



DEFENSE LOGISTICS AGENCY
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File MRE

IN REPLY
REFER TO DLA-CR

25 November 1986

Honorable Ted Stevens
Chairman, Subcommittee on Defense
Senate Appropriations Committee
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

The Appropriations Conference Committee, in its Department of Defense Fiscal Year 1987 Report, discussed the Meals-Ready-to-Eat (MRE) Program (page 456). The Report states that the Department of Defense "shall consider the impact on the existing MRE industrial prepared assemblers in its determination of future MRE acquisition plans."

We are approaching the award of a contract for assembly of MRE VII. Because of the interest expressed by the Committee, I have reviewed the impact of our upcoming award on the existing assemblers. The purpose of this letter is to provide you with the results of my review.

We have never contracted with more than three assemblers per year. However, one of the 1984 contractors has not yet completed delivery of its assembled MREs. Thus, there are currently four contractors in the MRE assembly program.

Three factors influence the number of sources to be utilized for a fiscal year program. First, we consider the number of contractors that can be supported by peacetime requirements. Then, we consider the number of contractors needed to meet mobilization requirements. The third consideration is the total cost to the government.

We currently have a requirement for the assembly of 4.3 million cases of MREs. This is the maximum amount needed to meet the anticipated demands of the Military Services, as well as to maintain the mobilization base. The assembly of 4.3 million cases will not support the total minimum sustaining rate (MSR) for four contractors. The total MSR for the four contractors is 5.6 million cases. The additional 1.3 million cases would constitute an unnecessary excess.

There is a mobilization requirement of 5.8 million cases per month. Three contractors can provide 4.9 million to 5.4 million cases per month, depending on which three are selected. This is within the 85 to 100 percent range of mobilization requirements which is considered sufficient coverage. We have, therefore, concluded that three suppliers can meet mobilization requirements.

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Senator Ted Stevens

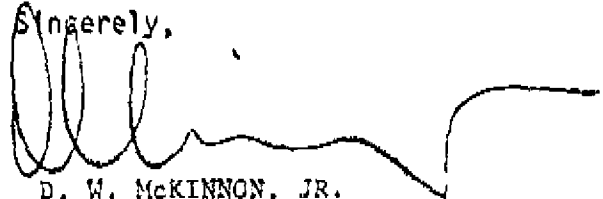
A decision to spread our current MRE requirements to four suppliers would have the practical effect of moving approximately 600,000 cases from three low cost suppliers to a fourth supplier. The minimum excess cost of contracting with fourth supplier at the higher prices would be approximately \$4.4 million. Additional excess cost would be incurred due to the inefficiencies associated with lowering the rate of production of the three lowest cost producers. There would also be an adverse impact on competition.

Achieving a fourth source by increasing the quantity of this solicitation would not be consistent with the department's needs. The quantity being solicited is the maximum that should be acquired at this time based on the demands of the Military Services. Furthermore, the Army is performing additional acceptance tests that may result in changes to the menus included in the ration.

Based on these considerations, I have concluded that we can only support three contractors with our upcoming contract awards. We expect to make these awards before December 31st. I am confident you will agree with me that in the current fiscal climate we cannot afford to incur the additional cost of approximately \$5 million associated with a fourth contract.

An identical letter has been sent to the Chairman of the Subcommittee on Defense, House Appropriations Committee.

Sincerely,



D. W. McKINNON, JR.
RADM, SC, USN
Deputy Director
(Acquisition Management)