

APRA GLOBAL CONNECTION- SEPTEMBER 2004

ARMY VEHICLE RECONSTITUTION:

How APRA is Pursuing a Business Opportunity for its Members

By Bill Gager, APRA President

APRA is always seeking ways to increase its value to its members. Recently we asked Ron Giuntini of the OEM Product-Services Institute and John Kotlanger of Kotlanger Consultants to help us generate new business for our members. Ron and John bring a wealth of knowledge on subjects pertaining to the marketing of remanufactured products. In their first initiative, working closely with myself, they have been involved in pursuing a once in a lifetime business opportunity for our members. This initiative is in its middle stage. We will keep our members posted as to its progress. Below is a description of our current course of action.

- **An Overview**

Due to intensive use of light and heavy manned tracked and wheeled vehicles in Iraq by three of the Army's Divisions, an estimated 30,000 to 50,000 vehicles will be required to be maintained/remanufactured, over a 12-48 month period, in order to return the Divisions to a "ready status." This initiative is referred to as "reconstitution"; a process performed after a contingency/surge operation, of making a unit or activity available again for steady-state operational commitments. Reconstitution planning begins during the initial stages of surge operations, and actual reconstitution of the forces continues beyond the end of the contingency operation. Factors to be considered in reconstitution planning include the maintenance of equipment, restoring levels of consumables, lost training, an examination of the impact of operations on personnel and attrition rates, and post-contingency steady-state operational requirements. The depots, which are the organizations that are tasked with remanufacturing Army vehicles and their subsystems, are perceived to have inadequate resources for the reconstitution process of remanufacturing the "reparable secondary items" that are required for the vehicle remanufacturing reassembly process.

The following is an excerpt from the 2003 GAO study on "Army Depot Maintenance." "Officials at several depots said they are working overtime and have hired some temporary employees to support the increased requirements of Operation Iraqi Freedom, but an official at one depot said ***it is not likely to be able to produce the amount of work currently estimated for fiscal year 2003 and beyond because it does not have enough people.*** According to an Army Materiel Command official, the Army does not yet have a plan for managing the reconstitution, but one is being developed... ***Depot managers believe that Public Private Partnership (PPP) arrangements are an effective means for improving the efficiency and effectiveness of depot operations and are the best opportunity for managing additional depot workloads.***"

- **What is the focus of the APRA initiative?**

- Provide a short-term solution to the Army's vehicle remanufacturing enterprises to address national defense readiness concerns
- Create new revenue opportunities for APRA members

- Create a relationship with the Army for capturing future remanufacturing business opportunities, driven by new weapon system Performance Based Logistics Programs such as required for the Manned Ground Vehicle (MGV) Future Combat System (FCS)

Initiative Scope of Work													
Component Type	Vehicle Type (OEM)												
	Wheeled									Tracked			
	Standard						Non-Development Items			Tracked			
	Humvee (American General)	Legacy 2.5 ton (Many)	Family of Medium Tactical Vehicles (Stewart & Stevenson)	Line Haul Tractors (Freightliner)	Heavy Expanded Tactical Truck (Oshkosh)	Others	Bulldozers (Caterpillar)	Dump Trucks (Mack/ Volvo)	Others	Abrams Tank (General Dynamics)	Bradley Personnel Carrier (United Defense)	Hercules Equipment Recovery (United Defense)	Palladin Howitzer (United Defense)
Electrical													
Electronic													
Propulsion													
Brake													
Steering													
Pneumatic Pressure													
Hydraulic Pressure													
Water Distribution													
Clutch													
Drive Shaft													
Transmission													
Fuel													
Others													

- **What value does APRA and its members bring to the Army?**

- Access to the largest pool of ground vehicle component remanufacturers in the world, with over 25,000 technically trained employees in over 500 enterprises providing products for:
 - Light vehicles
 - Heavy vehicles
- Delivery cycle times an estimated 85-95% shorter than depots, through the sale of off-the-shelf remanufactured components
- Reduction in new capital investment requirements to handle the surge: facilities, test equipment and software. APRA members have an estimated 20,000,000 square feet of facilities
- Reduction in inventory investment requirements. APRA members have an estimated \$400,000,000 of piece parts and remanufactured component inventory on-hand to support the demands of the depots
- Prices that are an estimated 25-50% below that of depot costs

- Reduction of 50-75% in sourcing process time
- **How will APRA work with its members and the Army?**
 - Army will utilize APRA as the organization that will provide a list of “qualified” suppliers for specific remanufactured components. All contracts will be competitively bid by “qualified” APRA members and awarded to specific members.
 - APRA will work with consultants experienced with depot requirements, to help members to be qualified to respond to an Army RFP.
 - Special considerations will be given to “small businesses”; an estimated 25-40% of contracts will be awarded to enterprises that meet the Government's criteria for “small businesses.”
- **Where we stand today after 9 months of effort...we didn't say it would be easy!**
 - We have successfully met with the Office of Senator Warner of Virginia, in Washington, D.C to discuss our initiative. They provided an introduction to “tell our story” to a 4-star General of the Army Materiel Command (AMC), who directs the depots
 - We have successfully met with AMC, at Fort Belvoir, VA and were given the “green light” to meet with executives at the Tank-automotive Ammunition Command (TACOM) in Warren, Michigan
 - We have met with TACOM and are currently awaiting a response as to next steps
 - Following a positive response by TACOM, an informational session for our members will be organized to discuss the details of the initiative

It is APRA's goal is to focus on the financial well being of our members by ensuring that government practices do not limit the potential market share of independent remanufacturers, nor decrease the market size for remanufactured products