



DIRECTOR'S MESSAGE

In a decisive decade, the Defense Logistics Agency continues to build on its solid reputation for service to the warfighter and value to our Nation. We performed our mission and then some in a challenging landscape over fiscal year 2023. Supporting conflicts in Europe and the Middle East, the ongoing challenges in the Indo-Pacific region, and meeting environmental and fiscal requirements were just a few of our top priorities.

In this annual report, we provide a snapshot of our performance over the past year. Through brief descriptions of the agency's myriad activities, you will soon see that DLA covers a lot of ground, figuratively and literally. We operate with a dedicated team of more than 25,000 employees, manage eight supply chains, and provide services for acquisition, storage, distribution, disposition, and more. While the scope, scale, and skills that DLA offers are impressive, everything we do boils down to seven words: "We serve the Warfighter and our Nation."

Together with our partners, we leveraged our unique global logistics capabilities to support the Nation through many activities and initiatives. In FY 2023, DLA continued to play a critical role in

the defueling and closure of the Red Hill underground fuel storage facility in Hawaii. We addressed the challenge of a shrinking industrial base through frequent participation in industry conferences, roundtables, and demand forecasting events. We advanced our Digital-Business Transformation initiative, or D-BX, which is a massive modernization of our business systems.

We enjoyed core mission success, managing over \$49.5 billion in contract obligations and executing 3.7 million contract actions. We also met our small-business goal for the eleventh consecutive year with small business contracts worth \$18 billion, the most ever.

In 2023, Secretary Lloyd J. Austin recognized the DLA workforce with its ninth Joint Meritorious Unit Award, covering exceptional meritorious service between January 2019 and December 2021.

As we like to say, the sun never sets on DLA. I want to thank you for reading this report and finding out more about the Nation's combat logistics support agency.

As I conclude my tenure as Director, I'm humbled and honored to have led this great organization and confident that DLA is poised for a successful 2024 and beyond.

WARFIGHTER ALWAYS!

VADM Michelle C. Skubic
 Defense Logistics Agency Director

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End-to-End Global Supply Chain Performance

DLA is a component of the Department of Defense under the authority, direction, and control of the Under Secretary of Defense for Acquisition and Sustainment, through the Assistant Secretary of Defense for Sustainment. Along with the military services and other elements of the Joint Logistics Enterprise, DLA supports those who protect America and its place in the world. The agency blends vendors, customers, automation, modern acquisition techniques, flexible funding, a modern distribution

network and 21st century expertise into a seamless end-to-end supply chain for consumable items.

Weapon System-Focused Supply Chains: Supporting the Services

DLA divides its repair part mission by weapon systems. Its aviation supply chain handles aircraft. Most of these items are procured by DLA Aviation. The command's 4,000 employees manage 1.8 million parts for 2,341 fixed and rotary wing systems. In FY 2023, its 12,678 customers submitted 3.7 million orders worth \$5.5 billion. The command provided longerons for F-15 Strike Eagles, replaced

FY2023 TOTALS

Revenue: \$46.7B
Small Business: \$18B
Whole of Government: \$11.7B
Consumables (Military Services): ~100%
Suppliers: ~8.5K
Awards/Day (95% Automated): 10K
Active Contracts Managed: \$244B

Workforce: 24.5K (2.4K fwd positioned)

Executive Agent:

Medical Material, Subsistence, Construction and Barrier Material, Defense Logistics Management Standards









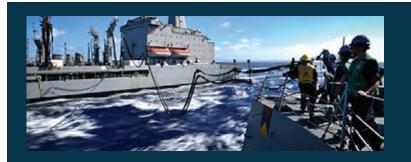
DLA AVIATION

RICHMOND, VA

Repair parts for aviation and nuclear systems, maps on demand, and industrial plant equipment

• 13K Customers

19 Locations



DLA LAND AND MARITIME

COLUMBUS, OH

Repair parts for ground-based and maritime systems

• 21K Customers • 8 Locations

O-rings for B-52 Stratofortress ejection seat harness cables, and sourced rivet pins for KC-135 Stratotankers and E-3 Sentries. It also increased communication with the Air Force Logistics Management Center and improved the process for identifying critical safety items. Finally, the command helped solve problems with propellers for C-130H Hercules and O-rings for CH-47 Chinooks.

