



Air Force Entry Into e-Procurement

Brig General Darryl Scott

Deputy Assistant Secretary (Contracting)

Federal Acquisition Regulation

1.102-4 (e) ...

If a policy or procedure, or a particular strategy or practice, is in the best interest of the Government and is not specifically addressed in the FAR, nor prohibited by law (statute or case law), Executive order or other regulation, Government members of the Team should not assume it is prohibited.

Rather, absence of direction should be interpreted as permitting the Team to innovate and use sound business judgment that is otherwise consistent with law and within the limits of their authority.

Contracting officers should take the lead in encouraging business process innovations and ensuring that business decisions are sound.

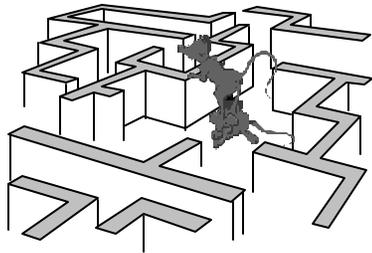


U.S. AIR FORCE

e-Environment



Geography Doesn't Matter



Organizational Structure Doesn't Matter



Time of Day Doesn't Matter

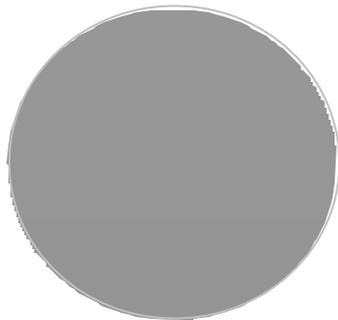
Turning Dollars and Desires into Dominant Aerospace Power



