Subject: Procedures for Initiating and Monitoring Planned Customer Direct Long-Term Contracts

References: Refer to Enclosure 1

1. PURPOSE. This Instruction:

   a. Establishes roles, responsibilities, and processes for developing, awarding, and monitoring Planned Customer Direct (CD) contractual arrangements for DLA.

   b. Implements the latest revision of the Defense Logistics Acquisition Directive (DLAD) 4105.1, Section 11, PROCTLR 04-01 and Office of the Secretary of Defense (OSD) Time Definite Delivery (TDD) standards issued by the Office of Supply Chain Integration.

2. APPLICABILITY. This instruction applies to all HQ DLA, DLA Primary Level Field Activities, and supply chains involved in developing Planned CD Long-term Contracts (LTCs) to include but not limited to Customer and Supplier Operations and Strategic Material Sourcing Group (SMSG) personnel, Business Process Analysts, and Tailored Vendor Logistics Specialists (TVLS).

3. DEFINITIONS. See Glossary.

4. POLICY. It is DLA policy that supply chains adhere to TDD standards in accordance with reference 3 and the contents of this instruction for awarding Planned CD LTCs and reviewing them on a quarterly basis to ensure continuous compliance throughout the life of the contract.

5. RESPONSIBILITIES.

   a. DLA Acquisition (J7):
(1) The Acquisition Programs and Business Operations Division (J74) shall oversee compliance with this instruction by conducting quarterly reviews of all DLA Planned CD LTC and reporting the findings to the Director, J7 and supply chain Acquisition Executives (AEs).

(2) The Compliance Oversight and Acquisition Workforce (J73) shall review Planned CD LTCs for TDD compliance during Procurement Management Reviews (PMRs) and report findings per PMR procedures.

b. The supply chains shall:

(1) Assign an acquisition specialist (pre or post awards Acquisition Specialists) to each project to maintain proper coordination of Planned CD LTC assignments in accordance with the SMSG Business Rules (reference 4). The assigned acquisition specialist (located across supply chains), having the appropriate warrant, provides authorization to award, add or delete National Item Identification Numbers (NIINs) from Planned CD LTC packages, and negotiate delivery with suppliers. Within the Troop Support supply chains, collaboration may take place between the acquisition specialist and the TVLS.

(2) Take the appropriate actions for LTCs not meeting standards and report to DLA HQ via AEs.

(3) Ensure assigned acquisition specialists possess the appropriate warrant that authorizes the actions to award, add and delete NIINs from Planned CD LTC packages, and negotiate delivery with Suppliers.

c. The acquisition specialist shall:

(1) Monitor compliance for Planned CD LTCs TDD delivery order and remove items that do not meet standards during each option period, unless the supplier can comply or obtain a waiver from the customer(s) via Customer Operations. Items may be removed before the end-of-option periods.

(2) Maintain an appropriate-level warrant that allows negotiation and award of long-term agreements for the specific LTC project assigned or to the LTC project being worked.

d. Customer Operations shall:

(1) Track, validate, and coordinate with the SMSG and/or Integrated Supplier Team (IST) the number of waivers granted for TDD exclusions quarterly.

(2) Coordinate customers’ desires to initiate a Planned CD-type arrangement with the applicable SMSG.

e. Demand Planning shall consolidate the demand plan from customer requirements and seek information regarding special program requirements, Demand Data Exchange, Provisioning,
Digital Demand Dial, etc. Demand Planning does not have the responsibility for initiating a LTC.

f. Supply Planning shall annotate item notes within Enterprise Business System (EBS), indicating a LTC is in process and then updating the notes when the LTC is awarded. Supply Planning must also ensure items are assigned the appropriate Acquisition Advice Code(s) (AAC). When an item is placed on a CD LTC, the item’s AAC code should be “H.” The appropriate administrative and production lead-time adjustments must also be applied.