DLA's clothing and textile supply chain sold products worth \$1.7 billion in FY 2023, serving established and new customers such as the U.S. Space Force and the Papua New Guinea Defense Force.

DLA combines its land and maritime supply chains under one major subordinate command. DLA Land and Maritime's 2,700 employees manage 2.5 million parts for 1,300 land and 569 maritime systems. In FY 2023, its 21,000 customers submitted 9 million orders worth \$4.4 billion. The command led multiple efforts in FY 2023 to include procuring repair parts for weapon systems provided for Ukraine through the U.S. Army Security Assistance Command. Another major effort was supporting the new Columbia class submarine. Columbia submarines will constitute the underwater leg of the Nation's nuclear triad, an important acquisition project for the DoD.

People-Focused Supply Chains: Taking Care of the Troops

DLA oversees four supply chains similar in their service member focus but different in their vendor characteristics. The clothing and textile industrial base consists of approximately 300 small to mid-sized companies, strongly dependent on DLA for their business. The supply chain sold products worth \$1.7 billion in FY 2023, serving both established customers and new ones such as the U.S. Space Force and Papua New Guinea Defense Force, looking for new uniforms in honor of the country's 50th Independence Day celebration.

The industrial base for DLA Troop Support's subsistence supply chain could not be more different. The supply chain has been using prime vendors domestically for three decades and in combat for a quarter century. Valued at \$2.9 billion, the command signed new agreements for the east coast of Africa and Southwest Pacific in FY 2023. Subsistence has also been developing a shelf-stable ration for the Federal Emergency Management Agency. Meant to support victims of natural disasters, these meals cost less than humanitarian daily rations and require less storage space.





DLA TROOP SUPPORT

PHILADELPHIA, PA

Global Supply Chains:
Subsistence, Clothing and Textiles,
Construction and Equipment, and Medical
• 77K Customers • 3 Locations

DLA Troop Support's construction and equipment supply chain supports a wide range of commodities, including force protection and barrier material; construction material; and fire, marine, special operations, and heavy equipment. With a strong industrial capacity and a vast network of small businesses, it generated sales of \$6.7 billion in FY 2023. The supply chain was also integral in fielding a new fire-retardant fluorine-free foam that does not contain per- and poly-fluoroalkyl substances, present in the legacy aqueous film forming foam.



DLA Troop Support's medical supply chain, also backed by a healthy industrial base, uses e-commerce to provide next-day deliveries at industry-low prices. Although the U.S. commercial medical material industry is mostly comprised of large companies, the DLA supply chain finds innovative methods to attract and maintain a substantial small-business vendor base. The supply chain is working with other federal organizations to ensure its drugs and key ingredients are obtained from reputable, responsive, and reliable sources at reasonable prices. Along with sales of medical surgical supplies and medical equipment, pharmaceutical sales totaled \$9 billion in FY 2023.

Combining customer-facing and vendor-facing staff, DLA Troop Support employs 2,127 civilians and 47 service members. These professionals managed 2.9 million items in FY 2023, processing 27 million orders for 77,000 global customers. They did so with 3,600 suppliers.

Energy:Posturing for a Multi-Threat Environment

DLA's energy supply chain managed change in FY 2023. In February, the U.S. Transportation Command reached initial operating capability as



DLA Energy selected military service customers and its whole-of-government partners for two new alternative fuel pilots.

the DoD's single manager for global bulk fuel and distribution, as directed by Congress. DoD is working to reshape DLA's role under a new governance structure, but DLA's core competency in Class III bulk petroleum acquisition and material management remains. DLA stood up a support division at Scott Air Force Base, Illinois, to partner with TRANSCOM and ensure seamless support to the warfighter.

