NDIA / DOD Strategic Initiative
Multi-Year Budget Authority (MYBA)
Focus Area
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Industry Chair

Roberto Rodriguez
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## Team Members

### Industry
- Chuck Johnson
- Darryl Scott
- Karen Wilson
- Louise Eckhardt
- Mary Fran Kirchner
- Dean Hooks
- Sid Banks
- Steve Jones

### DoD
- Roberto Rodriguez (OSD(C))
- Jim Hawkins (JS/J4)
- Col Paul Pardew (JS/J4)
  - Lt Col Brad Coley
- Advisors:
  - Gretchen Anderson (OSD / Working Capital Fund)
  - Douglas Bennett (SAF/FM)
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**

<table>
<thead>
<tr>
<th>Contract Type</th>
<th>Programs Experiencing Price-to-Service Reductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm Fixed Price (FFP)</td>
<td>11 of 13</td>
</tr>
<tr>
<td>Cost + Award/Incentive Fee &amp; FFP</td>
<td>1 of 1</td>
</tr>
<tr>
<td>Cost + Award/Incentive Fee</td>
<td>2 of 3</td>
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<tr>
<td>Cost + Fixed Fee</td>
<td>0 of 1</td>
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</table>

**Contract Length**

<table>
<thead>
<tr>
<th>Contract Length</th>
<th>Programs Experiencing Price-to-Service Reductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-5 years + option years</td>
<td>100%</td>
</tr>
<tr>
<td>1 year + option years</td>
<td>80%</td>
</tr>
<tr>
<td>1 year</td>
<td>60%</td>
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</tbody>
</table>
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