NNSA/EM

Strategic Sourcing Partnership (SSP)

EM Field Managers Meeting

January 27, 2012

Background

- Aug 2010 - Business Initiatives Memo
  - S-2 directed expansion of strategic sourcing across DOE
  - Recognized NNSA Supply Chain Management Center (SCMC) as a model for success
- Jul 2011 - DOE Reorganization that aligned EM and NNSA
  - Opportunity for EM to leverage existing strategic sourcing capability
- Aug 2011 - EMCBC performed cost/benefit analysis of SCMC integrating into EM
- Sep 2011 - Authority to proceed issued to EMCBC to develop implementation plan for NNSA/EM SCMC
- Jan 2012 - Under Secretary for Nuclear Security Authorized NNSA/EM Strategic Sourcing Partnership (SSP)

Purpose of NNSA/EM SCMC

- Current environment is defined by budget cuts and increased emphasis on cost reduction, process efficiencies and transparency
- Enterprise-wide effort to initiate more robust, integrated strategic sourcing across EM Sites
  - Transform EM acquisition processes from tactical and reactive to strategic and integrated
  - Achieve economies of scale, increased productivity, and increased cost savings
  - Leverage purchasing power to gain pricing, processing, and reporting efficiencies
  - Leverage proven SCMC sourcing tools, software platforms, processes and infrastructure

