



CMS Forum Workshop

Privatization of POLs & Chemicals

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Our Company

For almost four decades, Science Applications International Corporation (SAIC) has created solutions to complex technical challenges worldwide. Now a Fortune 500® corporation, we are one of the leading systems, solutions and technical services companies worldwide.

Our Values

- Technical and Professional Excellence
- Customer Success
- Ethics and Integrity
- Entrepreneurial Freedom with Responsibility
- A Culture of Ownership
- Importance of the Individual

Our Successes

37 years of continuous growth

- \$8.3 billion in annual revenues for FY 2007
- Fortune 500® company – #298

Superb staff of qualified professionals

- More than 44,000 personnel worldwide
- 10,000 employees with advanced degrees
- 19,000 with security clearances

Key positions on initiatives of national importance

- National security
- Intelligence
- Homeland defense
- Cancer research

Leading provider of contracted R&D services

Joined CMS Forum in 2006

Goals of DLA Prime Vendor Programs

- Improve fill rates / delivery to end-user
- Reduce government inventories
- Reduce material cost
- Increase product availability



Substantiated Performance

- Prime Vendor Maintenance Repair and Operations (PV MRO)
 - 225,000 transactions delivered annually to 200+ ordering activities
 - Spot buys rapidly sourced and priced
 - Emergency requirements in 24 hours, routine in 72 hours
 - Documented ROI improvement (BearingPoint Study):
 - Faster cycle times have allowed a 55% reduction in inventory
 - Acquisition (transaction) cost reduced from \$110.33 per order to \$56.24
- Fleet Automotive Support Initiative (FASI) Virtual Prime Vendor
 - 125,000 requisitions processed/deliveries per year to 9,400 ordering activities
 - Material acceptance rate exceeds 99.8%; cost avoidance of \$8M+
 - Averaging 1.7 days from requisition to receipt of delivered product
 - One-time DLA wholesale and Service-owned retail inventory reductions of ~\$26.5 million and annual savings of \$2.5-\$3.75 million in inventory holding cost
- Integrated Prime Vendor
 - More than 40,000 different parts in 90,000+ individual bins managed
 - Fill rate of 99.8%
 - Reduced Government inventories by \$47M

BRAC Land Tires Privatization Initiative

- DSCC 10-year \$1.7 billion contract awarded to Michelin Americas Truck Tires 1/07
 - Provide ground vehicle tires for all military branches around the world
- SAIC provides logistics and supply chain management expertise in the area of forecasting, inventory management and worldwide distribution
 - Warehouse operations in Texas and Kuwait



BRAC Privatization of Packaged Petroleum, Oils and Lubricants (POLs) and Chemicals

- DSCR 10-year \$6.2 billion contract awarded 5/07
- Comprehensive supply chain management:
 - Demand forecasting, order processing, procurement, inventory management, quality control, environmental compliance, hazardous materials management, storage, packaging, worldwide distribution, obsolescence management, data management and customer support services
- Provide POLs and chemicals to military and federal civilian agency locations around the world



Goals of the POLCHEM contract

- Privatize support of 5,000 NSNs (POLs and chemicals)
- Improve overall support by increasing product availability to DLA customers worldwide
- Decrease cost of ownership
- Eliminate government stock levels maintained at all CONUS wholesale locations
- Increase small business utilization



Challenges in bidding POLCHEM

- 10 year fixed price, performance based contract
 - Pricing volatility – suitability of pricing index
 - Reliance on Government data / existing processes
 - Inventory and transportation cost modeling
- Worldwide distribution
 - 2, 5, 12 day delivery
- Multi-year transition
 - Transfer of existing DLA inventory into contractor facilities
- Stringent quality assurance standards
- Environmental compliance with Federal, state, local regulations

Developing Partnerships

- Best in class companies to meet all technical requirements:
 - Strong technical capabilities
 - Product domain expertise
 - Distribution footprint and transportation network
 - Existing systems that incorporate shelf-life, MSDS, and asset management
 - Ability to integrate systems
 - Proven compliance management
 - Understanding of pricing indexes
- Haas TCM major subcontractor
- Additional teaming relationships, including Henkel

Major Implementation Challenges

- Integration with US government and subcontractor systems and processes
- Transfer of DLA-owned inventory into contractor facilities
- Supply chain for 5,000+ NSNs
- Launching an OCONUS distribution network
- Meet aggressive schedule



Lessons Learned

- Understand the customer's technical requirements and mission
 - Build a strong team as required
- Develop a robust supply chain
- Assume financial risk to mitigate environmental and mgmt risk
- Invest in systems
- Program and contract management



POLCHEM



Question / Answer Session

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