DLA Energy selected military service customers and its whole-of-government partners for two new alternative fuel pilots. The command also is working with the Office of the Deputy Assistant Secretary of Defense for Energy, Installations, and Environment and the U.S. Air Force to install a Nuclear Regulatory Commission-approved microreactor on Eielson Air Force Base in Alaska. The Air Force expects it to be operational by the end of 2027.

Also environmentally-related were efforts to help the Joint Task Force formed by Defense Secretary Lloyd J. Austin to defuel tanks at Red Hill in Hawaii. Working with the Navy, local officials, regulators, and Congress, DLA Energy conducted sludge removal and other preparatory measures. In July, the INDOPACOM commander directed it to contract for ten tankers to relocate fuel to locations identified in the final environmental assessment. Gravity defueling began Oct. 16, 2023 and was complete by the end of 2023.







DLA ENERGY

FORT BELVOIR, VA

Global fuel and comprehensive energy solutions

• 4K Customers • 602 Fuel Locations

DLA Energy addressed another challenge in FY 2023 by supporting Ukraine with bulk petroleum and contracting. The command continues to evaluate fuel storage capabilities in Poland and is considering capacity upgrades for Drawsko Pomorskie Training Area and a fuel terminal for Powidz Airbase.







Storage and Distribution: Behind it All

Key to successful end-to-end supply chain management is storage and distribution. DLA Distribution, with its global workforce of over 8,600 government civilians, military, reservists, and contractors, manages \$136 billion in inventory across more than 50 locations. In FY 2023, the organization shipped 6.7 million orders weighing 2.2 billion pounds to customers in 94 countries. Ensuring accountability within its care, DLA Distribution performed inventory with an accuracy rate of 98.8% for individual items and 95% by National Item Identification Number.

Supporting DLA's whole-of-government partners, DLA Distribution shipped 25,000 line items in support of the U.S. Forest Service's wildfire mission and delivered 3.4 million seasonal influenza vaccines to service members, their dependents, and veterans. Additional whole-of-government missions included storing deployable medical assistance team items for the Department of Health and Human Services' Assistant Secretary for Preparedness and Response, holding COVID-19 test kits and personal protective equipment for the Department of Veterans Affairs, and distributing items for the Maritime Administration's national security multi-purpose vessel program.

DLA continued to transform and modernize its operations. In FY 2023, the organization successfully integrated the Warehouse Management System at 10 distribution centers and one recruitment training center. WMS technology allows for greater visibility and control of assets, real-time logic for inventory tracking, cross-docking, and order fulfillment. WMS deployment will continue through FY 2025.



DLA DISTRIBUTION

NEW CUMBERLAND, PA

Global storage and distribution solutions

• 243K Customers • 50 Locations



DLA DISPOSITION SERVICES

BATTLE CREEK, MI

Global solutions for disposal of excess property

• 31K Customers

• 89 Locations

DLA Distribution closed out FY 2023 with over \$1.2 million in obligations and \$1.7 million in revenue. Expenses and Net Operating Result were below projections and will positively impact future year rates. DLA Distribution exceeded savings targets of \$154 million compared to the baseline for FY 2023.

DLA Disposition Services provided outstanding stewardship of government property in FY 2023, sourcing 283 requisitions and providing 326,014 items worth \$32.5M for troops in Eastern Europe.

End-of-Life Equipment Services: Financial and Environmental Stewardship

DLA Disposition Services provided outstanding stewardship of government property in FY 2023. Receiving material originally valued at \$32.45 billion, it processed 87,928 requisitions, resulting in 3.3 million usable items worth \$1.4 billion. These items were reused by military services, transferred to federal agencies, or donated to state governments, local governments, and non-profit organizations. The command also generated \$85 million through public sales, offsetting much of the service-level billing incurred by military services.

DLA Disposition Services had many highlights in FY 2023. One was Ukraine support. The command sourced 283 requisitions, providing 326,014 items worth \$32.5 million for troops in

Eastern Europe. Items included High Mobility Multipurpose Wheeled Vehicle ambulances, palletized loading systems, floating bridge sections, balaclavas, medical supplies, clothing, individual equipment, and vehicle components.

