



Deputy Assistant Secretary of the Navy
(Logistics)

DASN (L) PBL

Perspective



- *Today's Challenges*
- *The PBL Solution*
- *The PBL Process*
- *Where We Are*
- *PBL Take Aways*

Ready. Resourceful. Responsive!



Presented by:
CAPT Basil Gray
DASN (L)
October 2004



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Today's Challenges

“A Delicate Balance”

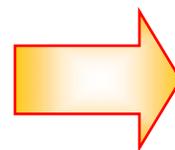
Legacy Support

- **Aging Weapons Systems**
 - Consumption – Up
 - Reliability – Down
 - Complex Configuration Issues
- **Declining Parts Inventories**
 - Obsolescence – Up
 - Funding – Down
- **Vendor Base**
 - Shrinking and Volatile
 - Mergers and Relocations

Future Readiness

- **Attain Recapitalization Objectives**
 - Reduce workload
 - Focus on savings
- **Transformation**
 - Realign infrastructure
 - Implement cost-wise readiness
- **Movement to TLCSM**
 - Increase Performance Based Support
 - Expand to other ILS elements

Yesterday's inventory intense and sub-optimized solution no longer an option ... need new strategy





Today's Challenges

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New Guidance

DoD 5000. PMs shall develop and implement performance-based logistics (PBL) strategies that optimize total system availability while minimizing cost and logistics footprint.

DoN PBL Guidance. The Department of Navy's (DoN) **preferred product support strategy is to use PBL.** PBL will be implemented when it improves warfighter support and makes good business sense. Regardless, if analysis does or does not support implementing PBL, the decision rationale will be documented and retained in the program office.

