

Air

Land

Sea

Space

Cyberspace

Innovation. In all domains.

Maintenance Implications of PBL Arrangements: Is PBL Working and Worth it?

Gil Diaz
Performance-Based Logistics
Corporate Business Development
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Agenda

- **How Raytheon defines PBL**
- **Raytheon and PBL**
- **Benefits to Raytheon**
- **Obstacles to PBL**
- **Making PBL easier**
- **Summary/Takeaways**

How Raytheon Defines PBL

- A FP sustainment contract or Task Order with payment linked to performance metrics
 - Elastic profit margin forces Raytheon to stay lean
 - The earlier the start of FP, the more efficient the PBL
 - Cost reimbursement contracts encourage inefficiency by allowing costs to be pushed to the government
 - R6 σ is in our DNA
- PBL Success is dependant on certain primary elements:
 - Aligning our goals with those of the Customer
 - Improving the reliability of our products
 - Increasing the efficiency of our processes
- PBL metrics ensure the Government gets what it pays for

PBL is a Sustainment Strategy, Not a Contracting Strategy

- **Raytheon PBLs provides the product support our Warfighters want and deserve at the lowest Life Cycle Cost to the Government**
- **Mission Support, including PBL, is one of Raytheon's designated core market areas**
- **Executing a wide variety of PBLs at various stages on the DoD Maturity Model**
 - **PBLs with all domestic Armed Services**
 - **PBLs with International customers**
- **3 DoD PBL Award winners (Subsystem category)**
 - **2006 AAS-44(V) FLIR for the H-60 2007**
 - **2007 Improved Target Acquisition System for TOW**
 - **2008 ALR-67(V)3 RWR for the F/A-18**
- **Working closely with Government Depots to expand PBL through Public-Private Partnerships (PPP)**
- **Goal is to increase number and scope of Raytheon PBLs to include expanded PPPs and coverage of International customers**

PBL works for Raytheon and our Customers

How PBL Benefits Raytheon

- **Internally**
 - Increases profit margin over traditional sustainment contracting
 - Leverages corporate commitment to Continuous Process Improvement (6 σ , Lean, TOC, etc.)
 - Enhances ROIC through the avoidance of unnecessary overhead coupled with increased profit
 - Breathes new life into legacy programs through process improvements
- **Externally**
 - Ensures alignment with customers
 - Keeps legacy products relevant through incentivized technical innovation - Avoids operational obsolescence
 - Provides a leverage point for other sustainment opportunities
 - Provides a hedge against expected downturns in the procurement budget

PBLs Enhance Market Stability, Reduce Long Term Risk, Maintain Profitability and Ensure Future Growth

Obstacles to PBL

- **Legislative changes**
 - Limitations in contract length, PSI, Single source awards
 - Additional reporting requirements
 - Indicate a growing resistance to PBL
- **PBL not completely accepted in DoD despite policy documents**
 - Reduces funding flexibility
 - Difficult contracting process
 - Little immediate impact on structure
 - Military “can do” attitude and distrust of contractor motives
- **Lawyers and legal opinions**
 - PBL as “parts”
 - PBL as “service”
 - One set of DoD regulations compounded by as many legal opinions as we have lawyers
- **Metrics**
 - Metrics not specifically tied to warfighter needs and conditions
 - Don’t expect specific performance unless it’s covered by a metric
 - Don’t change base conditions and expect same metrics to be achieved

PBL is a Cooperative Effort, not a Competitive Engagement

Making PBL Easier

- **“The first thing we do, let’s kill all the lawyers.” *Henry VI, Act iv, scene ii***
- **Change the DoD PBL definition to include designating PBL as an unseverable deliverable “part” vice a “service”**
- **Make PBL the default sustainment solution for all of DoD with performance metrics linked directly to payment**
 - **Specific performance metrics drawn directly from PBA between PM and Warfighter**
 - **BCA required to validate choice of any other sustainment solution**
- **Create PBL Advocates at DoD and all levels of the Service Acquisition agencies**
 - **Use Competition Advocate model**
 - **Require PBL progress reports annually to SAE and DoD**
- **Revamp ITAR to facilitate international PBLs**
- **Maximize PBL value to DoD by allowing flexibility in funding solutions for Joint PBLs**

If PBL provides better performance at a lower Life Cycle cost, shouldn't DoD do everything possible to force PBL?

- **PBLs work!**
- **Cost reimbursement contracts do not incentivize efficiency**
- **Alignment between Contractor and PM is key**
- **Scope of PBL defined by contract performance metrics, each is different**
- **Longer term contracts make better PBLs because they allow for Contractor ROI**
- **We need OSD to be more directive in the application of PBL policy and more aggressive in their advocacy**