

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund (DWCF)**  
**Document Automation & Production Service**  
**FY 2001 Budget Estimates**

**ACTIVITY GROUP DESCRIPTION:** The Document Automation and Production Service (DAPS), formerly named Defense Automated Printing Service, is responsible, in accordance with Department of Defense (DoD) Directive 5330.3, to ensure compliance with the Federal Printing Program, for the DoD printing and document automation programs. This responsibility encompasses the full range of automated documentation services to include: conversion, electronic storage and output, and the distribution of hard copy and digital information. DAPS provides time sensitive, competitively priced, high quality products and services that are produced either in-house or procured through the Government Printing Office (GPO). In addition, the Joint Committee on Printing (JCP), Congress of the United States, exercises oversight of all federal printing, including the DAPS in-house printing capability.

DAPS manages this worldwide mission through a customer service network comprised of a Headquarters located at Mechanicsburg, Pennsylvania, 80 major field locations, and 200 smaller document automation facilities.

**CUSTOMERS:** DAPS primary customers are Army (19 percent), Navy (30 percent), Air Force (18 percent), and Defense Agencies (21 percent). Both appropriated and DWCF-funded activities are included in each Service's percentage.

**BUDGET HIGHLIGHTS:** In August 1999, DLA notified Congress of its decision to conduct a public-private competition for the production functions of DAPS. Approximately 1,400 CONUS DAPS employees, residing in the Continental United States, will be affected. Because of the complexity of DAPS overseas operations, those functions were excluded from the competition.

DAPS continues to rightsize its workforce. This submission reflects end strength reductions of 8.3 percent in FY 1999, 5.1 percent in FY 2000, and 7.6 percent in FY 2001. The reduction of full-time equivalents is 5.0 percent in FY 1999, 10.6 percent in FY 2000, and 5.2 percent in FY 2001.

Since becoming the Department's single manager for printing and duplicating in 1992, DAPS has closed or consolidated approximately two hundred printing facilities. Continuing this trend of streamlining operations, DAPS closed or consolidated an additional ten facilities in FY 1999. In FY 2000, DAPS will consolidate from four regional areas to two regional areas. Savings resulting from these actions are reflected in this submission.

DAPS change in workload reflects the transition within the Department from "hard copy" to digital documents. The number of pages converted to digital by DAPS in FY 1999 increased by 100 percent from FY 1998 to 45.3 million in FY 1999. Hard copy pages fell 12.5 percent from FY 1998 to FY 1999. This trend is expected to continue with a resulting decrease in total units and increase in unit cost because of the higher cost associated with producing digital documents.

FY 2001's higher unit cost results from the continued shift of producing more digital documents and an overall decrease in workload.

DAPS operating loss in FY 1999 is primarily attributable to a decrease in workload and one-time unprogrammed costs. FY 1999 one-time costs include \$11.6 million costs from clearing accounting system unmatched disbursements, \$5.2 million of prior year costs recognized in FY 1999, a \$1.9 million settlement of a law suit, a \$1.2 million delay in the availability of the new Treasury merchant credit card contract, and a \$0.6 million delay in labor force reduction due to a change in personnel servicing offices.

**PERFORMANCE INDICATORS:** DAPS' has four performance indicators in the FY 2000 DLA Performance Contract. They are:

- 1) Number of pages converted to digital form in-house or by contract. Conversion includes hard copy to digital, system output to digital, and from one form of digital to another.
- 2) Customer satisfaction - the percentage of surveyed customers ranking performance from acceptable to high quality. The survey consists of a randomly selected customer sample of sufficient size to ensure a confidence level of 95 percent.
- 3) Rework - the percentage of in-house revenue lost from orders not accepted by customer and reworked by DAPS.

4) Discrepancy Reports - the percentage of GPO orders for which a Notice of Quality Defects, Noncompliance Change Report, or unsatisfactory GPO customer questionnaire is received.

In FY 1999, DAPS achieved all of its measurable performance measure goals. DAPS converted 45.3 million pages versus the 27.7 million page goal. DAPS customer satisfaction was 92 percent versus the 91 percent goal. DAPS rework matched the goal of 0.42 percent. Discrepancy reports are a new performance indicator for DAPS, so a measurement for FY 1999 is not available.

