

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

13 JULY 2000

ACQUISITION AND
TECHNOLOGY

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Parts Management Requirements in Weapon Procurement

The changing dynamics of the marketplace for electronic components that support both commercial and military avionics has elevated parts management to a mission critical level instead of the historical "back seat" approach taken in the past. The fact is, the Department of Defense (DOD) no longer leads the demand for integrated circuits/electronic components, and thus requirements for these vital parts are dictated by industry. Unless DOD and its key assembly and key component suppliers change existing parts management practices, DOD customers will face part shortages and bottlenecks at an increasingly alarming rate.

Based on efforts to establish a Strategic Supplier Alliance relationship with the Honeywell Corporation, the Department is exploring new approaches to improving parts management performance including: fewer suppliers and fewer parts to manage by each supplier; more efficient reuse of part information such as qualification, reliability, and obsolescence data; improved integration of parts databases; greater purchasing leverage with suppliers; merging of parts management best practices in commercial and military processes; and more proactive and coordinated management of parts obsolescence. Expected benefits to the government would include cost reductions through improved capacity for rapid introduction of new technologies and advanced features in future products at a lower cost and lower risk, due to the increased usage of high quality, reliable commercial parts. As well, support capabilities for existing legacy systems would be improved by reducing product obsolescence while increasing interoperability and commonality of logistically supported parts across DOD weapon systems.

With the support of DoD's Change Management Center (CMC), a joint meeting was convened with representatives from the parts management communities of DOD, Boeing, and Honeywell. Using the CMC's jumpstart rapid improvement methodology, this joint group designed a rapid improvement campaign to develop and test a new and better approach to parts management. This campaign would improve parts availability and cost performance at no loss in reliability for DOD while providing parts suppliers with the opportunity to lower total production costs and increase returns on their relationship with DOD.

The two-day jumpstart meeting produced the following decisions and planned actions:

1. DOD, Boeing and Honeywell representatives agreed to gather support in their respective organizations to move forward with a 60 to 90 day Rapid Improvement Team (RIT) campaign to jumpstart the development and acceptance of a "better, faster, cheaper" approach to parts management.
2. The parts management RIT campaign will develop and test a set of mutually agreed to guidelines for improving the performance of supplier managed parts management process.

3. Parts management process guidelines will not dictate how specific parts are to be managed, but will set objectives, standards, and best practices for the performance of supplier parts management processes and provide guidance on the application of best practices to those processes.
4. The parts management RTI campaign will be deployed for testing at a limited number of Honeywell sites that currently support Boeing/DOD programs.
5. Based on results, the RTI campaign will be deployed across all Honeywell/Boeing sites as quickly as possible.
6. The long-term goal will be to invite all qualified prime and sub-contract suppliers to participate in the parts management process innovations within 12 months.

I solicit your full cooperation and support in making value added contributions to these worthy action campaigns. It is important that the DOD, Boeing, and Honeywell Strategic Supplier Alliance work together to further refine and rapidly implement the above action campaign assignments so that we can all share in the benefits associated with achieving the targeted performance improvements. A copy of the Jumpstart Rapid Improvement Team report is attached. I ask that the Parts Management Campaign Team sponsors provide updates of progress at our regularly scheduled Single Process Initiative Executive Council and Joint Corporate Council meetings.

Stan Z. Soloway
Deputy Under Secretary of Defense
(Acquisition Reform)

Attachment:
Parts Management Jumpstart Report

cc:
President and CEO, Boeing
President and CEO, Honeywell Aerospace
Executive Secretary, Honeywell Joint Corporate Council
Executive Director, Boeing Joint Management Council

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