

CHEMICAL MANAGEMENT SERVICES CASE STUDY DELTA AIR LINES

Company **Delta Air Lines**

- Second largest airline in the US
- Headquartered in Atlanta, GA
- Operates 830+ aircraft
- Provides service to 214 domestic cities and 71 international destinations
- 65,000 employees and 40,000 contractors

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CMS Provider **Interface LLC**

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Name of Program Chemical Management

Program Start Date Program design began in late 1994; program started in late 1995

Pre-Program Overview

- Over \$15 million in annual chemical purchases
- 1,500 SKUs and 500 parts with limited shelf life
- 350 different chemical suppliers
- 140 waste streams
- 24/7/365 operational demand with 2-3 hour delivery requirement
- Over 350,000 transactions per year

Performance Expectations

- Manage chemicals more effectively: right chemical, right time, right price, utilizing a Just-in-time (JIT) delivery system to the point of use
- Improve Delta productivity by redeploying labor from material management, supply chain, and accounting functions to mission critical tasks core to airline operations
- Reduce Delta overhead costs while also decreasing Delta's liability
- Lower the total cost of the product through understanding the chemical's life cycle
- Diminish chemical inventory quantities, thereby reducing hazardous

Summary

Delta began its corporate chemical management program in 1994-95 to improve its environmental compliance activities. In partnership with Interface LLC, Delta has dramatically improved delivery success rates, inventory practices, environmental reporting, and compliance practices. They have attained a 30% reduction in overall chemical costs and 30% reduction in overall chemical use. Such reductions represent substantial gains for Delta, who spends \$15-16 million on chemicals annually (excluding fuel).

materials usage, air emissions, waste volume, and subsequent compliance costs

- Improve overall inventory management including product freshness, shelf life control, certifications & testing, lowered carrying costs, information & data collection, and correctly-sized containers
- Build a centralized environmental information system that captures all chemical throughput & static profile data, analyzes summarized data against regulatory limits, and calculates emissions, NESHAPs, and other environmental reporting to improve data integrity and compliance
- Streamline a multitude of Delta Accounts Payable and Accounts Receivable practices into one summary invoice auto-generated by the system to ensure accuracy
- Increase worker safety and environmental awareness through gatekeeping and the addition of safety products

Transition

- Chemical inventory absorbed by Interface
- Labor shift of 12 Delta FTEs to Interface
- Computer infrastructure integrated and centrally managed
- Chemical container espesciation & tracking system implemented
- Added compliance services

Chemical Footprint

Any material with a manufacturer-prepared Material Safety Data Sheet (MSDS) listing at least one chemical constituent with a CAS number, or having any HMIS category rating (health, flammability, or reactivity) of 1 or higher is a hazardous substance which is tracked and potentially reportable.

Contract Structure

- Materials passed through at cost; all discounts/rebates pass to Delta
- As an agent of Delta, Interface baseline is at least equal to Delta negotiated pricing
- Chemical management service fee billed separately; service fee has both fixed and variable components
- Shared savings on process efficiency improvements that result in measurable cost savings

Provider Services

- Procurement
 - Vendor relations, gatekeeping, procurement of chemicals, billing, inventory investment, insurance, and liability
- Logistics
 - Global support for Delta, chemical handling, warehousing, JIT delivery, bar-code labeling and wireless scanning, offspec losses, facilities, and equipment
- Environmental
 - Environmental fees and information management
- Information systems for compliance, reporting, and inventory management

Benefits

- Net savings in excess of \$2.5 million
- 30% reduction in chemical costs when compared to the Producer Price Index (Bureau of Labor Statistics) for Chemicals and Allied products (since program implementation)
- Chemical supplier base reduced from 350 to one
- Gained 30,000 square feet of premium floor space
- Shelf life related losses reduced by 75%
- Eliminated inventory waste, generating \$250,000 annual savings
- Delivery success rate guaranteed by supplier; rate increase from less than or equal to 93% to greater than or equal to 98%
- Reduced insurance premiums from minimized on-site chemical risk
- Compliance with FAA, EPA, DOT and OSHA regulations; improved EPCRA & NESHAPs air quality reporting; received complete data for environmental auditing