U.S. AIR FORCE

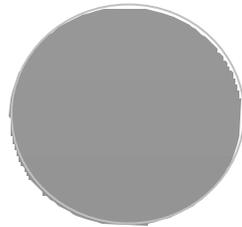
e-World

*Access software
using a Browser?*



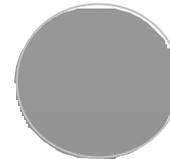
e-Enabled

*It it useful
for your mission?*



e-Business

*Will
funds change
hands?*



e-Commerce

*Will services or
supplies change
hands?*



e-Procurement

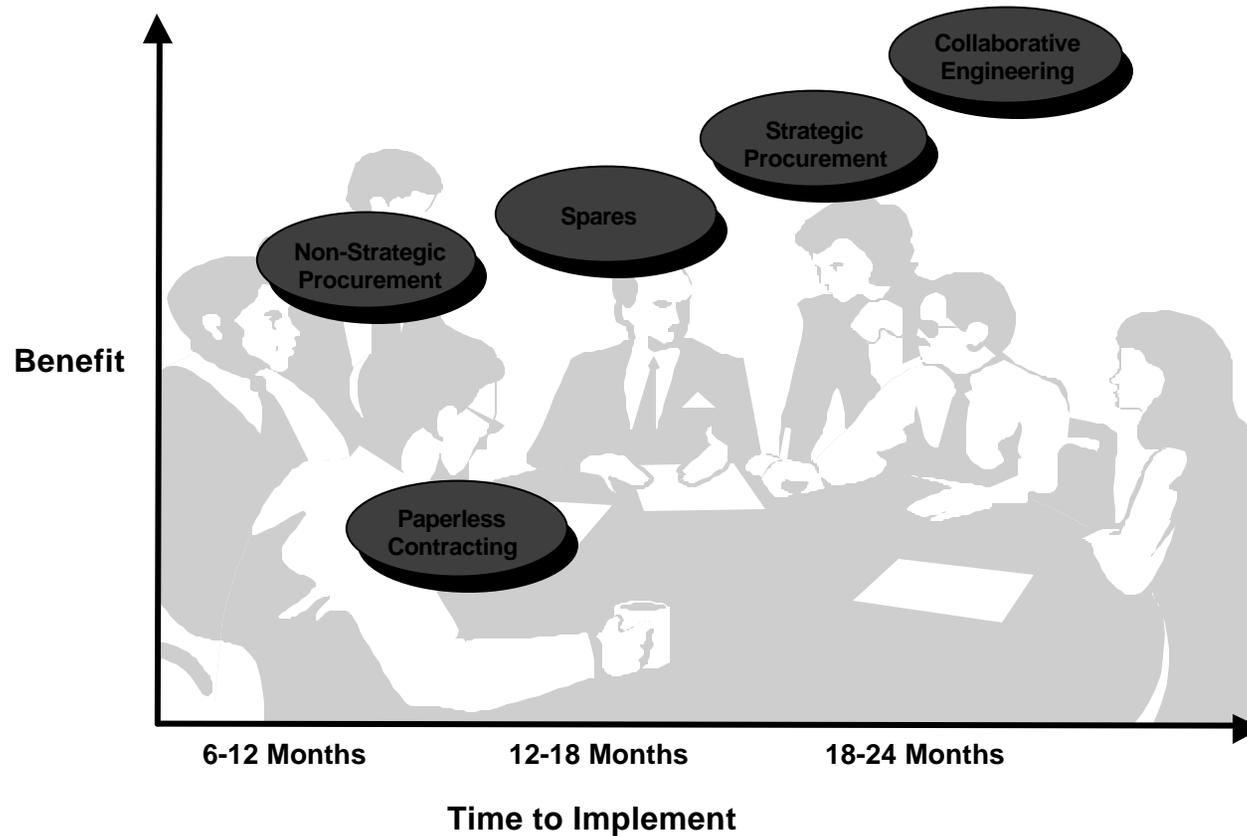


Turning Dollars and Desires into Dominant Aerospace Power



U.S. AIR FORCE

Industry Perspective on Value



Turning Dollars and Desires into Dominant Aerospace Power



U.S. AIR FORCE

Industry Perspective on Value

Lowest ← VALUE ADDED TO COMPANY'S END PRODUCT → *Highest*

		COMMODITIES	ENGINEERED COMPONENTS	SYSTEMS
<i>Aircraft example</i>		Fasteners	Fan blades	Engine System
<i>Primary basis of competition</i>		Price	Quality & delivery, Cost Control	Innovation & Production Differentiation
VALUE SOURCES	SUPPLY CHAIN INTEGRATION	Design Collaboration Program mgt. & Scheduling Collaboration Product Data Mgt		
	SUPPLY CHAIN INTEGRATION	Logistics & Transportation Elec Customs & Trading Documents Supply Chain Planning & Execution Build to Order		
	DIGITAL MARKETPLACE TRADING	Online auctions Catalog purchasing Dynamic exchange Purchasing Demand management	eRFP Supplier database/supplier ratings Electronic Settlement	
Supply E-Markets Can Provide A Broad Range of Value. (Source: A.T.Kearney)--example changed				

Turning Dollars and Desires into Dominant Aerospace Power



Enabling Technologies Can Benefit Air Force Mission

Portals



Intelligently Aggregate Content and Services

- (1) Better Decision Support**
- (2) Reduced Overhead Costs**
- (3) Faster Cycle Times**

e-Marketplaces



Aggregate Buyers and Sellers

- (1) Reduced Transaction Costs**
- (2) Lower Prices / Better Value**
- (3) Faster Cycle Times**