*New integrated direction ... Total Life Cycle
Systems Management (TLCSM)*



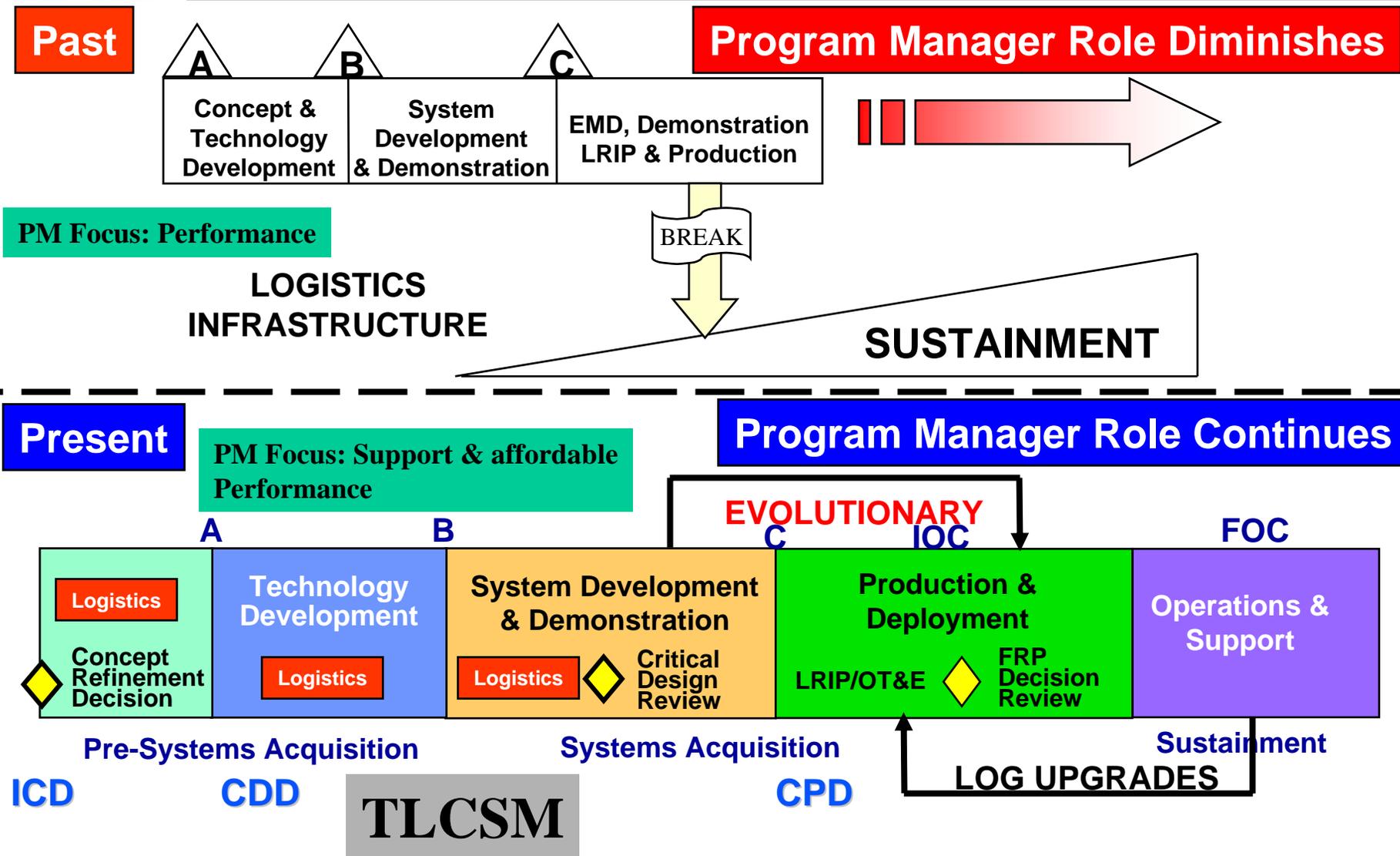


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Today's Challenges:

TLCSM

Acquisition/Sustainment Model





Highlights:

- Standing Working Group populated with the right people:
 - Major Systems Commands, N4, N7, N8, FFC, NCCA, HQMC, ASN(RD&A) staff, and NAVICP.
- Implementation Schedule:
 - All ACAT I & II programs were required to implement PBL or provide rationale for not implementing PBL.
 - All programs required to identify PBL level of application with start and completion dates.
- Unique DoN PBL Matrix:
 - Single ILS element for a single component (minimum).
 - Multiple ILS elements for system, subsystem, & component.
 - All ILS elements for an entire system (maximum).
 - Enables PBL strategies to be tailored to fit individual system/subsystem/component.