SCMC Overview

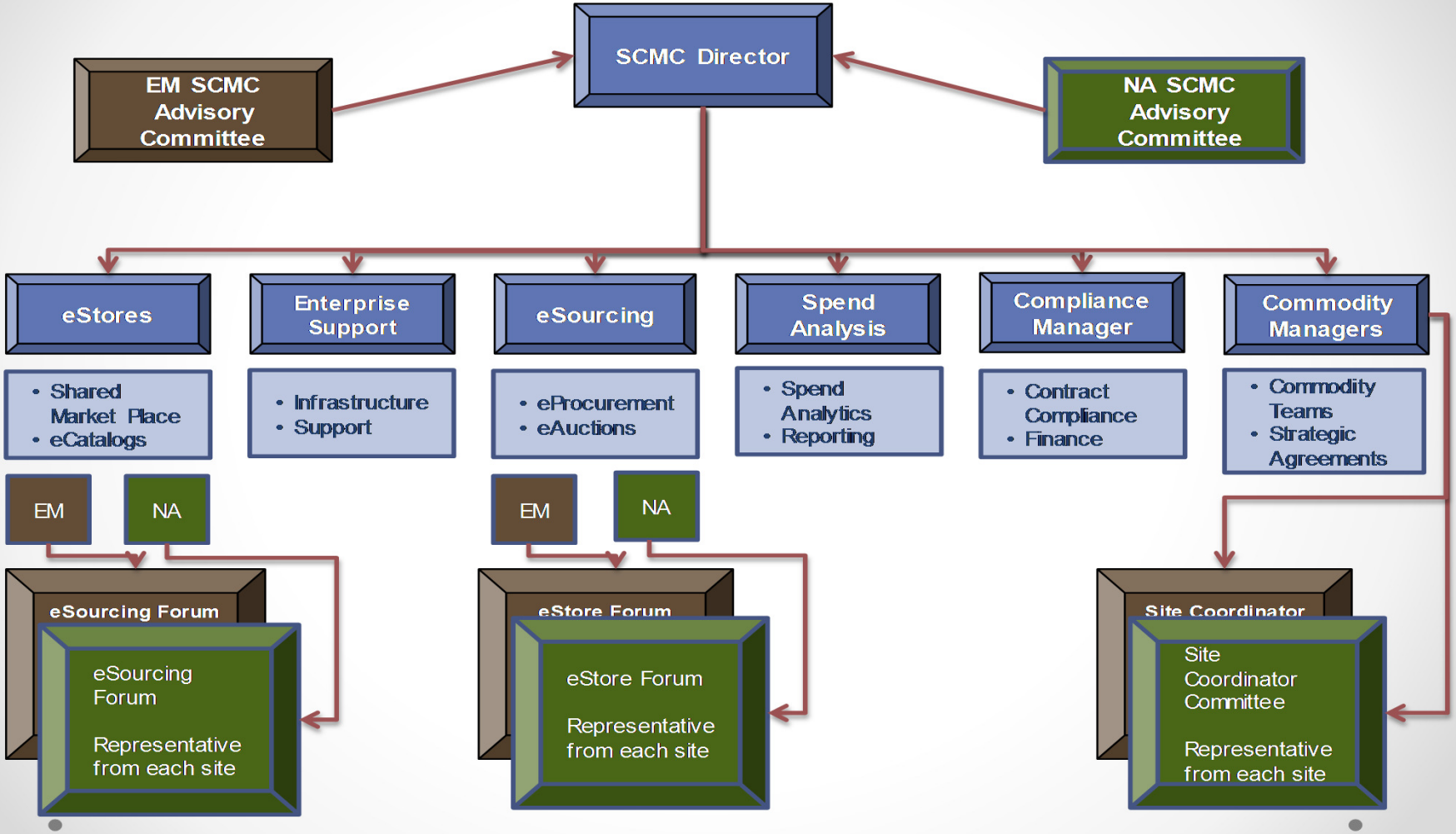
What it is

- Enterprise-wide sourcing system to leverage EM and NNSA spend
- Structured, funded approach to acquisition cost savings
- Commodity teams responsible for data collection, commodity strategy, reporting and delivering savings
- A commercial best practice

What it is not

- Does not shift procurement budgets from individual sites
- Does not remove execution of spend from individual sites
- Does not replace local purchasing organizations
- Does not replace systems already in place
- Does not take "credit" for Small Business Contracting Activity
- For procurement of everything

SCMC Governance Model



Roles and Responsibilities

Strategic Sourcing Triad

Environmental Management Consolidated Business Center

Ralph Holland, Deputy Director

- Champion strategic sourcing efforts of the Supply Chain Management Center
- Establishes accountability for deployment
- Provide oversight in establishing metrics to measure performance and cost savings attainment
- Provide guidance in targeting commodities for strategic sourcing
- Ensure sites participate by including appropriate goals in sites and contractors PEP and contracts to incentivize participation

Supply Chain Management Center

Wallis Spangler, Director

- Lead collaboration among sites to achieve goals
- Conduct enterprise-wide spend analysis
- Lead commodity strategy and perform contract management
- Provide and maintain collaborative systems
- Ensure agreement compliance
- Assign commodity managers as necessary
- Collaborate in establishing performance based metrics and integrate into Scorecard

Site Acquisition Managers

EM SAC

- Participate with other site leaders, EM and SCMC to drive success
- Provide a site coordinator to manage SCMC-driven activities
- Provide commodity team members
- Ensure site supports collaborative system implementation and utilization
- Champion EM site goal execution
- Optimize the use of SCMC Agreements and tools

Implementation Plan

Calendar Year 2012 2013

EMCBC/SCMC Vision

- EMCBC provides authorization and funding to the SCMC
- EMCBC/SCMC Site Visits

Implement Enterprise tools

- Develop EM Portal & Site Access
- eSourcing implementation, training & execution
- eSourcing implementation, training & execution
- eStores implementation, training & execution

Implement Strategic Sourcing

- Implement Spend Analysis at SRS
- Begin modification of SCMC Agreements for site access
- Implement Spend Analysis at other EM sites

- Operating and achieving enterprise-wide cost savings by the end of FY2012
- Savannah River selected as pilot site for EM SCMC implementation

FY12-13 Phased Site Implementation

- SRS Pilot Site
- Site Visits (Fact-finding)

Phase 1

- Implementation at remaining Sites
  - Based on Phase 1 Analysis

Phase 2

- Hanford
- ORP
- ID
- CBFO
- PPPO
- OR
- WVDP

EM Sites

Who Does What to Support Implementation?