6. PROCEDURES.

a. The DLA strategy for determining if requirements should be supported through a Planned CD LTC originates from a collaborative effort among Supply Planning, the Product Specialist, Strategic Sourcing Specialist (SSS), strategic relationship manager, and the awarding acquisition specialist.

b. DLA acquisition specialists develop acquisition plans during pre-award, issues a solicitation for LTC, negotiates with suppliers, and awards the LTC contract. During negotiations and award, ensure the supplier can meet TDD standards for each item on the contract unless a TDD exception applies. Remove those items from the LTC that the supplier cannot meet TDD standards or an exception to TDD is not applicable or supported on the LTC as DLA Direct (DD). In some cases, items on LTC may be coded as dual channel; i.e., supported through a combination of Direct Vendor Delivery (DVD) and stock. Dual-channel items must be approved through collaboration among the acquisition specialist, supply planner, TVLS or SSS. All collaborative POCs should coordinate approval with the supply planner. Once a supplier provides a quote for the LTC effort, the acquisition specialist is responsible for ensuring a full Business Case Analysis (BCA) is completed, which will validate that a CD LTC is the most appropriate contracting vehicle to support customer requirements. TDD compliance overrides all other evaluation criteria unless a customer waiver to TDD standards is obtained from Customer Operations.

(1) Update the LTC Tracker throughout the solicitation/award process.

(2) Monitor planned CD LTCs to ensure TDD compliance throughout the life of the contract. All LTCs will be assigned by the applicable supply chains and coordinated in accordance with (IAW) SMSSG Business Rules (see enclosure 1). Items should be re-evaluated at the end of each option period. In addition, DLA HQ will implement quarterly reviews to ensure the supplier is meeting TDD standards. Items not being supported via TDD compliance should be removed from the contract or converted to DD or to dual channel if applicable. Items not meeting compliance can remain on the contract if customer waivers are obtained because delivery standards meet requirements.

(a) Supply Planning, TVLS, or SSS determines the need for a Planned CD LTC by analyzing customer requirements and initiating a DVD checklist (see Enclosure 2). The completion of the checklist results from an analysis of demands and an analytical determination
that a CD LTC contract is more suited to support the customer than transactional (i.e., one-time buys) or a DLA Direct (i.e., stock) LTC. The checklist will be initiated by the supply planner, SSS, or TVLS. Completion of the checklist requires input from other disciplines such as the demand planner, product specialists or acquisition specialist.

(b) Forward requests for an LTC arrangement to the acquisition specialist’s supervisor via an LTC Assessment Checklist (see sample at Enclosure 3). This worksheet documents the annual requirements to be supported by a CD LTC. Requirement documentation must include annual minimum and maximum estimates, as well as the estimated number of orders and order quantities.

(c) The acquisition specialist, Supply Planning, SSS, or TVLS collaborate with the BPA on completion of an initial rough order of magnitude BCA to analyze the feasibility of awarding a Planned CD LTC based upon quantitative and qualitative factors. Quantitative factors includes costs associated with a CD contract versus a DD contract, cost to the customer (based upon the type and scope of support required), and the value of the contract compared to the cost of contractual arrangement in terms of increasing or decreasing costs to DLA for maintaining a viable and agile supply chain. Qualitative factors include intangible benefits to the customer such as increased customer support or reliability improvements. A BCA must be conducted only when the acquisition is to meet or exceed the appropriate BCA thresholds.

(3) Planned CD LTCs may be awarded within the ISTs. The process flow for an IST should include input from the following process:

(a) Supply Planning will verify the demand plan(s) with Demand Planning to determine the correct buy quantities. The quantities should be based upon past demands, forecasts from the EBS planning model, and forecasts from customers obtained through Customer Operations. If a CD LTC is warranted, Supply Planning will initiate a DVD Checklist and, if appropriate, prepare an LTC Worksheet.

(b) Acquisition specialist (contract specialists/buyer) Pre-award. The acquisition specialist will receive a copy of the LTC Assessment Checklist from Supply Planning to initiate the LTC process, request the completion of a BCA (if the acquisition meet or exceeds the BCA thresholds) once quotes to the solicitation are received from suppliers, and negotiate the solicitation up to award.