 - Not one size fits all.



	All ILS Elements	Multiple ILS Elements	Single ILS Elements
System Level	(S1) All ILS elements for an entire system	(S2) Multiple ILS elements for an entire system	(S3) A single ILS element for an entire system
Sub-System Level	(Sub 1) All ILS elements for an entire sub-system	(Sub 2) Multiple ILS elements for an entire sub-system	(Sub 3) A single ILS element for an entire sub-system
Component Level	(C1) All ILS elements for a single component	(C2) Multiple ILS elements for a single component	(C3) A single ILS element for a single component

- DoN PBL Guidance.
- Leverage existing & future NAVICP PBLs.
- Enables increased program participation.
- Goal is to transition from lower right to upper left.

Facilitates PBL implementation for all programs (including legacy)



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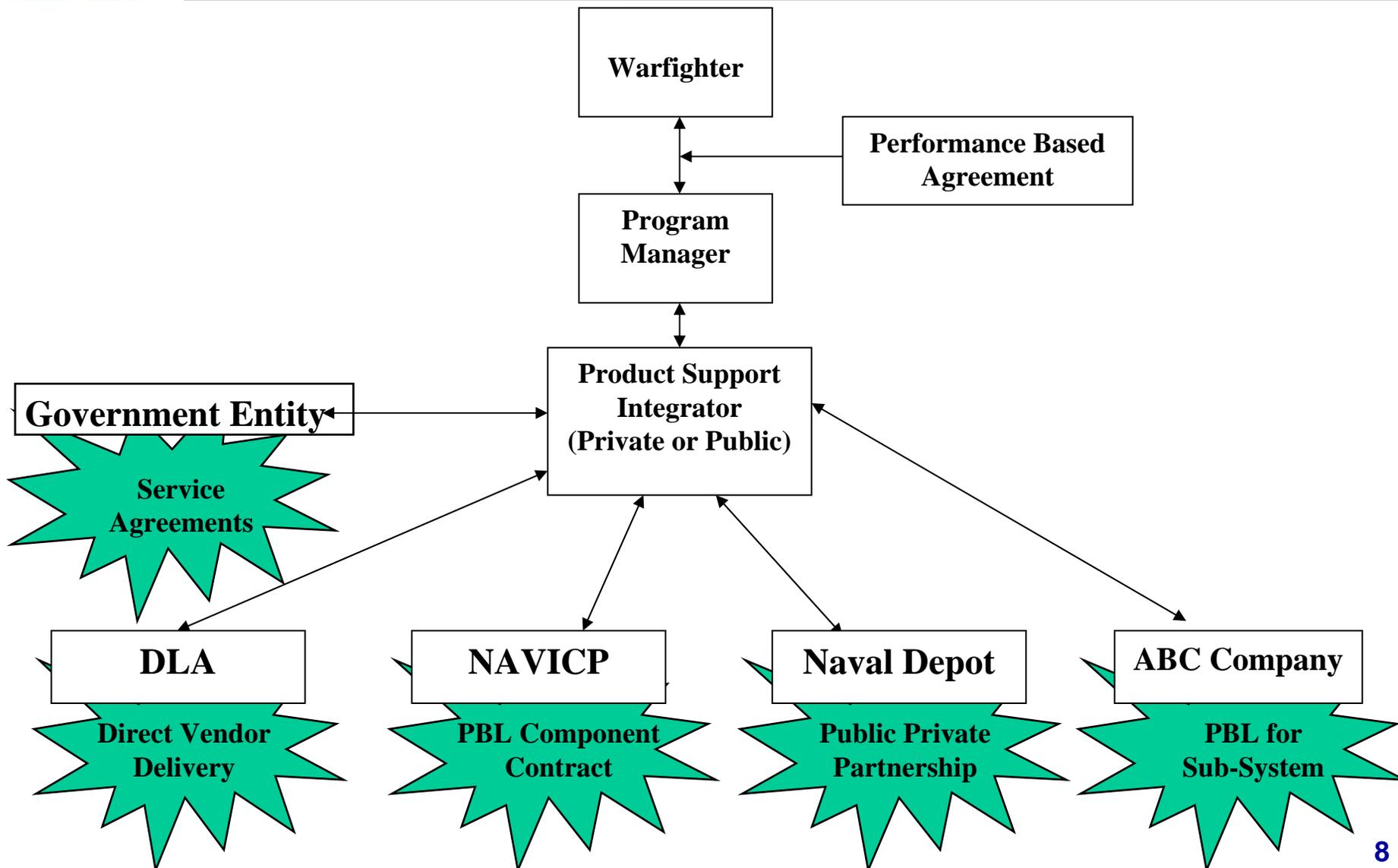
Highlights:

