



DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY



Performance Based Logistics (PBL)

DLA Suppliers Conference

CAPT John Spicer (HQ DLA J35)

PBL Program Office Lead

28-30 June 2011



PBL and DLA

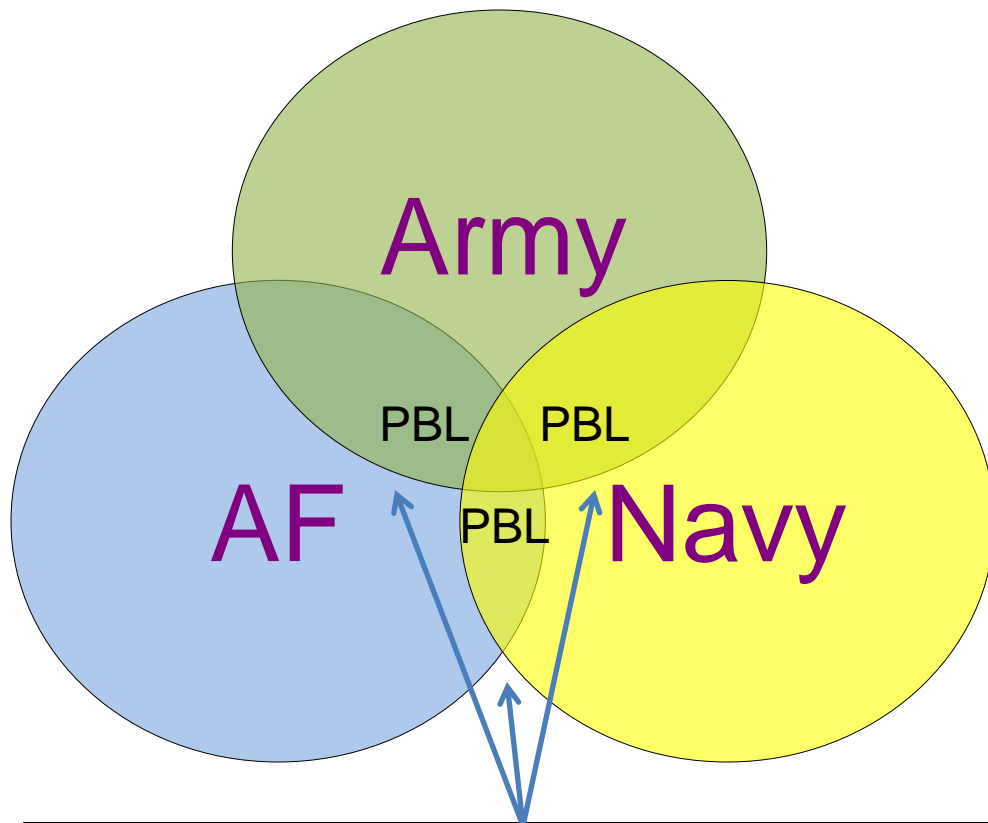
- DLA is expanding its role in PBL both as a product support provider and as a product support integrator
 - From parts provider to weapons system performance provider
- As a prime logistics integrator across DOD, DLA's broad visibility over the supply chain enables a pivotal role in influencing PBL and warfighter support
 - ✓ Leverage industry capabilities and best practices
 - ✓ Leverage forward presence with the warfighter
 - ✓ Build on a broad range of logistics capabilities across DOD supply chains, extending all the way to the warfighter
 - ✓ Explore opportunities to close logistics seams and gaps
 - ✓ Use strength in aggregating data to inform decisions
 - ✓ Capitalize on position as a “purple” command to drive joint solutions





Joint PBL – Economy & Efficiency Potential

Goal – Improve the current PBL business model



- Rationalize Business Structure
- Leverage economies of scale & scope
- Garner efficiencies associated with one standard business process
- Move from PBL 1.0 (separate efforts) to PBL 2.0 (enterprise PBL structures that span DoD)

Defense firms have consistently stated that DoD can save 15 to 20% by migrating to a joint PBL structure, while providing better availability and reliability.