DLA Disposition Services also had hazardous waste removal wins in FY 2023. Responding to a customer need, DLA Disposition Services awarded four regional incineration contracts to firms in the United States, ensuring DoD incinerable wastes received priority for destruction during a time of significant industry backlog. Additionally, the command successfully obtained export, transit, and import approvals for moving hazardous waste from Al Asad Air Base, Iraq, to Germany. Its contractor responsibly removed 131,000 kilograms of hazardous waste in September 2023.





DLA Disposition Services also helped its customers with disposal missions. This included contracting for the towing, dismantling, and ultimate recycling of safe-to-sell scrap from five retired Navy vessels. The command also processed 5,274 F-35 invoices at ten of its domestic and overseas locations as the designated demilitarization and disposal product support provider for the F-35 Lightning II.



The Warstopper program uses contractual obligations to reserve DLA's place in line for scarce items. The program invested \$70 million in FY 2023, the second most ever.

In the agency's largest organizational change in FY 2023, DLA Disposition Services absorbed DLA Document Services from DLA Information Operations. DLA Disposition Services has a similar global footprint and a similar customer-facing mission. This move will allow Document Services to continue to provide valuable services in a more efficient manner.

Acquisition Operations:

Commodities and Services

DLA is first and foremost an acquisition agency. Of its 25,000 employees, more than a third work in engineering and technical management, life-cycle logistics, or contracting. These professionals took the agency to new heights in FY 2023, obligating a record \$49.5 billion. While COVID-19 decreased medical supply chain purchases and a price change limited fuel sale dollars, increased construction and equipment, aviation, land, and depot-level repairable transactions more than compensated.



Though acquisition employees work in every agency command, two concentrations report to agency headquarters. The Defense Contracting Services Office provides procurement and contract administration for complex systems. It obligated an all-time high of \$1.9 billion in FY 2023. DLA Strategic Materials decreases America's dependence upon foreign sources. It managed 47 materials in FY 2023, overseeing stockpiles worth \$1.25 billion, rotating lots to prevent obsolescence, extracting components from end-of-life items, and selling excess quantities.

DLA also operates the Warstopper program, which uses contractual obligations to reserve DLA's place in line for scarce items. Its popularity grew after it ensured service members had personal protective equipment during the pandemic. The program invested \$70 million in FY 2023, the second highest yearly total ever.

DLA kept its focus on small businesses in FY 2023. The agency exceeded its headline target for the eleventh straight year, obligating 42.54% of contracts to small businesses against a 37.30% goal. It also came close to achieving stretch goals for small disadvantaged businesses, women-owned small businesses, service-disabled veteran-owned small businesses, and historically underutilized businesses. DLA contributed significantly to the overall DoD target, accounting for 20% of the





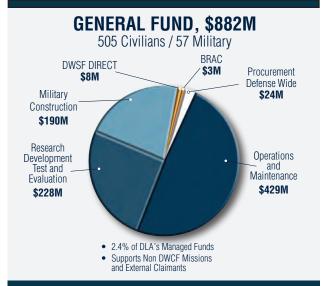
department's FY 2023 small-business obligations but only 12% of its overall expenditures.

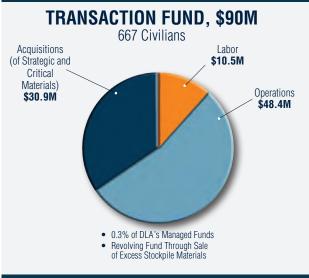
Small businesses strengthen the industrial base, which is important because other factors have decreased DLA's vendors by 30% since FY 2016. The reason for these most recent decreases was COVID-19 and inflation. Businesses are still experiencing adverse effects from the overnight rise in material, transportation, and labor costs during the pandemic. Inflation compounded the issue, causing companies to fear long-term commitments when they could not control raw material, overhead, or supply chain costs.

DLA exceeded its small-business headline target for the eleventh straight year, obligating 42.54% of contracts to small businesses against a 37.30% goal.