The FY 2000 and FY 2001 goals are identified in the Activity Group Profile.

**PRODUCTIVITY INITIATIVES/COST REDUCTIONS:** DAPS primary challenge is to reduce short-term fixed costs in response to reductions in customer demand to achieve Net Operating Result objectives. To meet this challenge, this budget submission incorporates productivity improvements, cost savings from capital investments, consolidation actions and management initiatives.

#### ACTIVITY GROUP PROFILE

(Dollars and Workload in Millions)

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Cost of Goods Sold	\$409.6	\$370.7	\$363.8
Net Operating Results	(\$26.5)	(\$5.1)	\$25.6
Accumulated Operating Results	(\$37.3)	(\$42.4)	(\$16.8)
Workload			
In-House Production (Units)	4,140.4	3,920.0	3,706.9
Unit Cost			
In-House Production	0.04950	0.04560	0.04700
Customer Rate	0.04760	0.04895	0.05900
Customer Rate Change	9.9%	0.6%	11.5%
Civilian End Strength	1,695	1,609	1,486
Document Conversion	45.3	47.6	49.9
Customer Satisfaction	92%	93%	93%
Rework Requests	.42%	.46%	.42%
Discrepancy Reports	n/a	1.8%	1.6%

Military End Strength	0	0	0
Civilian Full-Time Equivalents	1,843	1,647	1,561
Military Workyears	0	0	0
Capital Budget Program Authority:			
Equipment (Non-ADP)	\$0.8	\$3.5	\$1.7
Equipment (ADP/T)	0.1	4.5	3.5
Software	0.1	0	0
Minor Construction	0.8	0.7	0.7
TOTAL	\$1.8	\$8.7	\$5.9

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Document Automation and Production Service  
FY 2001 Budget Exhibits  
Revenue and Expenses  
(Dollars in Millions)

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
<b>Revenue</b>			
Gross Sales	383.1	365.6	389.4
Operations	0.0	0.0	0.0
Capital Surcharge	0.0	0.0	0.0
Depreciation excluding Major Construction	0.0	0.0	0.0
Major Construction Depreciation	0.0	0.0	0.0
Other Income	0.0	0.0	0.0
Refunds/Discounts (-)	0.0	0.0	0.0
Total Income:	383.1	365.6	389.4
<b>Expenses</b>			
Cost of Material Sold from Inventory	0.0	0.0	0.0
Salaries and Wages:			
Military Personnel Compensation & Benefits	0.0	0.0	0.0
Civilian Personnel Compensation & Benefits	85.0	75.4	74.0
Travel & Transportation of Personnel	2.4	2.2	1.9
Materials & Supplies (For Internal Operations)	36.1	29.4	28.1
Equipment	2.5	2.6	2.8
Other Purchases from Revolving Funds	1.3	1.3	2.3
Transportation of Things	1.1	1.0	0.9
Depreciation - Capital	6.0	5.2	6.6
Printing and Reproduction	174.8	173.8	175.2
Advisory and Assistance Services	0.0	3.2	0.0
Rent, Communications, Utilities, & Misc. Charges	27.1	19.8	19.1
Other Purchased Services	73.3	56.8	52.9
Total Expenses:	409.6	370.7	363.8
Operating Result	(26.5)	(5.1)	25.6
Less Capital Surcharge Reservation			
Plus Passthroughs or Other Appropriations Affecting NOR			
Net Operating Result	(26.5)	(5.1)	25.6
Prior Year AOR	(18.4)	(37.3)	(42.4)
Accumulated Operating Result	(44.9)	(42.4)	(16.8)
Non-Recoverable Adjustment Impacting AOR:			
FY98 Surcharge Prohibition	7.6		
Accumulated Operating Results for Budget Purposes	(37.3)	(42.4)	(16.8)

DEFENSE LOGISTICS AGENCY  
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 FY 2001 Budget Exhibits  
 Activity Group Analysis  
 Source of New Orders and Revenue  
 (Dollars in Millions)

