

PERFORMANCE BASED LOGISTICS
An Industry Briefing to the
2004 DoD Maintenance Symposium

Gil Diaz
26 October 2004

Why Is Industry Interested in PBL?

- **Mandated by DoD.**
- **Potentially a \$31B addressable market... and growing!**
- **Leverages OEM expertise.**
- **Results in long term relationships with the customer.**
- **Positions Industry for follow-on opportunities.**
- **Well crafted PBLs reward efficiency.**
- **Maintains efficacy and relevance of legacy systems. through incentivized technical innovation.**

Bottom Line: PBLs enhance market stability, reduce risk, maintain profitability and ensure future growth

Major Obstacles To PBLs

- **Diverse Service policies.**
- **Preferred metrics.**
- **Multiple “colors of money.”**
- **Excessive time to contract.**
- **Business Case Analysis restrictions.**
- **Title 10 issues.**
- **Reluctance to change.**
- **Too many potential PBLs and not enough people.**

Government-Industry PBL Tiger Team

- **Chartered by ADUSD LP&P, in conjunction with the Aerospace Industries Association.**
- **Six meetings from November 2003 until June 2004:**
 - **Business Case Analysis**
 - **Color of Money and Related Issues**
 - **PBL Metrics**
 - **Training and Best Practices**
 - **Public-Private Partnerships**
 - **Time to Contract**
- **All have been addressed subsequently in government directives.**
- **Second round of meetings has begun with a review of Corporate Contracts.**

Corporate Contracts

- **Not a new concept (Honeywell/Hamilton Standard).**
- **No standard format, flexibility is key.**
 - **Contract by product line or technology**
 - **Contract by business enterprise**
 - **Natural groupings work best**
- **Advantages:**
 - **Reduced time to contract**
 - **Reduced bid and proposal costs**
 - **Fewer manpower requirements, on both sides**
 - **Synergy of product support effort**
- **Can be between Division, Business Unit, or entire corporation on the commercial side, and buying activity, Service, or all Services on the government side.**
- **Goal is to expedite and facilitate contract management, not to bring everything down to lowest common denominator.**

Keys to Successful PBLs

- **Relationship with the customer.**
- **Aligning contractor and Government goals.**
- **Active participation of PBL “Champions” on both sides.**
- **Joint Government/Contractor task analysis.**
- **Risk sharing.**
- **Partnering.**
- **Leveraging past performance.**
- **Exploring opportunities for synergy of efforts.**
- **Flexible solution sets.**
- **“Alpha” contracting.**

TOW-ITAS PBL Overview

TARGET ACQUISITION SUBSYSTEM INTEGRATED SIGHT

- 2nd GEN FLIR Detector (SADAIL)
- Laser Range Finder
- Direct View Optics



FIRE CONTROL SUBSYSTEM

- Embedded Training Cards
- Missile Guidance
- BIT/BITE



POWER SUPPLY/BATTERY BOX

- Dismounted Power
- Power Conditioning
- Built-In Battery



TRAVERSING UNIT MODS

- Brake
- Pistol Grip
- New TAS Mount
- Ground Mounted w/Tripod

- **Customer/User:** AMCOM / US Army and ARNG
- **Background:**
 - Awarded 5 Year PBL contract Dec 01
 - Fixed Price / Fixed Fee
 - Performance Adjustment for increase Operational Readiness rate (OR) > 90%
- **Program Performance:**
 - Exceeding 90% OR Requirement: 99% to Date
 - Supporting multiple unit deployments in OIF and OEF
- **Program Scope:**
 - Field Support – Field Support Reps embedded with support battalions, “Contractor on the Battlefield”
 - Inventory Mgmt - Wholesale source of supply
 - Depot Repair Support
 - Spares Production
 - Total Asset Mgmt System – web based, I/F with Army Supply

627 TOW ITAS to replace 454 TOW 2 for improved performance, increased system availability, and reduced ownership costs

	FY01	FY02	FY03	FY04	FY05
CLS (TY\$)	7.7	10.8	13.5	12.9	16.0
Organic (TY\$)	18.2	27.4	18.2	21.9	29.0
Cost Avoidance	10.5	16.6	4.7	8.9	13.1

Estimated total PBL Life Cycle Cost Avoidance >\$300M

ITAS and CLS – A Winning Combination for the Warfighter!!!

F-15 FLICS APG-63(V)1 PBL Overview

- Customer/User:** USAF
- Background:** Traditional ICS transitioned to 2-level maintenance with system availability guarantee. Contract in place since 1997
- Program Performance:**
 - Ao = 90%, or Raytheon provides additional spares
 - Must achieve 120 Hour MTBA by 69K Flight Hours
 - 40+ Retrofits incorporated to date at no additional expense
- Program Scope:**
 - Raytheon has system engineering responsibility
 - Configuration Control below LRU Level
 - Managed Parts Obsolescence
 - Maintain Current Build-to Package



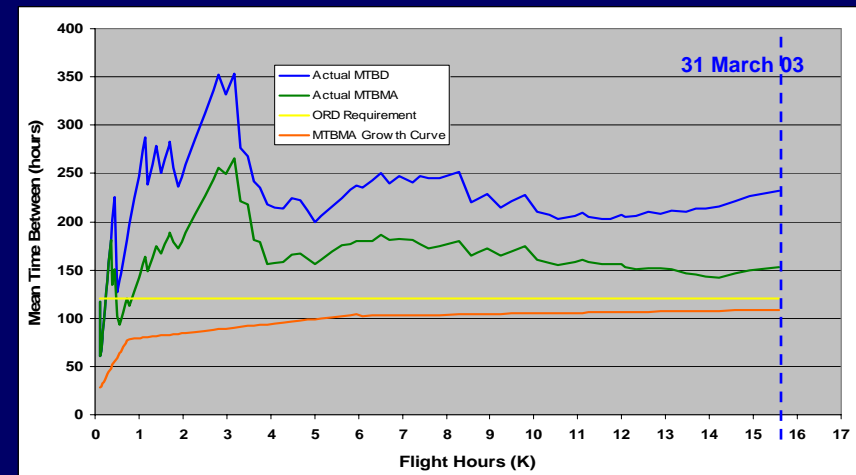
Power Supply

Radar Data Processor

Radar Transmitter

Radar Signal Data Converter

Radar Receiver



Form, Fit, Function & Interface Lifetime Contractor Sustainment

ALR-67(V)3 RWR PBL Overview

- **Customer/User:** NAVICP/F/A-18E/F Fleet
- **Background:**
 - First Navy-Raytheon PBL
 - Period of Performance – 11/99 thru 6/05 with 5 year option (in work)
- **Program Performance:** See chart
- **Program Scope:**
 - Logistics Management of Wholesale Inventory
 - Depot Repair Support
 - Spares Production
 - Engineering Sustainment
 - Reliability Growth Program
 - Component Obsolescence



	Contract Requires	Program Performance
Reliability	Grow Reliability by more than <u>50%</u>	100% reliability Growth during the first Five years
Availability	90% Availability of Replenishment WRA's to CONUS Locations within <u>5</u> Working Days	98% Availability of Replenishment WRA's to CONUS Locations within <u>2</u> Working Days
Turn-in Availability	90% Availability of Retrograde NRFI WRA's direct to contractor depot within 30 Calendar days	90% Availability of Retrograde NRFI WRA's direct to contractor Depot within 30 Calendar Days
Data Item Requirements	None	Asset Status Tracked on-line and reported directly into Organic SCM Systems via EDI and Direct Database Connections
Government Furnished Test Equipment /Technical Data	None	Contractor has established dedicated Lab with State of the Art Troubleshooting Tools