B to B Integration

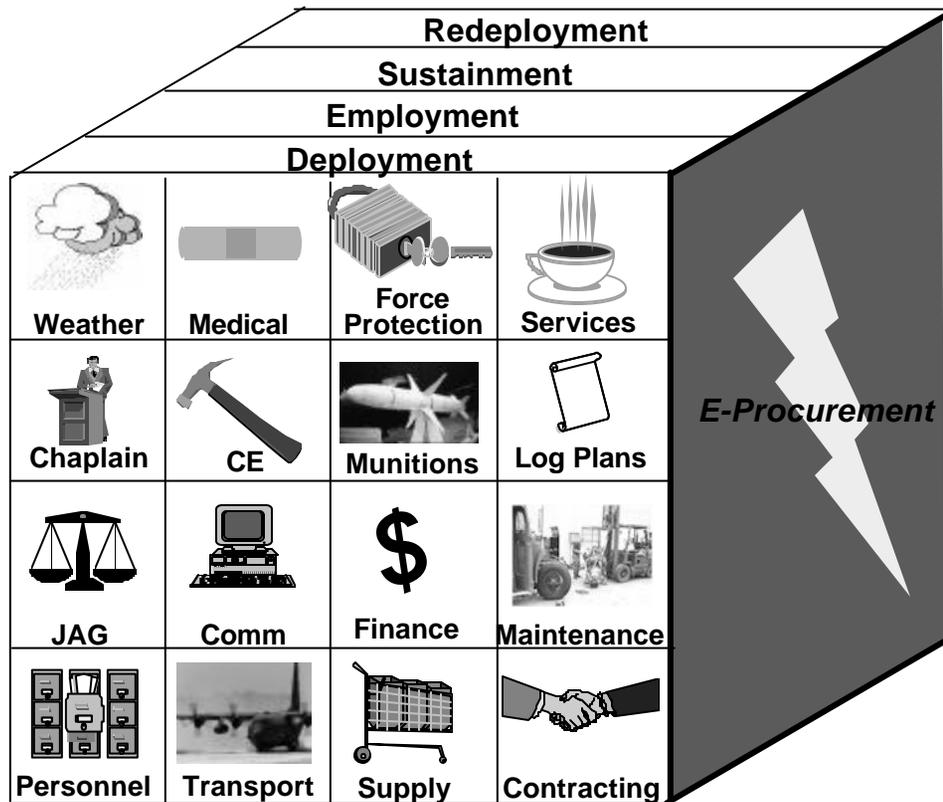


Allows Systems to Communicate

- (1) Reduced Transaction Costs**
- (2) Faster Cycle Times**
- (3) Reduced Systems Costs**
- (4) Improved Data Intelligence**



e-Procurement Combat Support



• ***e-Procurement is the EAF Combat Support Enabler***

– ***Will enable all functionals to support the AEF Commander***

– ***Will enable Commanders to execute operational missions faster, better, and cheaper***

• ***Without e-Procurement, combat support will drag down mission response times, impact equipment availability, and require an increased share of warfighting dollars***



U.S. AIR FORCE

RAND Study

- **Recommends a strategic goal-oriented approach to Purchasing and Supply Management (PSM)**

 - **Need to link PSM goals with AF Vision and the AEF concepts**

 - **Requires strong cooperation among functional communities(Contracting, Logistics, Engineering)**

 - **Need to use PSM to rationalize and integrate supply chains, and identify matching acquisition strategies**

 - **Need to link collaborative demand planning and purchasing activities to reduce cycle times, increase responsiveness and flexibility, reduce costs**
-



Key to Success: Acq & Logistics Partnership

**Support
s the
EAF!**

***E-Procurement
will ensure success***

Logistics Transformation

- **Customer-Focused Service Strategies**
Re-engineer processes, systems and metrics around the Warfighter
- **Business Alternatives**
Industry partnerships, information technology and best practices
- **Integrated Supply Chains**
Seamless, open information and product flow from supplier to the Warfighter
- **Strategic Sourcing**
Integrate strengths of Public & Private organizations for Best Value support

Deploy in 24 Hours - Bombs on Target in 72 Hours



e-Procurement Pilot Programs

||  **Integrate Purchase Card Buys with the Web**

||  **Purchasing Support to Support Supply Chain
Management Transformation**





U.S. AIR FORCE

Purchase Cards

1995 IMPAC Buys

2000 IMPAC Buys



- 17% of Total Actions —————> 86% of Total Actions
- \$132M spent thru IMPAC —————> \$1.3B spent thru IMPAC
- 341K Actions —————> 2.7M Actions
- <10,000 cards issued —————> 68,000 cards issued
- Avg. Lead Time: 28 days —> Avg. Lead Time: 1 day w/ IMPAC w/o IMPAC