SCMC

- Allocate Resources
- Provide Training for Tools
- Maintain Software Licenses
- Maintain Portal
- Maintain SCMC Tools
- Contract for Hosted Site
- Manage DOE Provided Funding

EM SITES

- Support the EM Vision
- Allocate IT Resources to Support Implementation
- Provide Team Members as Required
- Maintain Internet Access
- Provide Entrust Software

Cost Savings Methodologies

- Three Standard Cost Savings Methods:
  1. Reduction from the previous price paid
  2. Reduction from independent cost estimate
  3. Reduction from preliminary market estimate
     - Preliminary quote
     - Budget amount on the requisition
- Cost savings method determined from top down. If first method applies, it must be used to the exclusion of the rest and so forth

SCMC Commodity Teams

Awarded

- Bank Card
- Anti-Virus Software*
- Travel – Air
- Travel – Rental Car
- Travel - Hotel
- Ground Fuels*
- Rx Glasses
- Lab Equipment and Supplies*
- RSA Tokens and Maintenance*
- Security – Air Purifying Masks*
- Electrical Supplies*
- Wireless Initiative*
- Safety Supplies*

*Small Business

In Process

- Travel – Management Services
- Bulk Gas
- Desktop & Laptop Computers
- Industrial Supplies
- Electronic Components

Supply Chain Management Center FY2011

- eSourcing savings of $97.8M
- SCMC Agreement Savings of $8.8M
- 40,846 eCatalog orders electronically transmitted to suppliers – increase of 344% from previous year
- Provided 885 hours of training to the NSE and DOE Sites
- Won 2011 "Progressive Manufacturing 100 Award" in Supply Network Mastery category – Top 100 Organizations in the World

SCMC Savings FY2007 thru FY2011 – more than $319M

Performance Objectives FY12

- Implementation of NNSA/EM SCMC
  - Sign Business Process Overview Memorandum of Understanding
    - Contractor Procurement Directors
  - EM Access to NNSA Portal and SCMC eSourcing
- Achieve costs savings greater than cost of implementation (approx. $3M)
- Establish EM SCMC Metrics
  - Collaborative Development of Site Goals

DRAFT EM Score Card

Key Milestones	•Site implementation schedule for SCMC Tools, Portal modifications and access, modify Software licenses and maintenance orders, Site use of SCMC Tools,
Multi-Site Objectives	• Report site savings for eSourcing events to meet or exceed implementation costs.
Cost Savings	• Savings from eSourcing - $$,
SCMC Implementation Costs	• eSourcing training , Staff support, eStore and Spend Analysis implementation, Software licenses and maintenance support, site hosting , Portal modification

Site Activity	SRS	RL	ORP	INL	WVDP	CBFO	OR	PPPO	Totals
MOU signed									
eSourcing Capability									
# of complete esoucing events									
# of in-process esoucing events									
# of forecast eSourcing events									
$ savings from completed eSourcing events									
$ forecast eSourcing savings									
eStore Capability									
# of eStore Orders processed									

	Combined Savings from eSourcing	
	# of eSourcing events	Total Savings
2nd Q		
3rd Q		
4th Q		
Total		

Highlights:

Driving Success

- EM must embrace partnership with NNSA
- Major EM Contractors will play a pivotal role in success
- Tailored incentives; tailored language for PEMPs

Next Steps

- Conduct Information exchange with impacted EM Contractors
  - Scheduled Thursday, 2/2, in Cincinnati
- Finalize/Sign NNSA/EM SCMC MOU
- Develop EM Entry webpage into NNSA Portal and provide EM sites access
- Execute eSourcing events to achieve cost savings of $2-3 million during FY2012
- Deploy full suite of SCMC tools at SRS (pilot site)
- Site visits to share vision and review existing capability and systems
- Develop phased implementation plan for individual sites
- Finalize and Publish EM Score Card

Questions?

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