- Articulated the DoN PBL strategy.
- Defined Performance Based Agreements (PBAs).
- Established clear roles and responsibilities.
- Imperative to use sound Business Case Analysis (BCA).
- Designed Weapons System PBL support model.

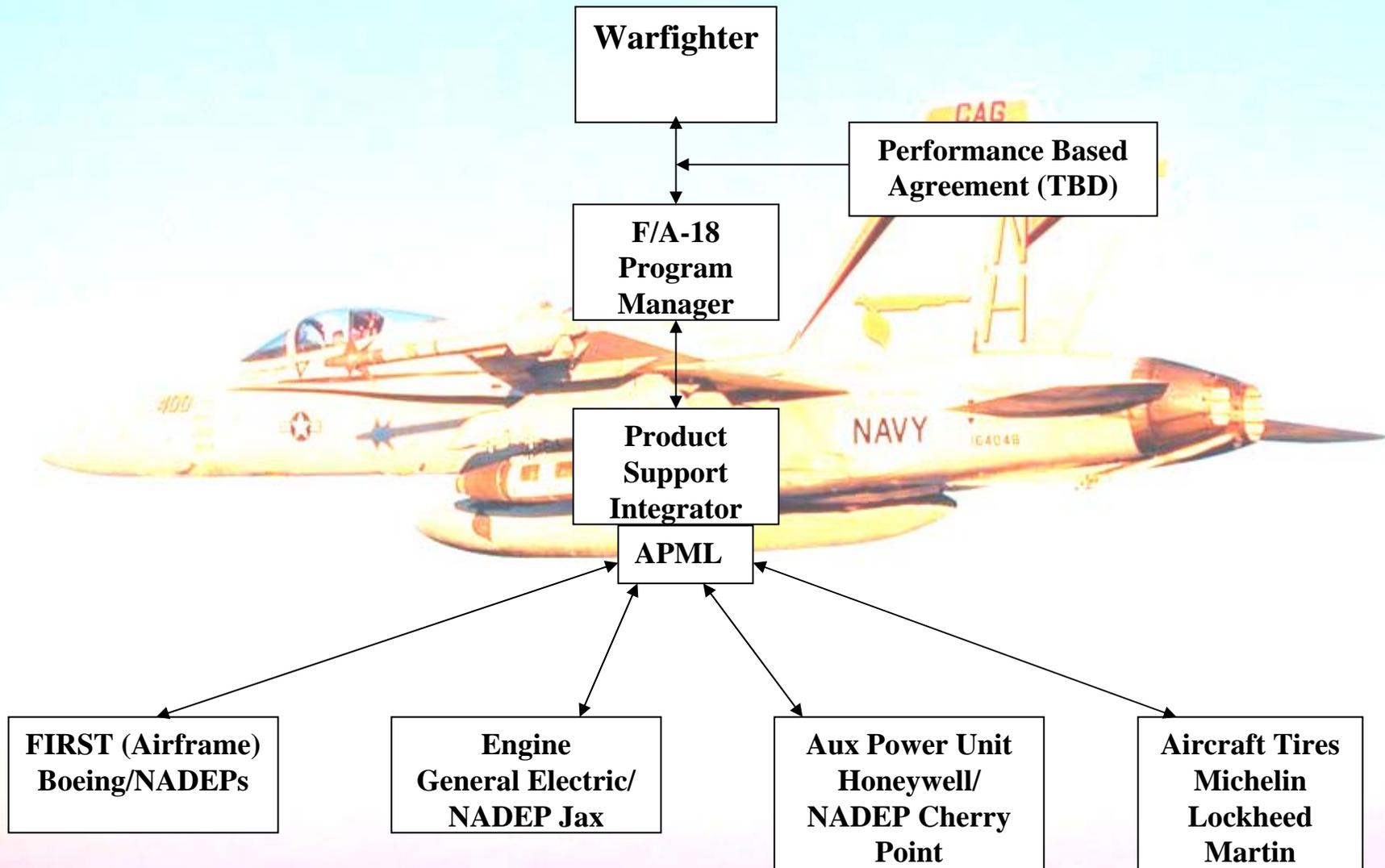


Weapon System PBL Support Model

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F/A-18 E/F Application of Weapon System PBL Support Model





The PBL Solution

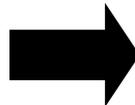
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A Different Acquisition Strategy

Pre - 1996 / 1997 - 1999 / 2000 and Beyond →

Traditional Inventory Mgmt

Buying Parts to
Address Failure

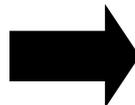


Supply Chain Management

Attacking Logistic
Failures

- ✓ Improve Reliability
- ✓ Resolve Obsolescence
- ✓ Integrate Support Solutions

Managing Supplies



Managing Relationships
and Outcomes

- ✓ Customer Focused Goals
- ✓ Gov't/Industry Partnerships

Turning to Commercial Best Practices →



The PBL Solution

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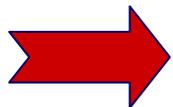
Alternative logistics support solutions that transfer traditional DoD inventory management, technical support, and supply chain functions to the provider for a guaranteed level of performance at the same or reduced cost

PBL Supplier Roles

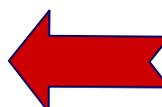
- Warehousing
- Requirements determination
- Engineering / tech services
- Transportation
- Repair /overhaul / replace decision
- Consumable piece parts
- Obsolescence mgmt
- Configuration control
- Technology / reliability insertion

Purpose

*Cultivate
Long Term
Partnerships
With Industry*



*Reduce Cost
Lower Response Time
Lighter Logistics Footprint
Increase Availability*



*Leverage
Commercial
Supply Chain
Solutions*



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The PBL Solution

Development Process...12-24 Months

**Candidate
Selection**

**Business
Case
Analysis**

**Negotiate/
Award/
Track**

Input From:

- Program Office
- Fleet
- Industry
- ICP “Opportunity Index”

Focus On:

- New Systems
- Commercial for Life
- Low Reliability
- Poor Availability
- Obsolescence Challenges
- High Cost/High Demand

Responsibilities:

Government:

- Must accurately capture & forecast costs of traditional government processes

Contractor:

- Proposal in response to SOW
- Incorporate commercial best practices and industry expertise... costing based on the re-engineered process

IPT:

- Compares BCAs w/ & w/o PBL

Focus On:

- Best Value Support
- Transition Plan
- Performance Tracking
- Program Reviews





The PBL Solution

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PBLs: One Size Does NOT fit All ...Each is Unique!

- **Contract Type:**
 - *Fixed, Cost +*
- **Length:**
 - *5–15 Years; Base & Option(s)*
- **Metrics:**
 - *Availability, Reliability*
- **Incentive:**
 - *Profit tied to performance*
 - *Award fees*
- **Risk Sharing:**
 - *Ramp-up Periods*
 - *Exit Provisions*
 - *Gain Sharing*
- **Obsolescence Management**
 - *Product life cycle mgmt*
 - *Proactive approach*
- **Long Term Partnerships:**
 - *Promote Supplier Investment*
 - *Technology Infusion*
 - *Enable Supplier ROI*
- **Best Business Practices:**
 - *Six Sigma*
 - *Lean Logistics*
 - *Theory of Constraints*
- **Focused on Performance**
 - *Right behavior incentivized*
 - *Better performance, more award*
- **Tracking**
 - *Joint Review Boards*
- **DLA Involvement**
 - *Markets self as Best value provider*