In FY00 Congress asked:

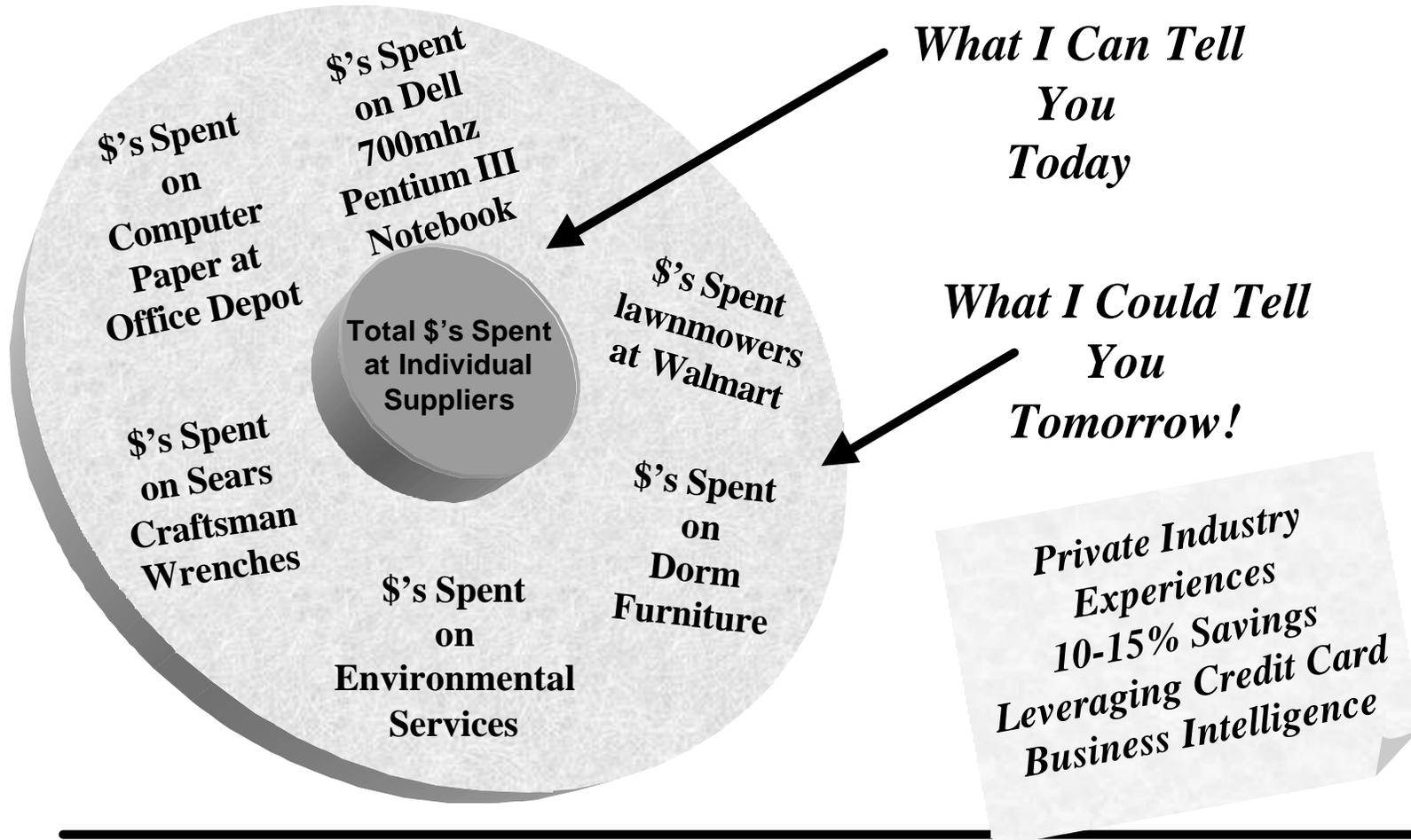
Could you get better prices thru other contracting mechanisms than IMPAC card buys?

