

**NDIA / DOD Strategic Initiative
Multi-Year Budget Authority
(MYBA)
Focus Area
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Team Members

Industry

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Risks / Impediments / Opportunities

Risks

- Modify/change legislation
- Budget flexibility restriction
- Sustainment contracts funded through O&M account
- BCA / Sequestration

Impediments

- Align strategic objective & programs
- USG reluctance to commit to long-term arrangements
- Working Capital Fund
- Tenuous funding due to Sequestration

Opportunities

- Supportive legislation to enter into multiyear contracts
- Shift investment risk to industry

Authority for Multiyear Services

- Multiyear services legislation – 10 USC 2306c
 - Exception to Anti-Deficiency Act
- Justification Requirements
 - Up to five years; can include option years (for example C-17, UK)
 - Continuing stable requirements – “bona fide need”
 - For multiyear services will require substantial initial investment in Production Plant Equipment – PPE (versus 10% savings for products)
 - Funding must be adequate in FYDP; cancellation costs addressed
 - Best interest of U.S. but need to encourage competition and promote economies in operation
- Authority must be specifically provided by law if the multiyear contract exceeds \$625M

Best Practice

Enterprise Performance Based Logistics (EPBL)

- DLA agreed to work together with industry to streamline processes, enhance performance and improve affordability, and in return, awarded an EPBL contract with 10 year Justification and Approval.
- The contract scope included providing spares support, initially expendable items with reparable items to follow, to the military depot lines.
- This strategic partnership approach will result in significantly reduced inventory levels and improved supply cycle time, decreasing DLA O&S costs.
- This initiative moved DLA closer to its goal of reducing operating costs by \$13B within the next six years.

