

NAVICP's PBL Perspective



Navy Success with PBL

- *PBL at NAVICP*
- *Why PBL Works*
- *PBL Partnerships*
- *Partnership Examples*
- *Take Aways*

Ready. Resourceful. Responsive!

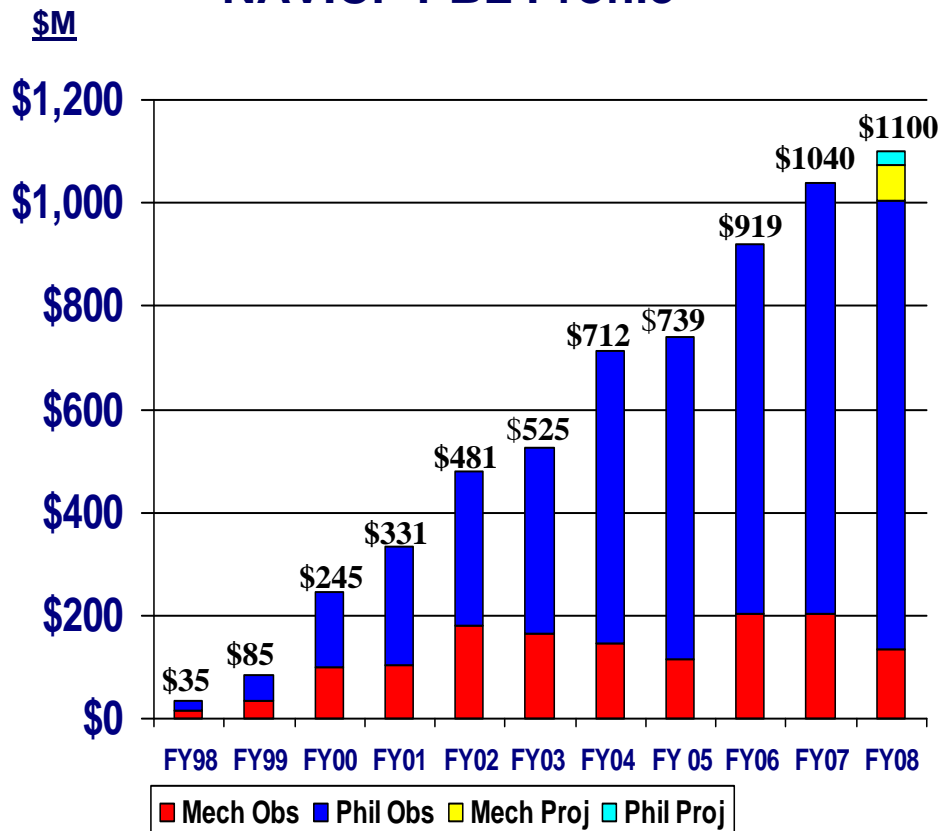


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*Paul Klevan
Supply Chain Solutions Division
paul.klevan@navy.mil
(215) 697-3539*

PBL at NAVICP

NAVICP PBL Profile



Business Scope

- 141 contracts/50 MOAs
 - Mech = 67 contracts/41 MOAs*
 - Phil = 73 contracts/8 MOAs*
- 41,023 NSNs
 - Mech = 16,883*
 - Phil = 24,140*
- 24.5% of total demand (FY08)
 - Mech = 13.8%*
 - Phil = 31.0%*

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

Navy PBLs ...

- *Are long term agreements;*
- *Address availability, obsolescence, reliability, and cost;*
- *Provide specified performance outcomes;*
- *Are usually supply contracts;*
- *Are enabled by the Navy WCF*

Create "Win-Win" Strategy
Incorporate Surge Capability
Mitigate Risk
Ensure Exit Strategy

NWCF...

- *Enables multiple year, long-term agreements*
- *Incentivizes contractor investment*
- *Makes PBL transparent to Fleet customers... support strategy integrated into Supply System*

Securing Supply Chain Performance

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

PBL Supplier Roles

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

* Navy retains configuration control

**Cultivate
Long Term
Partnerships
With Industry**



Purpose


*Lower Response Time
Lighten Logistics Footprint
Increase Availability*



**Leverage
Commercial
Supply Chain
Solutions**

A Reengineering Tool to Improve Readiness through Reliability

Why PBL Works

- *Navy buys comprehensive performance package... not individual parts*
 - *This approach totally reverses vendor incentive*
 - *Fixed price “pay for performance” contract now motivates vendor to reduce failures / consumption*
 - *Long term commitment enables vendor to balance risk vs. investment*
- 
Vendor
Actions
- *Improves Parts Support ... Material availability increases + Logistics Response Time (LRT) decreases resulting in Improved Readiness*
 - *Optimizes Depot Efficiency ... Repair Turn Around Time (RTAT), Awaiting Parts (AWP), & Work in Process (WIP) decrease*
 - *Invests in Reliability ... Mean Time Between Failures (MTBF) improves*
 - *Shortstops Failures ... reduces off-station demand*

