



Money

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Military uses private sector supply tactics

By David Kiley, USA TODAY

SCOTT AIR FORCE BASE, Ill. — During the first Gulf War, the military's effort to supply its troops with everything they needed, from bullets to beans, took six months to set up. During the decade since, the military has invested in information technology and cargo planes and studied private-sector companies from FedEx to Bank of America to learn how to do it better and faster.



Air Force Gen. John Handy
Commander of the U.S. Transportation Command.

By Peter A. Newcomb for USA TODAY

And by all accounts, the effort has paid off. Set-up time for this war: two months. Potential savings: billions.

During the last Gulf War, Army Gen. Norman Schwarzkopf, commander of U.N. forces, picked one officer — then-Lt. Gen. William "Gus" Pagonis — as the single point person in command of supply logistics.

"Schwarzkopf had been in Vietnam and knew the fragmented logistics system of that war wouldn't work in Iraq, which is why he wanted one person to be responsible — and to blame," says Pagonis.

Pagonis made the best of an archaic system, but it was still inefficient.

Now, supplies are handled by the U.S. Transportation Command — Transcom — based here. It has integrated the once-separate transportation organizations of the Army, Navy and Air Force into one digitally powered, satellite- and Internet-

driven operation that can, for example, move Blackhawk helicopters to Iraq from Kentucky in less than 40 hours, a job that used to take at least eight days.

Transcom's commander is Air Force Gen. John Handy. He has the same rank as Army Gen. Tommy Franks, U.S. war commander, and like Franks, reports directly to Defense Secretary Donald Rumsfeld.

Pagonis might have been the hero last time: Because of his work, he was hired by Sears to remake its distribution system. But "so much work has been done since then to modernize, that you don't need another me this time," he says.

If Sears looked to the military a decade ago for help, it's the private sector that Transcom has been studying for the last 10 years.

"In many ways, they are a little behind the commercial sector, but that's understandable, because they have a different set of priorities. ... But they are far ahead of what I anticipated going in," says Scott Safranski, a St. Louis University associate professor who has studied Transcom.

Among the companies Safranski saw giving distribution advice to Transcom was Anheuser-Busch. "Given the complexity of Anheuser's product mix and regional shipping needs, it's a better fit for Transcom to study than Boeing," he says.

Business to military

Some of what Transcom has learned from the private sector:

- **Just-in-time delivery.** Manufacturers such as General Motors and Caterpillar have reduced warehousing by having parts needed for a day's assembly arrive at a plant the day before.

Transcom has put a similar plan into effect. The Army's 101st Airborne Division spent weeks planning the packing of six Large Medium Speed Roll-on/Roll-off (LMSR) cargo ships with all the gear it would need to start an assault in Iraq.

The ships were packed for optimum, not maximum, load. As the first two ships arrived, there was the right mix of Humvees, ammunition, helicopters and food for the first wave of soldiers. The departure of the six ships and three waves of the 101st were carefully staggered and choreographed to avoid bottlenecks.

The ships, which allow cargo and vehicles to be driven on and off decks instead of requiring time-consuming hoists, are new since the last war. In planning them, the military used the same science that enables Wal-Mart to control its shelf space down to the centimeter to design and pack the ships.

From Menlo Logistics, Transcom learned how to have its suppliers prepack pallets of parts destined to be loaded on ships or planes at Dover Air Force Base in Delaware. That saves about 36 hours of turnaround time at the base.

Transcom's goal, says Navy Rear Adm. Chris Ames, in charge of Transcom's future planning, is setting up a "factory to foxhole" system that eliminates as many handlers between the manufacturer and the soldier as possible.

- **Freight identification.** Transcom's radio-frequency identification-tag system, copied from FedEx and freight shipper CSX, has saved coalition forces \$3 million that Transcom's operations chief, Air Force Maj. Gen. William Welser III, knows about for sure.

That's because some British officers spent almost a day tearing through containers in Kuwait looking for equipment to repair fighting vehicles. They were ready to reorder the equipment, at a cost of \$3 million, when a U.S. cargo specialist used a computer to locate the machine's radio tag.

Multiply that by the number of pieces Transcom moves, Handy says, and "it adds up quickly to billions."

A combination of satellite transponders and tracking software, similar to GM's OnStar telematics system that can track a car's movement, allows Transcom to track every plane, rail car and ship it is moving. It also enables officers on the 300-mile supply line inside Iraq to link to the Internet via satellite and know the progress of a vital shipment. Such information access prevents supply officers from ordering six of the same item to insure against loss or delay.

"It's more like FedEx-plus-plus, because we have to know what's inside every piece we ship, not just where it is," Handy says.

- **Bill paying.** Bank of America provides services at U.S. and foreign bases. But Transcom is working with the company for another reason.

From 1990 to 1997, Bank of America acquired and assimilated hundreds of small banks, then merged with NationsBank in 1997.

That struck Handy as a neat parallel to the job of streamlining the millions of financial transactions that supply procurement and distribution requires across the Army, Navy and Air Force, each of which has a unique bill-paying and accounting system.

"There are a lot of people pushing the same paper for the different branches that could be redeployed for more productive jobs," he says. "Better productivity can make us better, not just more cost-efficient."

- **Working globally.** Taking another cue from the private sector, the military has made an art of teleconferencing.

Welser sits in front of a computer and microphone for an Internet chat at 6:45 each morning to go over logistics for the day with 75 key people around the world.

The virtual meeting is possible because CoMotion software was developed for Transcom by Maya Viz of Pittsburgh. All participants have access to data files they need to carry out their part on a secure Web site. Every change to those files during the 20- to 30-minute meeting automatically updates for everyone in real time.

In the days after the Sept. 11 attacks, Welser spent four to six hours daily on the same task, using phone, e-mail and fax. CoMotion was hurried into use ahead of schedule in time for the invasion of Afghanistan a month later.

It "saves hours and hours a day," Welser says. "Over a period of weeks, who knows how many lives that saves, how much faster the job gets done?"

Military to business

In the case of CoMotion at least, expertise is migrating from the military to the private sector. Laura Esserman, a surgeon at the University of California San Francisco's Carol Franc Buck Breast Care Center, is using the software in a test connecting patients and doctors around the world.

Doctors who are continents apart can call up X-rays, magnetic-resonance images and patient records on the Internet and confer in real time. Patients can hook into the system to talk to far-flung doctors about treatment alternatives.

Beth Friel, Maya Viz vice president of operations, says an oil and gas consortium that she can't name is also using the software to sort out distribution problems after hurricanes.

Apparently, Handy continues to look to the private sector for clues to his work. Among recent reading: *Execution*, a management book about "getting things done," written by former Honeywell CEO Larry Bossidy and former Harvard business professor Ram Charan.

"In Desert Storm, we had mountains of containers that never even got opened the whole time we were there," he says. "That's not happening this time, and that kind execution of our business will be a significant part of the success of the mission."

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