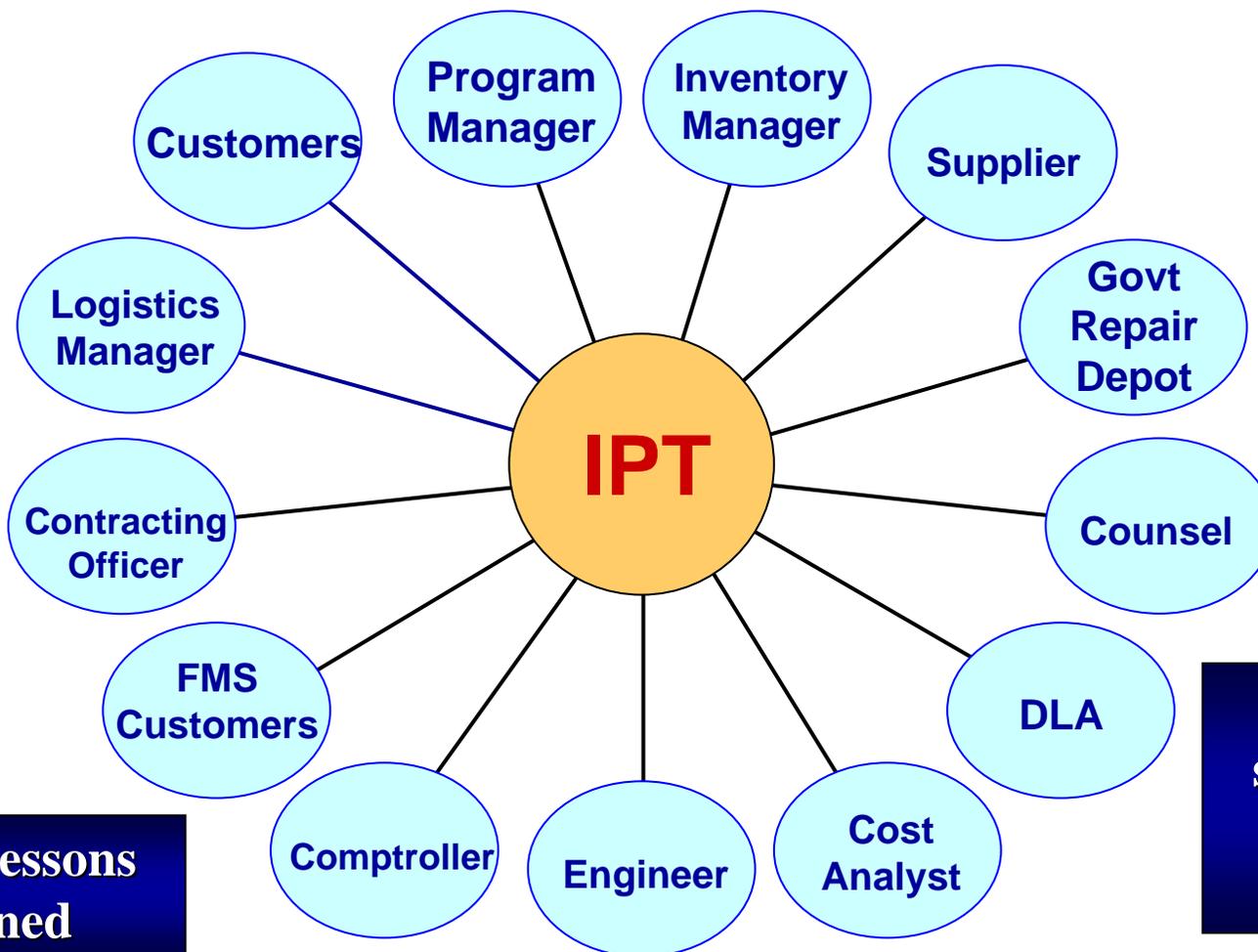
Procuring Supply Chain Performance ... NOT just parts



The PBL Process

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Integrated Product Team





The PBL Process

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Key considerations on every PBL:

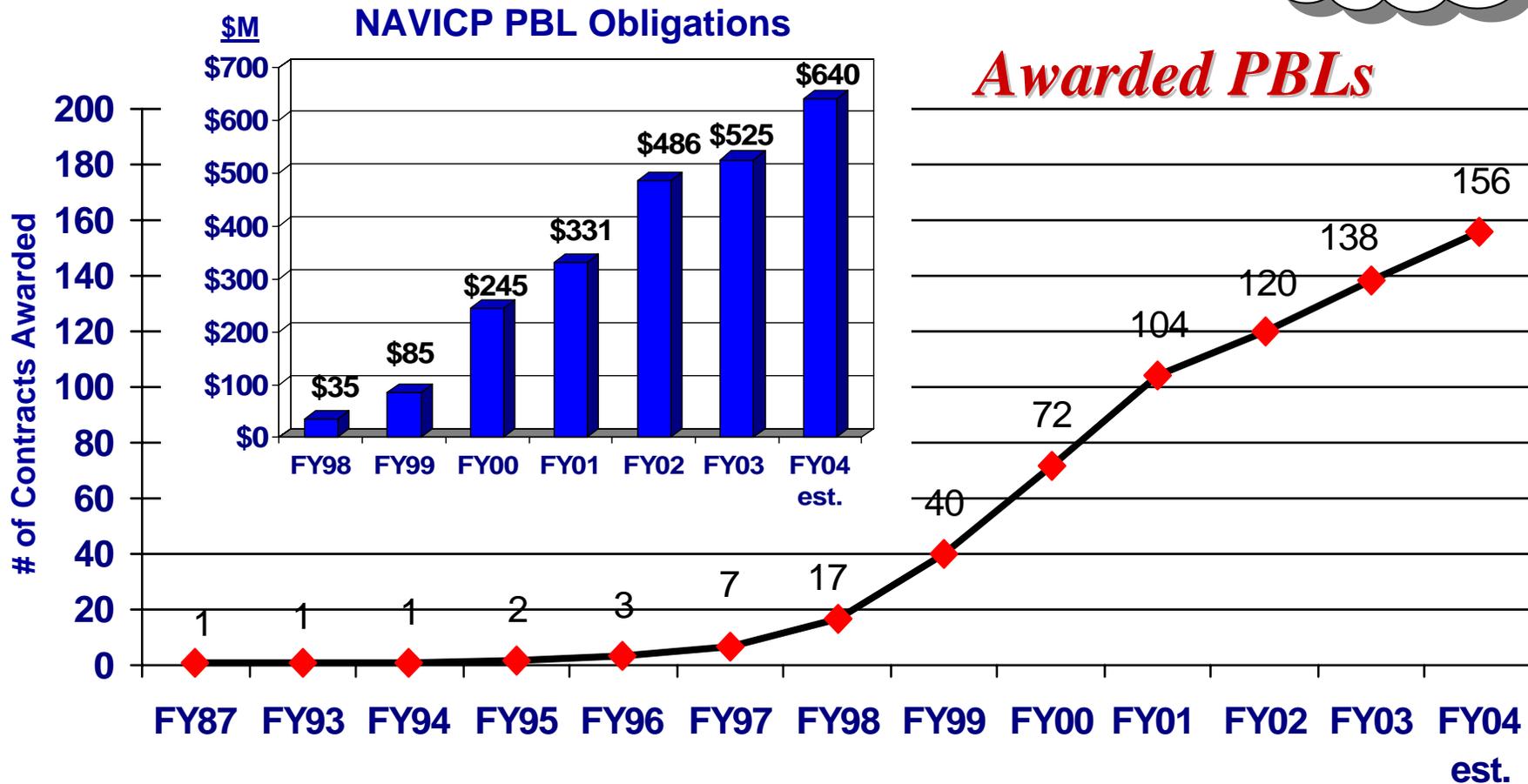
- *Scope ... definition of scope ... mutual understanding of scope*
- *Universe of items to be covered ... understanding of current support posture and implications to desired performance requirements*
- *Affordability ... available funding ... a direct impact on scope*
- *Stakeholder concerns ... Fleet / DLA / FMS / organic depots / Small Business / Interservice customers*
- *Core determination ... partnership considerations*
- *Cash flow*



Where We Are

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42K Items,
12% of total obs
Covered



A Reengineering Tool to Improve Readiness/Sustainment



Where We Are

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PBL Successes ... A Sampling

- Improved Availability:** **CIWS ... was 80%, now 89%**
F-14 Targeting System ... was 73%, now 90%
- Better Response:** **F/A-18 Stores Mgmt System ... Customer Wait
Time (CWT) was 47 days, now 7**
**Auxiliary Power Unit (APU) ... CWT was 35
days,
now 6 ... RTAT was 162 days, now 38**
- Guaranteed Reliability:** **Radar Warning Receiver ... 53% increase**
H-60 FLIR ... 40% increase
- Reduced Inventory:** **Tires ... no inventory, no warehouse costs**
APU ... 40% inventory decrease