(c) Acquisition specialist (contract specialist) Post Awards. The acquisition specialist monitors LTC delivery orders (as assigned to individual administrators across the supply chains) for TDD compliance.

(4) Planned CD LTCs may be awarded within the SMSGs, particularly corporate contracts and Performance Based Logistics arrangements. The process flow for the SMSGs shall include the following:

(a) The SMGS must coordinate the development of a new LTC with the managing ISTs within their supply chain and, when the NSN is managed externally, with the managing
Supply Chain as well. This coordination must be ongoing; i.e., occurring when potential LTCs are developed, throughout the award process, and after the award is complete.

(b) The SSS obtains demand data from EBS. The demand plan must be coordinated with the supply planners in the ISTs and with the managing supply chains for items managed externally to obtain their approval.

(c) The SMSG acquisition specialist will proceed with Planned CD LTC award once concurrence from the IST(s) and supply chains is received. The SMSG must coordinate the development of a new LTC via the DVD Checklist and the LTC Assessment Checklist with managing ISTs.

(d) Once the LTC is awarded, the administration of the contract and monitoring of delivery orders for TDD compliance may be conducted within the SMSG or passed to the IST with the preponderance of items, annual demand frequency (volume of customer orders), or annual demand value.

(5) The process flow for Troop Support shall include the following if awarded outside of the above IST or SMSG process:

(a) The TVLS shall validate demand through historical data retrieved systematically and determine if a Planned CD LTC arrangement is the most suited contractual tool.

(b) The acquisition specialists will proceed with award through collaboration with the TVLS.

(6) Dual Channel shall be considered if CD support is needed for some customers and DLA Direct support is needed for others under the same NIIN. This may occur for various reasons, including special projects to stock some demands for a particular customer or project, the need to maintain levels of depot stock to meet high priority requisitions, or the ability of a supplier to only meet TDD standards for some orders and not meet standards for others (e.g., CONUS versus OCONUS demand). Dual-channel support shall also be considered when items are being supported for wholesale and retail (i.e., supply, storage, and distribution) levels. The decision to support an item as dual channel must be approved by Supply Planning (to include the Planning BPA). Each new CD LTC awarded should also include the option to incorporate a stock buy line in the event support to the customer(s) change on a single NIIN.

6. **EFFECTIVE DATE.** This Instruction is effective immediately.

Director, DLA Strategic Plans and Policy
January 3, 2012
4 Enclosures
Enclosure 1 – References
Enclosure 2 - Planned Customer Direct (Direct Vendor Delivery) Checklist
Enclosure 3 - Sample Planned Customer Direct “LTC Assessment Checklist”
Enclosure 4 – Glossary


3. OSD Supply Chain Integration TDD DVD standards, found at http://www.acq.osd.mil/log/sci/executive_info.htm#performance

Enclosure 2
Planned Customer Direct (Direct Vendor Delivery) Checklist

The Supply Planner (SP), Strategic Sourcing Specialists (SSS), or TVLS will initiate the following checklist. Completion of the checklist may require input from other disciplines such as demand planners, product specialists or acquisition specialists. The SP will ensure this form is completed and forwarded.