Procuring the Performance “End-State” ... NOT the “How To”

- *OSD Policy*
- *Satisfies Title 10 USC*
- *Effective Use of FRC/Depot-level Expertise – Strike Proof, Skilled*
- *Stable Depot-level Workload*
- *Material Support*
- *Sharing of Best Business Practices*
- *Technology Insertion*

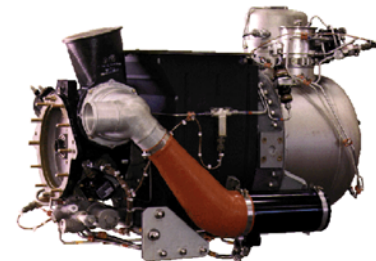
- *Reliability Improvements Encouraged*
- *Reduces TAT, and Inventory Requirements*
- *Defined Workshare*
- *“Partners”, Not “Competitors”*
- *Sharing vs. Maintaining Competitive Edge*
- *Improved Readiness at Reduced Costs*
- *Additional workload moved to organic depots; capabilities increased... most cost effective option for industry*

Partnership Examples

Auxiliary Power Unit (APU)

Pre-PBL:

- *Material availability: 65%*
- *Backorders: 125*
- *Units awaiting parts: 232*
- *Multiple unincorporated upgrades*



Honeywell



PBL:

- *\$202M FFP contract with 5-yr base and five 1-yr options ... covers F/A-18, C-2, S-3, P-3, KC-130 APUs... awarded Jun 00 to Honeywell*
- *Depot Partnership: FRC East*
- *Required 90% availability ... 95% attained*
- *Backorders eliminated ... 0 units awaiting parts*
- *Response time reduced fm 35 days to 5 days*
- *Repair Turn-Around-Time (RTAT) reduced fm 162 days to 38 days*
- *18 reliability improvements incorporated; over 60 other enhancements*

*A corporate contract w\ Honeywell:
Other components added...
P-3 EDC, F404 MFCs, other
APUs ... more adds in
process*

NAVICP Has Won Six of Ten DoD PBL Awards Since FY05

Partnership Examples

F404 Engine

Pre-PBL:

- *Material availability: 43%*
- *Backorders: 718 total ... including 436 high priority*
- *Work In Process (WIP): 1264 units*
- *Repair Turn-Around-Time (RTAT): 116 days*

PBL:

- *\$510M FFP contract with 5-yr base and five 1-yr options ... covers 27 repairable components ... awarded Jul 03 to GE*
- *Depot Partnership: FRC Southeast provides touch labor*
- *Required 85% availability ... 89% attained*
- *Backorders greatly reduced ... 35 total*
- *WIP reduced by 75%*
- *RTAT reduced by 25%*
- *Obsolescence management*





Partnership Examples

NAVAL INVENTORY CONTROL POINT



F414 Controls & Accessories

- Awarded Nov '04 to GEAE
- 33 month period of performance
- Partnership with FRC Southeast
- \$123M firm-fixed price contract with incentives
- 36 7R and 887 1R NIINS covered
- Required availability
- Demand surges up to 10%
- Obsolescence management
- Inventory mgmt ... rqmts determination



H-60 FLIR

- Awarded Sep '03 to Raytheon
- \$123M contract w/ 5-yr base & five 1-yr options
- Partnership w/ FRC Southeast... depot capability facilitated thru PBL
- 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



F/A-18 F-14 Displays

- Awarded Sep '03 to Rockwell
- \$360M contract w/ 5-yr base & 2 5-yr options
- Partnership w/ FRCs Southeast & Southwest
- 272 NSNs covered
- 91% availability
- Obsolescence mgmt
- Inventory mgmt ... rqmts determination... config mgmt
- Engineering support
- Expanded capability / workload at organic facilities



- *Naval Support Challenges*

- *Maintain support for aging weapons*
- *Realize savings to support recapitalization*



- *The PBL Solution ...*

- *Better availability ... faster response*
- *Industry incentivized to manage obsolescence / improve reliability*
- *Improvements at all levels of maintenance*

PBLs ... The Enabler to Cost Wise Readiness