“Incentivizing” Industry – What Makes Us Tick
Maintaining a Customer Focus

Success

- **When our Customers Experience**
  - Higher levels of system readiness
  - A total system support solution
  - Performance guarantees

- **When our Shareholders Receive**
  - A fair return on their investment

- **Created When We Offer**
  - Operational excellence through Lean
  - Total Service Solutions through single-stop-shop
  - Customer Integration

It’s All About the War-Fighter
Value Designed Around our Customer

Solutions that Provide:
- Performance Based Guarantees
- Supply Chain Management
- Complete Logistics Support
- Worldwide repairs management
- Predictable Support Costs

Leveraging:
- Industry Best Commercial Practices
- Passion for Lean
- Existing Infrastructure and Support

Partnering:
- Working with DoD Labor Force
- Leveraging Each Others Talents
- But maintaining single point responsibility

Demonstrating a Passion for Customer Service
Providing Performance Guarantees

“Fixed Price” Logistics Support with Performance Guarantee
Sustaining the Warfighter with Performance Guarantees

Program Management
- Program Planning
- Contract & S/C Management
- Program Budget & Schedule
- Chair/Participate on IPTs
- Quality Management

Sustaining Engineering
- Avionics Design & System Support focused on LLCC
- Software Support
- 24 Hour Call-In Support
- CM (incl. Records Mgmt)
- Modification and Design Change Management
- Info Mgmt & IT Support
- Simulator & Trainer Support
- Test Equipment Design Support
- Flight Test Support
- Field Technical Support

Logistics Management
- Maintenance Planning & Execution
  - Collins and Non-Collins
- Supply Management
- Procurement Mgmt
- Logistics Analysis
- Tech Data Management
- Support and Test Equipment
- Obsolescence and Disposal Mgmt
- Avionics Equipment/Systems R&O
- Mobile Repair
- Training (From Classroom & CBT to Full Motion Aircraft Simulators)

Avionics & Comm
Engines
Airframe
Components
U.S. DoD
GS Contracts Partnerships PBL
Customer Requirements, Industry is Incentivized to Achieve

Solutions → Service → Performance → Optimized System Readiness with Lowest Life Cycle Costs

- Maintenance & Repair
- Tech Data
- Training
- Field Technical Support
- Service Parts
- PBL Contracting
- Simulation
- Obsolescence Management
- Test Equipment
- Metrics Driven Behavior
- Integrated Logistics
- Service Performance
- Optimal System Readiness with Lowest Life Cycle Costs

Performance Based Logistics Support
# PBL Transitions Services Business Model

## Pay For Success

<table>
<thead>
<tr>
<th>Past</th>
<th>Future State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure Response</td>
<td>Operational Availability</td>
</tr>
<tr>
<td>Reactive</td>
<td>Proactive</td>
</tr>
<tr>
<td>Inconsistent</td>
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<td>Rigid, Inflexible</td>
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<td>Price</td>
<td>Value</td>
</tr>
</tbody>
</table>

**Translating:**

- **Pay For Failure:**
  - Failure Response
  - Reactive
  - Inconsistent
  - Rigid, Inflexible
  - Unresponsive, Unavailable
  - Price

- **Pay For Success:**
  - Operational Availability
  - Proactive
  - Zero Variability
  - Agile, Reconfigurable, Customized
  - Responsive, Available, Customer-Centered
  - Value
Success Demonstrated –
The Metrics Show It

Optimized System Readiness and Shareholder Value

- **USN ARC-210 PBL Program**
  - Program size
    - Supports 1,859 Aircraft
    - FFP per Hour
  - Transfers Risk to Contractor
    - Performance Guarantees
    - Parts Obsolescence Monitored
    - Contractor Incentivized for Reliability Improvements

- **USCG HH-65 PBL Program**
  - Program Size
    - 96 HH-65’s (30 LRU’s), 28 Falcon Jets (45 LRU’s)
    - FFP per Hour
  - Benefits
    - Mission Readiness Improvement
    - Supply Chain Times Reduced

Long-Term Partnerships For Success

Rockwell Collins
Summary – Industry Has Incentives, And the War-Fighter Benefits

From a Government Perspective,

- DoD demands for more than just a reliable supplier
- Looking for a partner to help manage support of weapon system
  - For the entire Life Cycle
- PBL allows both Customer and contractor to benefit
- PBL Partnering with Depots Can Combines best of both worlds

From an Industry Perspective,

- When a PBL Contractor Performs Well, Award Him More Contracts
- Long-Term Contracts Allow Contractor Investments
  - Higher MTBF’s are good for shareholders – and the warfighter
- Depot partnerships require executive level DoD sponsorship
  - Business Case Analysis are not easy