

“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

Rockwell
Collins

Demonstrating a Passion for Customer Service



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

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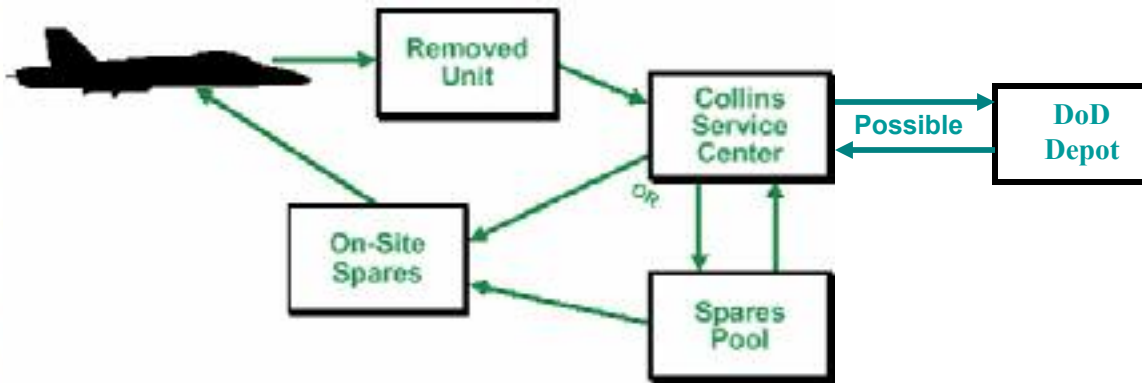
Providing Performance Guarantees

PBL Includes:

- Distribution Managed by Collins
- Inventory Managed by Collins
- Component Repair and Overhaul by Collins
- Component Reliability Management by Collins
- Availability Guaranteed by Collins
- One Monthly Invoice



**“Fixed Price”
Logistics Support
with
Performance
Guarantee**



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Sustaining the Warfighter with Performance Guarantees

Program Management

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

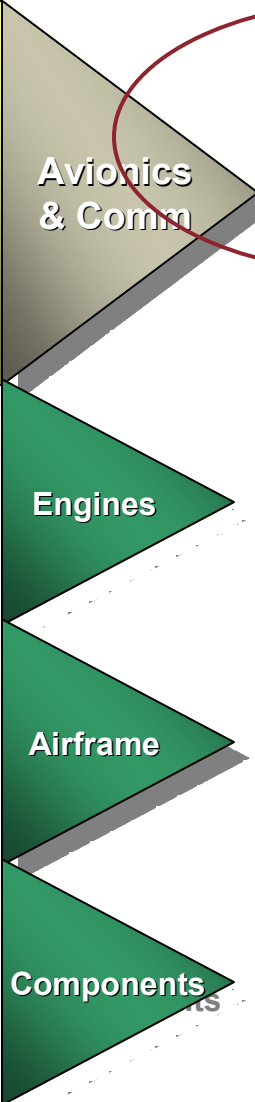
Sustaining Engineering

- 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)

Guaranteed Performance Management



GS Contracts
Partnerships
PBL

U.S. DoD





Customer Requirements, Industry is Incentivized to Achieve

Customer Requirements

Solutions



Service



Performance



*Optimized System
Readiness with
Lowest
Life Cycle Costs*

Performance Based
Logistics
Support

Tech Data

Maintenance &
Repair

Training

Field Technical
Support

Integrated
Logistics

Service Parts

PBL Contracting

Simulation

Obsolescence
Management

Metrics Driven
Behavior

Test
Equipment



PBL Transitions Services Business Model

Pay For Failure

Transitioning

Pay For Success

Past	Future State
Failure Response	Operational Availability
Reactive	Proactive
Inconsistent	Zero Variability
Rigid, Inflexible	Agile, Reconfigurable, Customized
Unresponsive, Unavailable	Responsive, Available, Customer-Centered
Price	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



USCGC 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

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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 Combine 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