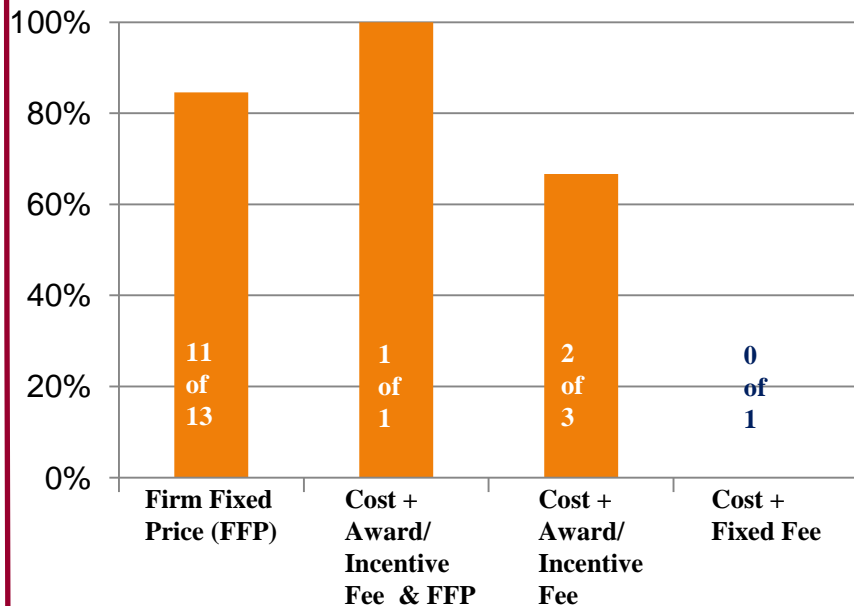
Best Practice

Enterprise Performance Based Logistics (EPBL) continued

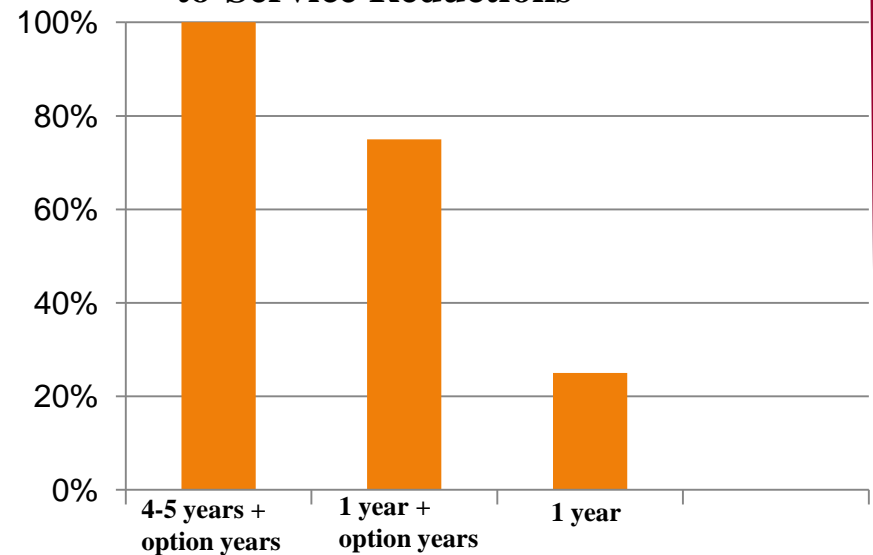
- **The benefits to industry and USG are significant:**
 - **Industry:**
 - Long-term agreements with supply base to leverage industry buying power
 - Strategic Analytical Forecasting to optimize inventory levels
 - Performance based incentives drive parts availability across the supply chain
 - Reduced transactions through bunching individual proposals for the same part
 - Capitalize on product domain knowledge OEM
 - **USG:**
 - DLA meets operational readiness by improving material availability to 90% and reducing cost by 10% over the first five years of the contract
 - Significant reduction in inventory levels and improved supply cycle time
 - Contract supports DLA Captains of Industry goals and objectives without displacing government jobs
 - Established benchmark for the rest of industry

- 12 of 14 PBLs with cost reduction incentives embedded in the contractual arrangement, delivered price-to-Service reductions over the life of the PBL
- 17 of 18 PBLs with targeted performance objectives/performance improvement incentives embedded in the contractual arrangement, delivered improved performance over the life of the PBL

Contract Type
% Programs Experiencing Price-to-Service Reductions



Contract Length
% Programs Experiencing Price-to-Service Reductions



Better Buying Power 1.0 / 2.0 / 3.0

Seven Better Buying Power Focus Areas

- Achieve Affordable Programs
- Control Costs Throughout the Product Lifecycle
- Incentivize Productivity & Innovation in Industry and Government
- Eliminate Unproductive Processes and Bureaucracy
- Promote Effective Competition
- Improve Tradecraft in Acquisition of Services
- Improve the Professionalism of the Total Acquisition Workforce

Multiyear / Long-Term Contracting Working Capital Funds

- MYBA ... OSD believes the risk transfers from industry to DoD
- MYBA ... will there be less flexibility for DoD?
- WCF needs to be protected at current levels
 - it exists to mitigate risk for operational forces
- Need to adhere to Fiscal Law
- MYBA is not in the best interest of the DoD or taxpayers and causes unintended consequences
 - high anxiety with WCF and a decrease in cash accounts
- Any potential candidate for a multiyear would have to be looked at on a case-by-case basis
 - there should be a series of questions for each candidate
- A decision tree and business case analysis are needed to determine viability

Benefits

- Multiyear funding offers predictability and stability
 - Consistent flow of work that could result in a cost effective outcome
 - Incentivize productivity and innovation
 - Integrated planning and scheduling.
 - Accurate prediction of manpower and operational requirements
 - Leverage industry global supply chain buying power and manufacturing and technology investment
- Single year funding approach is cost ineffective

What's Next ?

- Recommend MYBA be incorporated into next BBP update.
- Met with Ambassador McGann at NDU
- Incorporate sustainment MYC / MYBA with the Eisenhower School for NS & RS curriculum
- “Wargame” potential future MYBA / PBLs (F-35, LRS-B, KC-46, P-8, ...?) .. Joint Land, Air & Sea Strategic Exercises