Performance Based Logistics

Impact on DoD Cost and Performance

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Conduct a rigorous, fact based, data driven analysis to determine PBL’s cost per unit of performance impact on systems, sub-systems and components versus traditional, transactional sustainment arrangements.

- Phase I Methodology
  - 10 “Middle Dives”
  - 1 “Deep Dive”

- Phase II Methodology
  - 11 “Middle Dives
  - 5 “Deep Dives”

Document observed business practices and provide recommendations for improved sustainment management.
Analyses Finding

Properly **structured** and **executed**, PBLs reduce cost per unit-of-performance while driving up absolute levels of performance.

**Empirical Evidence**

- 14 of 15 PBLs with modest-to-strong contract structures resulted in decreased cost per unit of performance and improved absolute levels of performance, …cost result for 15\textsuperscript{th} was indeterminable.
- 20 of 21 weapon systems analyzed experienced improved performance compared to non-PBL sustainment (or performance exceeding contract specs for systems always maintained via PBL), …including five arrangements exhibiting weak-to-modest PBL contract structure

**Statistical Point of Proof with a Defined Level of Confidence**

- PBL contract incentivized OEM investment behavior that drove down its cost to serve, drove up absolute performance levels and saved Service 27\% over 10 year contract life

**Compelling Evidence**

- Well-crafted PBL contracts “manufacture competition” by incentivizing companies to compete against internal waste and quality challenges
- Appropriate contract lengths that provide assured revenue streams and contain well-crafted cost and performance incentives drive predictably positive outcomes for the Services
Observations

Fewer than 90 PBLs today, …~1/2 the’05 number

PBLs present Services real challenges
  Recognition of their benefits
  Complexities
  Competition imperative
  Flexibility implications
  Stranded costs

Policy mandating PBL established in 2002, …

Absence of organizational dynamics required to drive PBL adoption
The strategy best able to deliver significantly reduced sustainment cost and improved readiness with less overall risk

A single PBL arrangement is more complex to plan, source, manage and re-negotiate than a single discreet transactional arrangement, ...however, a single PBL contractual arrangement is less complex and less risky than establishing numerous, disparate contractual arrangements and then exercising the management synchronization required to sustain a single system using legacy transactional practices