Making Steady Progress ... Continuing to “Raise the Bar”





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Where We Are

Partnership



H-60 FLIR

- \$123M contract w/ 5-yr base & five 1-yr options
- Partnership w/ NADEP Jacksonville
- Covers 3 FLIR components ... turret, electronic unit, hand control
- 100% (IPG 1) & 90% (IPG 2-3) availability
- Reliability growth
- Obsolescence mgmt
- Inventory mgmt ... rqmts determination

PBL Success Stories *Platform*



F/A-18E/F FIRST

- Over 100 systems
- 131 suppliers: 15K parts
- Inventory management / warehousing / MIS / engineering
- Reliability improvements
- Teaming with 3 NADEPs
- 85% availability vs 67% for F/A-18 C/D
- BCA savings of \$52.4M over 5 years

TLCSM



DDG Flt IIA REEFER

- 38 units (2 per 19 ships)
- 1 integrator w/sub to OEM
- All ILS elements managed by Bath Iron Works
- Availability & reliability improvement plan
- Multiple funding line: first 2 years PEO Ships & ICP; next 3 years includes Fleet
- 100% availability and reliability



PBL Take Aways

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Buying weapon system performance...
buying optimized logistics support

- **Aggressive Growth** ... *PBL is the “fabric of our being”*
- **Early Involvement** ... *TLCSM “cradle to grave” team approach*
- **Accelerate Process** ... *improve collaboration...beat 12-24 mos.*
- **Improve Reliability** ... *cost-wise readiness*
- **Public / Private Partnerships** ... *they work ... better output*

Acquisition



Sustainment

System acquisition linked with follow-on sustainment



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Supply Chain Solutions Website

- **The Supply Chain Solutions website is a primary source of information on Performance Bases Logistics and Business Case Analysis. For example:**
 - **Frequently Asked Questions**
 - **PBL Support Guidance**
 - **PBL and BCA Fact Sheets**
 - **Sample Statements of Work**
 - **Sample OA PBL Board Presentations**
 - **Sample BCAs**

Website Address:

<https://extra.navicp.navy.mil/scs/index.htm>

or

<http://www.boss3.navy.mil>



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Back Up



Where We Are

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Aviation Awarded PBLs											
Contractor	PBL	Date	Type	Depot		Contractor	PBL	Date	Type	Depot	
1 Boeing	F-18 ARF	Dec-95	M			32 Lockheed	E-2 APS-145	Feb 01	M		
2 Litton	Common RINU	Sep-96	F			33 Tel Inst	SE IFFITTS	Mar 01	F		
3 Lear	H-46 AHRS	Sep-97	M			34 NWS Crane	S-3 Elec Tubes	Apr 01	O		
4 NWS Crane	P-3 SSIP	Oct-97	O			35 Boeing	F/A-18E/F FIRST	May 01	P		Multi
5 Testek	SE AGTS	Apr-98	F			36 Charleston	P-3 EP-3J Mod	May 01	O		
6 GE Strother	Engines T-700	Sep-98	M			37 Lockheed	SE EOSS+	Jun 01	F		
7 GEC Marcon	Common SCADC	Sep-98	F			38 TRW Inc.	E-2 GRIIM RePr	Sep 01	F		
8 Sikorsky	H-60 Damper (ended; rolled into H-60 T2T)	Mar-99	F			39 Smith Ind.	Common ASN-50	Oct 01	M		
9 Rolls-Royce	Engines T-406 PBTH	Mar-99	CLS			40 Raytheon	H-53 HNVS FLIR (renewed)	Oct 01/ Mar 03	M		
10 Marconi	Common NGS	Jul-99	M			41 Honeywell	C-130 APU	Feb 02	F		
11 Smith Ind.	F-18/F-14/AV-8 SMS	Sep-99	F			42 Honeywell	F-18 E/F APU	Feb 02	P		CP
12 Raytheon	Common ALR-67(v)3	Oct-99	F			43 AH-1W	AH-1W NTS	Apr 02	M		
13 Honeywell	EA-6B EFIS	Dec-99	M			44 Lockheed	H-60 Avionics	May 02	F		
14 Deval	SE AHE	Dec-99	F			45 FST Jax	SE SALSA	Jul 02	O		
15 Dyncorp	SE GOSSPL	Feb-00	M			46 LSI	T-2 Cockpit (renewed)	Mar 99 /Jul 02	M		
16 LMIS	SE CASS/CASS CSP	Dec 97 /May 00	F			47 Raytheon	Common ALE-50A	Aug-02	F		
17 Honeywell	S-3/E-2/C-2/F-18-A-D/ P-3 APU's	Jun-00	P	CP		48 Keyport	EA-6B Tailpipes	Dec-02	O		
18 Dyncorp	SE QEC	Jun-00	O			49 Rolls-Royce	Engines AE2100D3 PBTH	Dec-02	CLS		
19 Raytheon	V-22 NAVFLIR (renewed)	Jun 00/ Mar 03	M			50 Sikorsky	H-60 Dyn Comp	Feb-03	F		
20 FST Noris	SE CRATE (ended)	Jun-00	O			51 BAE	SE EWSE (renewed)	Jan 01 /Feb-03	F		
21 Multi Rae	SE Gas Detector	Jun-00	F			52 AAI	SE JSECST	Mar 03	M		
22 Sikorsky	H-53 MRH	Jul-00	M			53 Boeing	F/A-18 MSP (mod to ARF)	May 03	M		
23 Sikorsky	H-53 MGear Box	Jul-00	M			54 GE	Engines F404	Jul 03	P		Jax
24 Kaman	H-2 A/C	Aug-00	F			55 Lockheed	SE CASS Hi Power	Jul-03	F		
25 L-3 Comm	E-2 EMDU	Aug-00	F			56 Kaiser	F/A-18/F-14 HUD/DDI	Sep-03	P		Jax/NI
26 Boeing	V-22 DLRs	Jan 01	F			57 Raytheon	H-60 FLIR	Sep 03	P		Jax
27 FST Jax	SE EOTS	Jan 01	O			58 Ham Sundst	H-46 APU H-53 APU	Oct 03	P		CP
28 Rockwell	Common ARC-210	Jan 01	F			59 Honeywell	P-3 EDC (APU add-on)	Oct 03	P		CP
29 Lockheed	F-14 LANTIRN	Jan 01	F			60 MHSCO	H-60 Tip-to-Tail F404-400/402 Main Fuel Control (APU add-on)	Dec 03	P		Jax/NI/CP CCAD Toby
30 Michelin	Common Tires	Feb 01	F			61 Honeywell	Engines TF-34 Bearings	Jun 04	P		Jax
31 Jay-Em	EA-6B Main Wheels	Feb 04	M			62 FAG		Jul 04	F		