DLA FUNDS ALLOCATION CHARTS

WORKING CAPITAL FUND, \$34,782M 24,623 Civilians / 568 Military Distribution Material Operating \$1,151.4M Costs \$4,218.6M Disposition \$491.0M Energy Operating Document Costs Services \$2,776.7M \$314.1M Material Energy Supply Chains \$4,218.6M · 97.3% of DLA's Managed Funds Provides Full Cost Visibility and Recovery, Savings Returned Through Lower Rates





While these factors moderated in FY 2023, corporations leaving the government sector still outnumbered entrants. The agency mitigated risk as best it could, paying small vendors as early as possible and urging the services not to buy DLA-managed parts directly from manufacturers. DLA strives to communicate with its industrial base through regular industry association meetings and gives its suppliers an opportunity to provide feedback through a biannual survey.

Financial Highlights:

Prioritization Through Spending Decisions

DLA's agility is largely a function of its financial standing. The agency purchases commodities ahead of need, using cash from its working capital fund. These purchases are then retailed to customers with a markup to cover operation, payroll, installation management, and storage costs. For the year ending Sept. 30, 2023, DLA's working capital fund registered \$45 billion in expenditures.

DLA's working capital fund constitutes 97% of agency spend. Other sources govern the remaining 3%. One is the general fund, or monies appropriated by Congress for military construction and research and development. DLA also operates a transaction fund for its strategic materials program.

Operational Environment:

Worldwide Responsibilities

As a customer-facing logistics provider, DLA once again assisted almost every geographic commander in FY 2023. The agency's support to EUCOM encompassed two missions. The first was commodity and service provision to America's NATO contingent. The second was supporting Security Assistance Group-Ukraine. As focus shifted from transferring end items to maintaining them, DLA Logistics Operations assembled a \$43.5 million Class IX package for the U.S. Army Security Assistance Command to order and DLA Land and Maritime to fulfill.



Hamas' attack on Oct. 7, 2023, drove Israel to full mobilization. DLA sold \$93.7 million in mostly aviation parts to this longstanding ally during the two months following the attack. It also sent subsistence, fuel, and medical supplies to the naval forces sent to secure U.S. interests in theater.

The Israel-Hamas war magnified unrest in northern Africa. U.S. Africa Command was already focused on this region due to political instability in Sudan and a military coup in Niger. Despite the uncertainty of political change, DLA continued resourcing U.S. bases on the continent.

DLA strengthened America's position in the Indo-Pacific by reinforcing sites along lines of communication. The agency also prepared to support marine rotational forces in Darwin, As a customer-facing logistics provider, DLA once again assisted almost every geographic commander in FY 2023.

Australia, and repairs for Collins- and Virginiaclass submarines on the country's west coast.

DLA reinforced other Indo-Pacific sites as well. In FY 2023, DLA Distribution brought its warehouse utilization program to Guam. A Department-wide effort to optimize storage and improve sustainment, warehouse utilization was also critical given competing demands for space on the island. Additionally, DLA Troop Support agreed to procure items for a 300-person base camp on behalf of 8th Theater Support Command. Finally, DLA Energy finished the fuel point upgrade in the Marianas it had started with U.S. Naval Facilities Engineer Systems Command last year.





China and Russia were not America's only security threats in FY 2023. North Korea continued launching ballistic missiles 70 years into the armistice that ended the Korean War. In addition to supporting an exercise in South Korea, DLA awarded a maintenance, repair, and operations contract for the peninsula. In the Middle East, DLA Distribution developed its Western Area Network while DLA Disposition Services used contracts in Kuwait and Qatar to reduce the theater's excess equipment.

To ensure allocated resources to geographic areas in proportion to their strategic importance, DLA wrote the agency's first Global Posture Plan. In addition to Ulchi Freedom Shield 23, DLA took part in Defender 23, an exercise focused on the Russian threat; Integrated Advance, which simulated a humanitarian crisis in U.S. Southern Command; the Quartermaster Liquid Logistics Exercise, which stressed agency fuel points worldwide; and Africa Lion, which spanned four countries and involved over 8,000 participants. Additionally, DLA rehearsed internal procedures at the Agency Contingency Operations Readiness Exercise, held in Michigan in July.

