DPAS RATINGS AND SELECTING AEROSPACE AND DEFENSE INDUSTRY ERP
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In the hyper-competitive field of aerospace and defense contracting, a manufacturer, maintenance repair and overhaul (MRO) shop or service provider needs to take every advantage. And the ability to document performance against the requirement of the Defense Production Act of 1950 is one way that even second and third tier defense suppliers can position themselves for greater success.

In this whitepaper, we will discuss how the implementing regulation for this act, the Defense Priorities Allocation System (DPAS) affects your ability to compete for defense program dollars. We will also address how the right functionality in enterprise software including enterprise resource planning (ERP), enterprise asset management (EAM) and maintenance repair and overhaul (MRO) can help you succeed.

BACKGROUND

This piece of legislation made the US Department of Commerce responsible for ensuring that critical materiel acquired by the military arrives within the time allotted. There are a number of priority ratings, with the DX rating being the highest, and requiring presidential approval. The DL rating, meanwhile, must be approved by the secretary of defense. But more often than not, DPAS functions more like a classification system, with, for instance, A1 for aircraft, A3 for ships, and other designations that do not really affect priority but rather describe where the materiel resides.

Whether you are a primary contractor working directly for a branch of the military, a subcontractor working for a prime or a second or third tier contractor or vendor, there are four main provisions of DPAS that you need to pay attention to.

Mandatory Acceptance

A contractor, subcontractor, or supplier shall accept a rated order when:

• They make the item.

• Normal terms of sale apply.

• They can meet delivery dates required in the contract.
Mandatory Extension
Contractors are responsible for extending the received rating to their suppliers to obtain items needed to fill rated orders or to obtain replacements of inventoried items. What this means is that second and third tier suppliers can also benefit from sophisticated technology to help them comply with DPAS ratings.

Priority Scheduling
Operations, including the acquisition of all needed production items, shall be scheduled to satisfy the delivery requirements of each rated order.

Customer Notification Requirements
A rated order shall be accepted or rejected, in writing, within 15 working days for DL rated orders and 10 days for DX rated orders.

WHAT IT MEANS FOR ENTERPRISE SOFTWARE
This has real implications for enterprise software used in the aerospace and defense industry because it is mandatory to be able to follow each prioritized item throughout a manufacturing or maintenance process. Consider the example of a compression section on an aircraft engine. As that engine goes through a refit, the vendor for each component must be able to understand the priority placed on that component. If necessary, they may need to compress the critical path of steps necessary to get that aircraft back in operation.

So when you, as a vendor, receive a PO with a DPAS rating or a priority, you need to be able to follow the requirements placed upon them. If it is a DL you have 15 days to come back and state that you can complete that order within the specified period of time. The more rapidly and reliably your company completes this task, the more favorably the Defense Contract Management Agency (DCMA), which is responsible for making sure the rating system is followed, will look upon you. DCMA actually has a grading system, and as vendors and contractors perform well, are responsive and accurate in following the DPAS rating requirements, those vendors receive preferential treatment for future opportunities.

Currently, most companies serving the defense sector have only a minimal ability to actively manage deliverables. The exception to this rule would be a higher tier contractor delivering a major end item like an engine, a control surface or landing gear. These companies are often large enough and have sophisticated enough systems to track parts, availability and deliverability on a very granular level, at least within their own organization.

Availability of strong DPAS functionality is harder to find among middle market companies and among maintenance repair and overhaul (MRO) contractors.
In a sophisticated and complex MRO environment, where there is a requirement to have a serialized structure for every bolt, nut and component, your enterprise software needs are much harder to meet than a standard aerospace and defense manufacturer. The MRO shop really needs an enterprise software application designed for DPAS in the MRO environment rather than a straightforward manufacturing environment. This is very difficult to find.

Even middle tier manufacturers, though, may have a hard time finding a system that can handle DPAS requirements without modifications, particularly one that is affordable, comparatively simple to implement and agile enough to handle a fast-changing program-driven manufacturing environment.

Mid-tier suppliers to the large weapons system contractors can really leverage this, particularly if you are getting into performance based logistics (PBL) contracts, or other delivery systems where there are significant financial incentives for meeting a schedule. DPAS functionality in enterprise software can not only help you conform to DPAS requirements, but can in general help you prove your ability to avoid delaying a project in any deadline-sensitive environment.