### CHECKLIST FOR DETERMINING WHETHER TO AWARD PLANNED CUSTOMER DIRECT (CD) LTC

<table>
<thead>
<tr>
<th>Item</th>
<th>Analysis Consideration</th>
<th>Date Analysis Completed</th>
<th>Outcome of Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Are demands for each NSN expected to remain active over the life of the contract to warrant CD?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Is the contract for a special customer project that warrants CD?</td>
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<td></td>
</tr>
<tr>
<td>3</td>
<td>If contract negotiation result in the Vendor being unable to meet TDD standard, have customer waivers been received justifying other than TDD?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Are items on the contract eligible for CD (ex. Dual Channel restrictions)?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Are there item characteristics that make CD more suitable (ex. shelf life items)?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>What is the impact to DLA inventory by going CD or DLA Direct?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>What is the impact to DLA’s Cost Recovery Rate (CRR) by going CD?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Has higher level approval/direction been given to pursue CD v.s. DLA Direct?</td>
<td></td>
<td></td>
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<tr>
<td>9</td>
<td>What other factors impact the CD or DLA Direct decision?</td>
<td></td>
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<tr>
<td>10</td>
<td>Does the vendor’s delivery (historical on-time rate) support the CD decision?</td>
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<tr>
<td>11</td>
<td>Can the vendor meet TDD standards? If not, has the customer signed a waiver excluding this item from TDD standards?</td>
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<tr>
<td>12</td>
<td>Is the contract for commercial items whereby CD is the most feasible support arrangement?</td>
<td></td>
<td></td>
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<tr>
<td>13</td>
<td>Is the contract for sole source items in which CD or DLA Direct would be impacted by the vendor?</td>
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<td></td>
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<tr>
<td>14</td>
<td>Is the contract for competitive items in which CD or DLA Direct would be better supported?</td>
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<tr>
<td>15</td>
<td>Does the vendor posses the electronic transmission capabilities to support CD?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Does the vendor posses the storage and distribution capabilities to support CD?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Is the vendor’s cost to store and distribute lower than cost of DLA Direct?</td>
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<tr>
<td>18</td>
<td>Does the vendor’s cost to meet TDD standard warrant CD?</td>
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<tr>
<td>19</td>
<td>Does the vendor’s cost for items support the CD decision?</td>
<td></td>
<td></td>
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<tr>
<td>20</td>
<td>Does the vendor’s performance (history of PQDRs) support the CD decision?</td>
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<tr>
<td>21</td>
<td>Does the requirement for origin or destination Inspection impact the CD decision?</td>
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Enclosure 3  
Sample Planned Customer Direct “LTC Assessment Checklist”

The attached is a sample LTC Assessment Checklist the Supply Planner would complete and forward to the Acquisition Specialist.

Revised Doc.pdf
**Glossary**

**Definitions**

**Acquisition Specialist.** This title is used interchangeably with Acquisition Specialist, Contract Specialist, or buyer.

**Long-term Contract (LTC).** A multi-year, multi-national stock number (NSN – sometimes a single NSN contract) long-term agreement negotiated between an authorized Acquisition Specialists (pre-award) and the supplier of best delivery and cost to the government.

**Customer Direct (CD).** A written agreement, via contractual arrangement between DLA and a preferred (best delivery and cost to the government) Supplier to ship DLA owned material from the supplier location directly to a customer.

**Acquisition Specialist.** The individual certified through approved training to negotiate government contractual agreements with approved suppliers. This person must maintain an active warrant which would enable him/her to award, add and/or delete National Item Identification Number (NIIN) from LTCs and negotiate delivery IAW OSD Integration TDD DVD standards (see enclosure 1). Responsibilities covered in this document addresses both pre and post award actions of a long-term agreement.

**Dual Channel.** When a DLA-managed item (NSN) is both stocked at DLA depots (i.e., DD) and shipped directly from the supplier location as CD.

**Administrative Lead Time (ALT).** The time measured from requisition date to date award-of-contract date.

**Production Lead Time (PLT).** The time measured from the date of contract award to material ship date.

**Time Definite Delivery (TDD).** Based upon the way the contract is awarded, DD or CD, there are delivery timeframes established by OSD (see enclosure 1). Each supplier should deliver material as defined in the contract IAW the OSD TDD standards as negotiated at time of award. Unless an exception applies, each supplier must meet TD standards to be TDD compliant.