Today's Answer: "I dunno"



U.S. AIR FORCE

Need to Improve Business Intelligence



Turning Dollars and Desires into Dominant Aerospace Power



Opportunity to Analyze Purchase Information



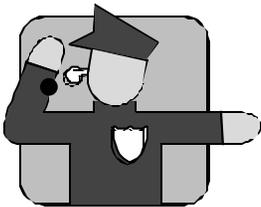
**Warfighter buys more with less
*--More effectively & cheaper!***



- **What is AF paying for products purchased?**
- **Which requirements should be consolidated to get better prices?**
- **Are we getting discounts we're entitled to?**
- **What purchases can be made locally without concern for unfair prices?**



Opportunity to Control Purchases



**Air Force acquisition policies, processes,
and programs enforced
*--More effectively!***

- **Closed-loop Enforcement**
 - **Access Control**
 - **Funds Control**
 - **Configuration Management**
 - **Directed Source Control**
 - **Small Business Utilization**



U.S. AIR FORCE

Web-enabled Purchase Card Effects

<i>1st Order</i>	<i>2nd Order</i>	<i>3rd Order</i>
<p>BUSINESS INTELLIGENCE</p> <ul style="list-style-type: none">– Gather Real-time Purchase data for trend analysis	<p>CONTROL</p> <ul style="list-style-type: none">– Vendor Access– Vendor Rotation– Socio-Economic Program Enforcement– Purchase Authorization– Configuration Mgt	<p>VALUE ANALYSIS</p> <ul style="list-style-type: none">– Consolidate Purchases where savings will accrue– Control Purchases of premium priced items– Save Personnel Travel time per purchase



Purchase Card Pilots

- **AFMC plans to test purchase of BOS indirect supplies with IMPAC via the Web**

- **Air Force plans to test IT purchasing on-line via IMPAC Cards (AFWAY)**





U.S. AIR FORCE



Components

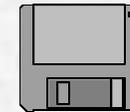


ACCWAY

- Purchasing Workflow
- Quotes from Multiple Sources
- Includes SB on GSA Contract
- Pre-approved Command CSRD
- Direct Comparison of Items
- CITPAD BPAs
- Configuration Mgt
- IMPAC <\$25K



- BPAs
- Shopping Cart Concept
- IMPAC <\$25K
- Direct Comparison of Items
- Quotes from Multiple Sources



"IPMS.LNK"