DLA Value Proposition for PBL

A defense-wide performance-based logistics contract for common components used by multiple Services will generate efficiencies in accordance with DoD Acquisition Efficiency Initiatives:

- “Target affordability and control cost growth”
- “Incentivize productivity and innovation in industry”
- “Reduce non-value-added processes and bureaucracy”
- “Get better buying power for the warfighter and the taxpayer”
- “Improve defense industry productivity”
- “Reward contractors for successful supply chain management”



PBL Engagements - APU

Feb 14, 2011

Mar 9, 2011



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FEB 16 2011

MEMORANDUM FOR PRINCIPAL DEPUTY ASSISTANT SECRETARY OF DEFENSE
(LOGISTICS & MATERIEL READINESS)

SUBJECT: Performance Based Logistics (PBL) Pilot for Defense Logistics Agency (DLA)

On December 13, 2010, representatives from DLA and Honeywell met to discuss the potential for a single PBL agreement to combine requirements for Auxiliary Power Units (APUs) across the Services. Currently, the Army, Navy, and, Air Force use Honeywell APUs but contract separately for repair. The result is multiple contracts, multiple contracting approaches, and multiple business rules. Honeywell contends, and DLA agrees, a single PBL contract to support APUs across the Services would rationalize the business structure and allow for the exploitation of economies of scale and scope while yielding significant savings. A single contract would garner improvements to logistical performance, including improvements to component reliability. Further savings are possible if DLA were to construct this as a contract allowing for other Honeywell components to be added incrementally (e.g., aircraft wheels and brakes, CH-47 engines, Abrams Tank engines, etc.).

If these inferences are validated, single, vice multiple, PBL contracts have potential to increase materiel availability and reliability, reduce Operating and Support costs, and return money to the Department for reinvestment. Logically, these savings and benefits would apply to any component or family of components managed by two or more Services. Given the potential

“...a single PBL contract to support APU’s across the Services would rationalize the business structure and allow for the exploitation of economies of scale and scope while yielding significant savings”



LOGISTICS AND
MATERIEL READINESS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
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MAR 9 2011

MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Performance-Based Logistics (PBL) Pilot for Defense Logistics Agency (DLA)

In response to your memorandum of February 16, 2011, I endorse DLA’s investigation of enterprise PBLs in order to deliver better value to the warfighter and taxpayer consistent with Secretary Gates’ comments to pursue efficiencies in the way we do business. Specifically, DLA’s requested PBL Pilot for Auxiliary Power Units (APUs) and other Honeywell components, as well as the T-700 initiative put forward by the Logistics Efficiency Team, show much promise.

This office supports DLA’s engagement with each of the Services in order to collect the data necessary for a Business Case Analysis (BCA), as well as acquisition planning and fact finding. If the results of the BCA and acquisition planning validate improvements to logistical support while, at the same time, yielding reductions in Operating and Support (O&S) costs for APUs and other end-items or components, L&MR will assist DLA and the Services in determining the best way to consolidate requirements and execute across DoD.

The inherent logic of the business case premise as put forward by DLA has merit. If the inferences of an Enterprise PBL approach are validated, this would represent a business model that reduces cost while increasing performance. I look forward to reviewing the results of the BCA. Please plan on briefing the results to the JLB within the next 6-months.

“...enterprise PBLs in order to deliver better value to the warfighter and taxpayer is consistent with Secretary Gates comments to pursue efficiencies in the way we do business.”



Honeywell Auxiliary Power Unit (APU) Pilot

- Similar APUs are flown on aircraft in Army, Navy and Air Force fleets – each Service maintains separate support contracts with Honeywell for DLRs
 - Air Force & Navy utilize combination of PBL and traditional supply/repair support contracts
 - Army utilizes traditional supply/repair support contracts
- Conduct Joint BCA to determine if an enterprise-level PBL strategy provides cost savings and logistics efficiencies
- Report findings of BCA to JLB in six months
- If business case supports savings, ASD/L&MR will work with DLA and the Services to develop a way forward for efforts



Honeywell Auxiliary Power Units (APUs)

- Cherry Point Terrain Walk - “eye-opening” to DLA staff
 - Reviewed APU repair processes from aircraft removal through depot induction, repair, warehousing and distribution provided insights to be used in developing DLA process maps for APU management
 - Seamless integration between Honeywell, depot, and 3PL provider
 - Honeywell and depot artisans work in a true teaming environment to maximize output
 - Meeting or exceeding contract targets
- DLA reviewing existing contracts to determine structure to feed into the “to be” option for BCA



T-700

- ASD (L&MR) recommended merging T-700 support contracts for Navy, Air Force and Army onto one vehicle, thereby realizing a significant savings over the current cost of doing business
- PBL Program Office participated in TeamHawk principals' meeting in Tucson, AZ to discuss T-700 as a pilot for enterprise PBL
- Army, Navy, Air Force and Coast Guard program office representatives reviewed the T-700 Joint PBL proposal and agreed to form a Requirements IPT and begin work on a Joint BCA.



Joint Strike Fighter (JSF)

- Engaging with the Joint Program Office (JPO) on a monthly basis to discuss options and capabilities that DLA could provide for the Joint Strike Fighter (JSF) to support a PBL support strategy. Participating in:
 - JSF Integrated Global Supply Chain IPT
 - JSF Wargame III to develop an alternate approach for supply chain management



Comments and Discussion