Performance-Based Logistics

31 August 2016
Panel Members

Land Aberdeen
Mr. Doug Nevins

Strategic Acquisition
Mr. Steve Rodocker

Land Customer Ops
Mr. Gene Williams

Maritime Mechanicsburg
Mr. Brian Watkins

Land Warren
Mr. Vito Zuccaro
PBL Basics
Better Buying Power

• **BBP 1.0** (2010) – Utilize fixed-price *performance-based contracts* when requirements are firm and can be measured, with payments tied to performance.

• **BBP 2.0** (2012) — *Increase effective use of PBL*: There is sufficient data on the effectiveness of PBL at reducing cost and improving support performance to conclude that if it is effectively implemented and managed, PBL yields significant benefits.

• **BBP 3.0** (2015) - *Ensure effective use of PBL*: When properly established and executed, PBL is an effective way to balance cost and performance regardless of whether industry or the Government is providing the logistics service.

A Consistent Message...Use PBL Solutions
PBL Basics
Some Key Points

- Buys “Performance Outcome” vs. “Transactional Support”
  - Performance Outcomes are Desired Results, e.g. Material Availability
  - Traditional Transactional Support Pays for Individual Item Repairs

- Strategy that Makes Cost Predictable
  Typically Firm-Fixed-Price Contracts

- Industry & DoD Studies Estimate 10% to 20% Savings Possible

- Aligns Industry Profit Incentive with DoD Support Requirements

- Better Material Reliability and Availability – Optimizes Readiness
PBL Basics

PBL Maturity Model

4 Stages of Maturity

Stage 1: Contract Scope
- Component
- Delivery Speed
- Supply Chain Services

Stage 2: Logistics Scope
- Subsystem
- Logistics Performance
- Material Availability

Stage 3: Whole System Scope
- Platform
- Weapon System Performance
- Operational Availability

Stage 4: Mission Scope
- Mission Success
- Integrated System and Mission
- Mission Performance
- Mission Assurance
Warfighter Program Manager

Product Support Arrangement (PSA)

Inherently Governmental

Accountability

Responsibility

Product Support Manager

Integrated Industrial Base: Commercial and Government

Product Support Integrators (PSI)

Depots DLA ICPs OEMs DPO Tier X

ICP – Inventory Control Point OEM – Original Equipment Manufacturer DPO – Distribution Process Owner Tier X – Represents all other possible Supply Chain Providers

PSA

PSA

PSA

Requirements Performance Data & Metrics

Aligns sustainment capabilities and executes product support

Governs life-cycle product support using data-driven analysis

DoD Product Support Business Model
PBL Basics
12-Step Approach to PBL
## Current PBLs
### Tires

<table>
<thead>
<tr>
<th>Tire Successor Initiative (TSI)</th>
<th>Global Tires PBL</th>
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<tbody>
<tr>
<td>• 95% OTD Requirement</td>
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<tr>
<td>• Leverages DLA Buying Power with Tire Suppliers</td>
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<tr>
<td>• Commercial Transportation (exception for OCONUS Forward Stocking)</td>
<td>• Defense Transportation System (DTS)</td>
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<tr>
<td>• Integrator Management Systems</td>
<td>• DLA Management Systems (DSS/EBS)</td>
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<tr>
<td>• Integrator Performs Demand Planning</td>
<td>• Tire Manufacturers Perform Demand Planning for Sole Source Tires; DLA Plans for the Competitive Items</td>
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<tr>
<td>• Contract Expiration - Sep 2018</td>
<td>• Estimated Award Date – March 2018</td>
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Contract Overview

- 4-Year Base w/1-Year Option
- Provides for Improved:
  - Obsolescence Management
  - Maintain viable Supply Chain for Critical Parts
  - PLT Reduction
- Rapid Growth Plan Targeting “At Risk” Items
- Improved Vendor Dialogue
- Contract Signed 6 Aug 2016
Current PBLs
Integrated Product Support Vendor

Provide Parts Support to Production Line Artisan at 95% Bin Fill Rate

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<tr>
<th></th>
<th>Depot</th>
<th>Award Date</th>
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<tbody>
<tr>
<td>Red RiverArmy</td>
<td>Red River Army Depot</td>
<td>Awarded Jul 16</td>
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<tr>
<td>AnnistonArmy</td>
<td>Anniston Army Depot</td>
<td>Est Award Date Aug 16</td>
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<tr>
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<td>Letterkenny Army Depot</td>
<td>Est Award Date Jan 17</td>
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<tr>
<td>TobyhannaArmy</td>
<td>Tobyhanna Army Depot</td>
<td>Est Award Date Dec 16</td>
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Public-Private Partnership Example
• **Desired Outcome**
  – Reduce Mean Time to Repair
  – Reduce Waiting for Parts

• **Major Tenets**
  – Long Term Contract – 5 to 10 Years
  – Include Engineering Support/Obsolescence Management/Reporting
  – Capitalize on Supplier’s Expertise to Anticipate Repair Requirements
  – Tailorable, Repeatable, and Measurable

• **Next Steps**
  – Identify Target Population of Sole Source Repairable Items
  – Develop Performance Work Requirement
  – Conduct ROM / BCA
  – Develop Umbrella J&A

• **WRAFB Award Target** December 2016
• Incremental Growth Approach
• Quad-Service Impact
• Savings … 1-3% (Phase I) / 3-6% (Phase II)

Added Repair & Engineering Services to Contract at Army’s Request – Helps Set Platform for Phase III PBL Launch
### Planned PBLs
**DLA Mechanicsburg**

**DLA Maritime Mechanicsburg use of NAVSUP WSS Long Term Contracts with PBL Provisions**

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<thead>
<tr>
<th>Systems</th>
<th>Scope</th>
<th>Benefits</th>
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<tr>
<td>MK-41</td>
<td>Non-Demand-Based Items</td>
<td>Cost Savings</td>
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<td>AEGIS Spy-1</td>
<td>Non-Recurring-Demand Items</td>
<td>Lead-Time Improvements</td>
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<td>CIWS</td>
<td>AEGIS Fire Control System MK-99</td>
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**Incorporate DLA as Ordering Office**

**Moderator: Brian Watkins**

**Incorporate DLA as Ordering Office**

- MK-41
- AEGIS Spy-1
- CIWS
- AEGIS Fire Control System MK-99

**Scope**

- Non-Demand-Based Items
- Non-Recurring-Demand Items

**Benefits**

- Cost Savings
- Lead-Time Improvements
• Collaborating with the JLTV Program Office (Army PSM) About Ideas and Possibilities
  – Working Within DLA & Army Communities, to Include Army Contracting Command in Warren
  – Studying Major Vehicle Components as Possible PBL Candidates…A Focus on the Sustainment Mission

• Discuss PBL Lessons Learned with Stryker Team with an Emphasis on Process and Time
We Want Your Ideas…Contact Us…White Papers

Let’s Collaboratively Get the Creative Juices Flowing

Our Industry Partners Have a History of “Moving the Needle” to Enhance Support to Our Warfighters
Q&A
Financial Stewardship

Warfighter Logistics Excellence
Accountability • Teamwork
Urgency • Agility • Innovation
Commitment • Integrity • Diversity
Mutual Trust & Respect

The DLA Way

...Expect the Best...