) or regionally (Phase II and III). • Training will be conducted no earlier than 4 weeks before launch at each site/region, not less than 1 week before launch. • Training material will be maintained and available for new TO/turnover.
18. There should be on-site 3PL representatives based at selected shipping sites.	<ul style="list-style-type: none"> • The solicitation requires coordinator personnel on site during launch for at least the first 90 days. • The solicitation requires permanent site personnel at some locations.