Where We Are

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Aviation PBL Initiatives In Work									
Contractor	PBL	Type	Depot	EAD	Contractor	PBL	Type	Depot	EAD
GE	Engines F414 C&A	P	Jax	Sep 04	GE	Engines T-64	P	CP	Jan 05
Competitive	Engines T-700 (follow-on)	F		Sep 04	MHSCo	H-60 T2T (Phase II)	P	Multi	Feb 05
Sikorsky	H-53 Phase I	P	CP	Sep 04	Rockwell	H-1 Avionics	F		Mar 05
Raytheon	P-3 APS-137B	F		Sep 04	Hamilton Sunstrand	E-2C/C-2A NP-2000 Prop	F		Mar 05
Smiths Aerospace	F/A-18 SMUG	F		Sep 04	Pratt & Whitney	Engines J-52	P	Jax	May 05
Moog	F/A-18 LEF Actuator	P	NI/Jax	Oct 04	Competitive	AV-8B HISS	P	CP/NI	Jun 05
BAE	Common ALQ-126B	P	Jax	Oct 04	Raytheon	Common ALR-67 option	F		Jun 05
Parker Hannifin	F/A-18 TEF Servo and Horizontal Stab.	P	NI/Jax	Nov 04	Boeing	V-22 CLAWS	P	TBD	Sep 05
Rockwell Collins	E-2 RROSE	P	NI	Dec 04	Raytheon/Boeing	F/A-18/AV-8 APG-65/73 (add-on to FIRST)	F		Oct 05
Honeywell	Common Advanced Multi-purpose Displays (AMC&D)	F		Dec 04	Boeing	F/A-18 FIRST Follow-On	P	Multi	Oct 05
General Dynamics (GDIS)	Common Advanced Mission Computer (AMC&D)	F		Dec 04	Northrup/Grumman	AV-8B Litening Pod	P	Jax	Oct 05
Northrup/Grumman	EA-6B TJSR (ICAP III)	P	Crane	Dec 04	TBD	EA-6B ALQ-99	TBD		TBD
Ontic	Engines T-58/T-64 Main Fuel Controls	P	CP	Dec 04	Lockheed Martin	E-2 APS-145	F		TBD
					Boeing	H-46 Comp Phase I	P	CP	TBD
					Competitive	F-14 Hydraulics EA-6B Hydraulics	P	Jax/NI	TBD