- Inventory Control/Asset Mgt
- Configuration Mgt



IMPAC

- Ordering
- Payment

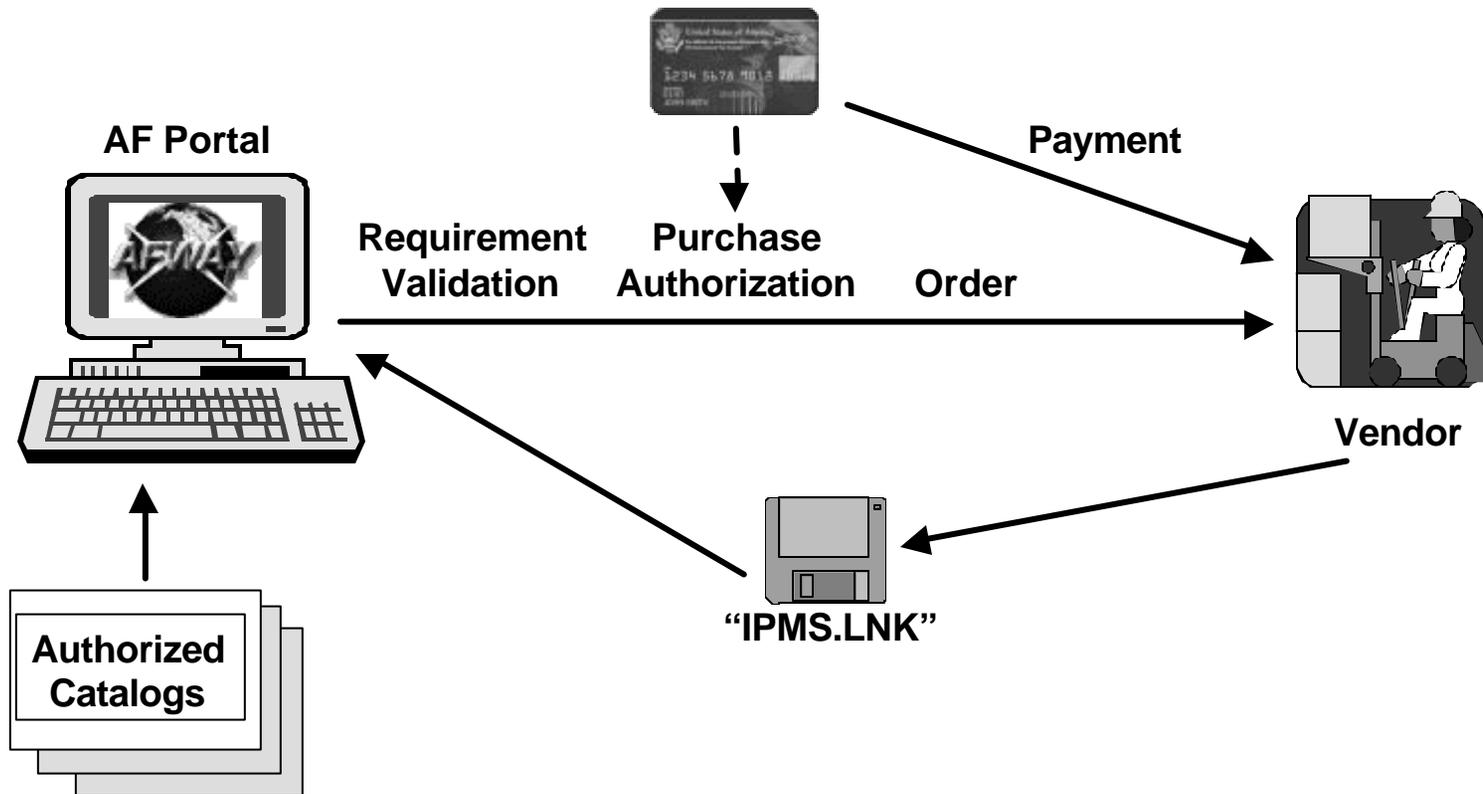
■ Superior System

Turning Dollars and Desires into Dominant Aerospace Power



U.S. AIR FORCE

AFWAY Process





AFWAY

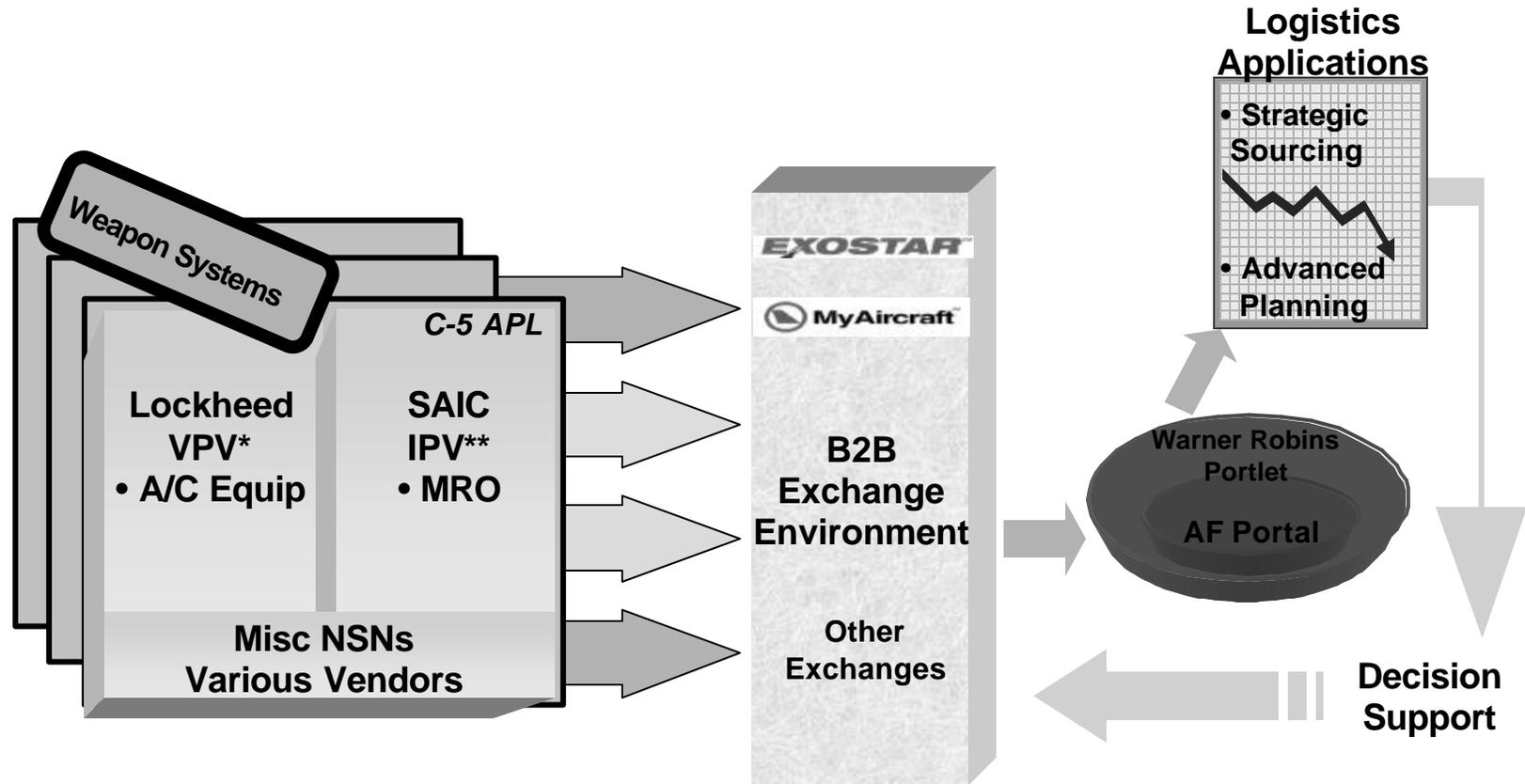
Expected Benefits

- Provide a Seamless Cradle-to-grave IT Acquisition, Tracking and Disposition Process
- Reduce Order Process Time from 14 to 2 days for all IT
- Comply with Desired AF Portal Requirements for USAF EB/EC -- 1 Entry
- Benchmark for Other EB Processes on Portal
- Enable Software Tracking and Enterprise License Mgt
- Reduce Errors
- Reduce Activity Costs
- **Simplify Hardware/Software Configuration Management**





Purchasing Support to Supply Chain Mgt Transformation



* Virtual Prime Vendor

** Industry Prime Vendor



Logistics/Contracting Pilot Expected Benefits

- **Prove whether there's value to AF participating in industry e-commerce exchange market**

- **Reduce Govt costs thru Supply chain visibility and Industry management of data**

- **Expand supplier base on some items**

- **Provide basis for Strategic Sourcing & Advanced Planning for:**
 - **Measurable reduction in Admin Lead Time**
 - **Reduced Cycle Time**
 - **Reduced Inventory Requirements**
 - **Improved Forecasting**



U.S. AIR FORCE

Conclusion

- *Air Force sees potential benefits to using available web tools to develop e-business and e-commerce*
- *Melding Purchase Card with web will provide needed purchasing intelligence and may facilitate consolidation of requirements for better prices*
- *The consolidation of ACCWAY and CIT-PAD acknowledges the need to conserve limited resources--no need for more than one entry point for catalog buying*
- *Verdict still out on the value to the AF of private exchanges--but we will test*
- *Bottomline: What we do in e-procurement must improve our service to the Warfighter!*