**DLA Supply Chains.** DLA has segregated management responsibility of items by distinct Supply chains that support specific commodity groupings of items. The supply chains have been assigned as lead DLA Inventory Control Points:

1. DLA Aviation
2. DLA Land and Maritime
3. DLA Troop Support
   a. DLA Troop Support Clothing and Textile
Strategic Material Sourcing Group (SMSG). The Strategic Material Sourcing Groups (SMSGs) were developed in response to the need for a strategic approach to supplier management for items managed by DLA. The SMSGs are the principal offices within DLA for developing strategic supply chain execution strategies. SMSGs perform product and supplier analysis (including market research and analysis) and use customer information in order to develop recommended sourcing strategies for items in their Supply Chain. SMSGs also house the Supplier Relationship Manager (SRM) function to focus on optimizing relationships with key suppliers and/or industries.

Strategic Sourcing Specialist (SSS). Within the SMSG, the SSS is responsible for conducting data analysis to develop and recommend items for long-term support strategies and the type of long-term strategy and to track and report on the execution of these strategies. Items are identified using spend and sales analysis, other criteria such as weapon systems drivers or critical items, and input from acquisition experts (contracting, technical and requirements) regarding the nature of acquisition complexity to determine the best strategic approaches to meet the requirements of customers. The SSS is regarded as a technical authority in sourcing strategy formulation. The SSS also assists in the completion of Business Case Analyses and other analysis required in support of strategies recommended.

Depot Level Reparable (DLR) Detachment. This is the DLA DLR Procurement office at each Military Service Inventory Control Point (ICP) that is responsible for providing direct contracting and related support for procurement of new depot level reparables. The Aviation, Land and Maritime Supply Chains will have a DLA DLR Detachment located at assigned Military Service ICPs. Tactical DLR contracting will also be performed within the DLR Detachment.

Military Service Depot Level Reparable Primary Point of Contract (DLR PPOC). Each DLR Detachment will have a Military Service DLR PPOC who will serve as the primary liaison between the Service, DLR Detachment and SSS for strategic sourcing analysis and recommendations. This person will obtain Service requirements, assist in developing sourcing strategies, and coordinate with Military Service personnel such as Program Managers, Item Managers, Product Specialists, Packaging Specialists, and Service acquisition personnel.

Depot Level Reparable Integrated Process Team (DLR IPT). The DLR IPT will be comprised of members from the applicable SMSGs, DLR Detachments, other required DLA personnel, and Military Service personnel impacted by the sourcing opportunity. This collective group will review and approve sourcing strategies and decide which site will execute each strategy.

Integrated Supplier Teams (ISTs). Located within the Directorate of Supplier Operations, ISTs are responsible for tactical support of DLA managed items. This includes awarding single

(b) DLA Troop Support Medical
(c) DLA Troop Support Subsistence
(d) DLA Troop Support Construction and Equipment
(4) DLA Energy
purchase requests for items in short supply, developing strategies to address requisitions on backorder, and conducting other efforts associated with providing tactical support to items/customers.

Strategic Supplier Alliances (SSAs). SSAs are relationships that are promulgated between DLA and/or the Services and major vendors (predominantly Original Equipment Manufacturers (OEMs)) that sponsor targets of opportunity and improvement efforts between the stakeholders that benefit all and provide better customer support. These agreements are executed by the placing of sole source items provided by these contractors on long-term contracting vehicles that include performance metrics.

Supply Chain Alliances (SCAs). SCAs are long-term partnering agreements with “second-tier” suppliers. They are similar to SSAs except these suppliers may supply competitive items and may not be OEMs or as large as typical SSA partners.

Supplier Relationship Manager (SRM). The SRM, located in SMSG, is the manager of the partnering relationship between DLA and a contractor engaged in a SSA or SCA. The SRM coordinates with the SSA/SCA contractor on the partnering agreement (as evidenced by a signed Charter), assists SSSs and acquisition specialists in developing long-term contracting vehicles with CAGEs under the alliances, and develops strategies to enhance the alliance over time such as being an advocate for supplier collaboration, training their alliance partners on DLA’s supplier collaboration tools such as the Supplier Requirements Visibility Application, and facilitating collaboration between the alliance partners and DLA.