Moving Forward

Innovation: Increasing Readiness by Decreasing Cost

DLA is increasing readiness and decreasing costs through technological innovation and

standardization. The agency's approach in FY 2023 to meeting its goals was to deploy the Warehouse Management System to multiple DLA Distribution centers, DLA Disposition Services sites, and one recruit training center. WMS upgrades a legacy system to better meet the needs of the agency, suppliers, and customers with improved data management and automated processes. WMS integrates better with newer systems such as enterprise resource planning. ERP, the agency's primary material management platform, underwent upgrades that improved functionality and expanded visibility. Separate projects have been initiated for DLA Troop Support's four unique supply chains.



Other innovations are just as promising. One is "bots," which automate keystroke-intensive functions such as form filling. Although not new, bot usage increased 20% over FY 2023, alleviating employees from mundane tasks and increasing audit readiness. In time, bots are expected to free up the workforce to engage in more complex and valuable strategic tasks. Additive manufacturing continues as a proof-of-principle; when scaled, it could offer the capability to build on demand closer to the point of need. Additional efficiency came

from updating catalog functions and refining customer-service interfaces. Finally, an effort with almost unlimited potential is Enterprise Data Architecture. Pooling data will allow the agency to benefit from artificial intelligence, the next step in predicting the needs of customers.

DLA also invested in increasing efficiencies at its distribution warehouses. Efforts to combine new technologies such as voice-

pick technology with the latest in systems design are simplifying material handling and decreasing costs. Network optimization factors played a major role in DLA's ability to compute the quickest, most effective, and least expensive options for available transportation. As part of this effort, DLA Distribution Bahrain was reduced, and the agency's hazardous material mission transferred from Richmond, Virginia, to San Joaquin, California. Moreover, DLA Distribution started using augmented reality for inventories. This capability, initiated at DLA Distribution Anniston in Alabama, can capture serial numbers without the inspector being present.

Growth: Injecting Expertise and Efficiencies

The Defense Logistics Agency exists in a community of joint and federal suppliers. As such, the agency must be judicious in how it expands into new fields. The agency took the lead on tactical energy storage. DLA representatives traveled to Africa, where battery materials are mined, and coordinated with the Office of the Assistant Secretary Of Defense

for Industrial Base Policy for authority and resources. A second area of potential growth is the medical supply chain. The Department of Veterans Affairs, already an important customer, approached DLA Troop Support with possibilities for further partnering.

Other areas for expansion are programmed. The F-35 Lightning II program expanded DLA's mission ever since the agency was named "North American regional warehouser and global transporter" along with TRANSCOM. These duties increased in FY

2023 as the joint spares pool moved from contracted warehouses in Texas to DLA Distribution San Joaquin. Additionally, the security partnership the U.S. signed with Australia and Britain in 2021 has the potential to expand business for DLA Land and Maritime, DLA Distribution, and DLA Energy.

Currently all F-35 Lightning II repair parts are produced by subcontractors for the airframe's

primary manufacturer. As the program ages, however, much of this Class IX provision will shift to DLA. Similar business flow will come from the U.S. Army, which is looking to accelerate the agency's role in joint light tactical vehicle support.

Year-end Summary: Positioned for Success

No matter the

circumstances. DLA stands

ready to support warfighters

and whole-of-government

partners wherever they

may be in FY 2024.

DLA excelled as a logistics provider in FY 2023, offering quality commodities and premier logistics services to military departments, other components of the DOD, and civilian federal agencies. Emerging from pandemic-induced supply chain disruptions and their associated inflation, the agency returned to exercising versatile support around the world.

While entering FY 2024 as the recipient of its ninth Joint Meritorious Unit Award, DLA is not resting on its laurels. With its foot on the accelerator, it is embarking on a degree of technological change not seen in a generation. No matter the circumstances, DLA stands ready to support warfighters and whole-of-government partners wherever they may be in FY 2024.















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