SELECTING THE RIGHT SOFTWARE

The enterprise software industry can be a cut-throat business, and there is no shortage of vendors willing to represent that they have functionality that they can really not fully deliver. There are a few specific traits you can look for in software that you evaluate to ensure that it will help you with DPAS ratings.

The single most important factor is the ability to peg individual parts, activities and processes back to that DPAS contract requirement reliably and without fail. This requires a well-integrated system that is not dependent upon human intervention or customized report but rather a native functional system that allows you to know for certain and demonstrate that you have reliable pegging back to the contract. One advantage of IFS Applications is that it does allow you to achieve this consistent pegging perfectly every time.

So when viewing a software demo, it is important to ask the sales team to absolutely convince you that you are seeing hard pegging and not a customized report. Because that report it is not something that is done at the instant you write your purchase order or at the end of an MRP (materials requirement planning) run. When you have real hard pegging, you have pegging back to that order regardless of whether you did something by MRP or you created the purchase order on the fly. You need functionality that without any human intervention links that activity back to that DPAS flow down.
In a demo, it is important to ask a vendor to create a purchase order and show you how it picks up the DPAS flow down. Ask them to run something through MRP as well and do the same. Make sure you do some testing to see where the system shows you the original order, how it pegged it back to the contract and how that contract information truly flowed all the way down to the purchase order level.

In IFS Applications, DPAS flow down data is also visible on a shop order, so you can actually look at all of the shop orders and determine which ones have the highest ratings. So you know which ones you may have to put ahead of the others.

In order to achieve this within IFS Applications, you need the manufacturing, shop orders and projects modules. For even more comprehensive functionality, a company may also opt for the IFS Defense Manufacturing Extension. This not only streamlines DPAS compliance, but also supports DD250 Material Inspection and Receiving reports and Wide Area Workflow (WAWF) is a secure web based system for electronic invoicing, receipt, and acceptance. This extension also delivers the ability to classify suppliers and create the data that you could use to create subcontractor-related reports including the OF312 report on inclusion of disadvantaged businesses.

**NEED A SOLUTION THAT DIFFERENTIATES YOU FROM THE REST**

The ability to conform to DPAS ratings is important, but the end result ought to be not simple compliance—but increased competitiveness. On a technical level, what is required is an application built around a serialized structure tying together the individual part, the DPAS priority, condition code, shelf life and other factors that can have a contractual impact on a prime contractor. The ability to do this successfully and demonstrate DPAS capabilities to potential upstream supply chain partners and customers will separate the mid-tier company that can truly deliver from those that cannot.

A company with well-developed DPAS capability can position this to potential customers as one more way they can actually help them, in turn, win more federal government contracts.

Federal budget realities mean there will be fewer large procurements, so these factors are critical when it comes to the ability to secure contracts. This makes it more important than ever for these primes to manage relationships with their subcontractors. And one way for subcontractors to secure more business with primes is to in turn prove they are a low risk choice. They have a history of meeting DPAS requirements and documented systems to ensure that this will continue into the future.

This can be particularly true when projects require long lead-time items like titanium and certain carbon composites. It used to be that the government was in a position to proactively buy up a lot of the titanium up front and keep it in reserve.
for defense needs. That is less the case than in past years, so on projects with materials constraints, DPAS ratings will be more and more of a factor then they have been in the past.

CONCLUSION
DPAS ratings are driven by regulation, but when handled skillfully through enterprise technology, can be turned into a competitive advantage in the market. Selecting the right enterprise software is a challenge though, and care must be taken to ensure that a vendor is not overstating the capabilities of the software they are trying to sell. Asking hard questions and taking a “show me” approach will help you arrive at a software choice that will deliver this competitive advantage.

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ABOUT IFS

IFS is a public company (OMX STO: IFS) founded in 1983 that develops, supplies, and implements IFS Applications™, a component-based extended ERP suite built on SOA technology. IFS focuses on agile businesses where any of four core processes are strategic: service & asset management, manufacturing, supply chain and projects. The company has more than 2,000 customers and is present in 50+ countries with 2,700 employees in total.

More details can be found at www.IFSWORLD.com.
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