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
1. New Orders			
a. Orders from DoD Components	248.5	243.6	262.6
Department of the Navy	69.6	67.2	72.2
Operations and Maintenance, Navy	40.4	39.1	42.7
Operations and Maintenance, Marine Corps	9.8	9.1	9.5
O&M, Navy Reserve	3.1	2.9	3.0
O&M, Marine Corps Reserve	0.3	0.3	0.3
Aircraft Procurement, Navy	0.8	0.9	0.9
Shipbuilding & Conversion, Navy	0.4	0.5	0.5
Research, Development, Test & Eval, Navy	0.3	0.3	0.3
Military Construction, Navy	0.2	0.2	0.2
Other Navy Appropriations	0.7	0.3	0.3
Credit Card Purchases, Navy	13.6	13.6	14.5
Department of the Army	73.8	72.2	77.4
Army Operation and Maintenance	24.7	23.2	24.7
O&M, Army Reserve O&M	1.5	1.4	1.6
Army National Guard O&M	1.1	1.1	1.2
Army Res, Dev, Test & Eval Accounts	1.5	1.5	1.5
Army Procurement Accounts	0.1	0.2	0.2
Army Other	0.0	0.1	0.1
Credit Card Purchases, Army	44.9	44.7	48.1
Department of the Air Force	68.5	67.2	71.8
Air Force Operation & Maintenance	31.9	31.2	33.3
O&M, Air Force Reserve	0.9	0.9	0.9
Air Force National Guard	0.8	0.7	0.7
Air Force Res, Dev, Test & Eval Accounts	1.2	1.0	1.0
Air Force Procurement Accounts	3.4	3.6	3.8
Air Force Other	0.1	0.1	0.1
Credit Card Purchases, Air Force	30.2	29.7	32.0
DoD Appropriated Accounts	36.6	37.0	41.2
Base Closure and Realignment	0.0	0.0	0.0
Operation & Maintenance Accounts	12.1	12.1	15.1
Res, Dev, Test & Eval Accounts	0.7	0.7	0.6
Procurement Accounts	0.3	0.3	0.3
Military Construction, Defense	0.0	0.1	0.1
Defense Health Program O&M	11.1	7.2	7.5
DoD Other	0.2	4.3	4.4
Credit Card Purchases, Defense	12.2	12.3	13.2
b. Orders from other Fund Activity Groups	90.9	82.6	81.2
c. Total DoD	339.4	326.2	343.8
d. Other Orders	41.4	40.7	43.3
Other Federal Agencies	33.2	26.7	28.2
Credit Card Purchases, Other Federal Agencies	5.0	5.7	6.5
Non-Federal Agencies & Other	3.2	8.3	8.6
Total New Orders	380.8	366.9	387.1
2. Carry-In Orders	39.2	36.9	38.2
3. Total Gross Orders	420.0	403.8	425.3
4. Funded Carry-Over	36.9	38.2	35.9
5. Total Gross Sales	383.1	365.6	389.4

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 Changes in the Costs of Operation  
 (\$ in Millions)

	<u>Expenses</u>
FY 99 Actual:	409.6
FY 00 Estimate in President's Budget	381.9
Pricing Adjustments:	
Annualization of FY 99 Pay Raise	0.0
FY 00 Pay Raise	0.4
General Purpose Inflation	(0.2)
Program Changes:	
Workload Decrease	(15.2)
DLA Corporate Allocation Change	(1.2)
A-76 Study	5.0
FY 00 Current Estimate:	370.7
Pricing Adjustments	
Annualization of Prior Year Pay Raises	0.9
FY 01 Pay Raise	
Civilian Personnel	1.9
Military Personnel	0.0
Fund Price Changes	0.0
General Purchase Inflation	4.4
Other Price Changes	0.0
Productivity Initiatives and Other Efficiencies	(1.0)
Program Changes:	
Workload Reductions	(8.7)
A-76 Competition	(5.0)
DLA Corporate Allocation Change	(0.4)
DFAS Cost	1.0
FY 01 Estimate:	363.8

Fund-2 Changes in the Costs of Operation