

Best Practices From DoD

BEST PRACTICES FROM DEFENSE LOGISTICS AGENCY (DLA)

Performance Improvement Initiatives

DLA is streamlining its entire logistics pipeline.

- **Balanced Scorecard**, a widely used, very structured commercial approach where senior executives determine what direction, specific initiatives, and funding are needed to be successful. Using the scorecard, DLA formulated a transformation strategy for years to come. The strategy includes modernization of business practices, enhanced information operating systems and an emphasis on best commercial practices.
- **Business Systems Modernization** combines business processes with commercial software to streamline the supply chain process.
- **A-76 Competition** of all commercial-type activities have created a mix of public- and government-run operations and resulted in an average 25 percent net savings in labor cost. Automated printing services and disposal reutilization and marketing services have similar reductions.
- **Strategic supplier alliances**, becoming the manager of suppliers rather than the manager of supplies, allows DLA to rely on industry for support and to reduce inventory levels by hundreds of millions of dollars. The alliances are built around integrating organic supply chains, buying commercial supply chains or building “virtual” chains where the pieces exist and retooling acquisitions. Table BP-3 contains a few examples of DLA’s corporate contract success stories.
- **Direct vendor delivery** is used when economically practical. In some prototype locations, DLA is taking management responsibility for the extensive service-owned retail stocks, leading to a one level national inventory that will generate great economies of scale and total visibility of all DoD stocks.
- **Distribution cost** has been reduced by eliminating duplication in the distribution depots and optimizing stock positioning worldwide in support of contingency operations. When 500,000 troops deployed for Operation Desert Storm 11 years ago, there was no way to automatically track the more than four million tons of equipment and materiel shipped with them. Finding a single repair part or some component of a units’ equipment was nearly impossible across the sea of metal containers. Half of those containers remained unopened until they were shipped back to the United States. In 1997, DLA was tasked with establishing a DoD logistics Automatic Identification Technology (AIT) Office. In its first three

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years, the AIT office coordinated development of an infrastructure and helped instrument 500 sites in the worldwide AIT backbone. Since 2001, the AIT Office has focused its efforts on automating freight forwarder business processes, expanding the use of commercial satellite tracking systems, enabling the Common Access Card to manage Joint Warfighter logistics information and adopting uniform, industry-driven data standards across DoD.

- **Customer-focused corporate culture**, a key characteristic of high-performing, world-class organizations, links with the learning and growth quadrants of the Balanced Scorecard. DLA is using the Denison Model to assure high marks. The Denison Model includes four externally and internally-focused traits of corporate culture found to link to bottom-line performance: adaptability, mission, consistency, and involvement. DLA acquired the model and the two diagnostic surveys (organizational culture and leadership development) in time for the May-June 2003 climate survey. Culture champions are being appointed throughout DLA to devise transformation activities to close gaps in the culture between today's baseline and its goal of becoming a truly customer-focused organization.

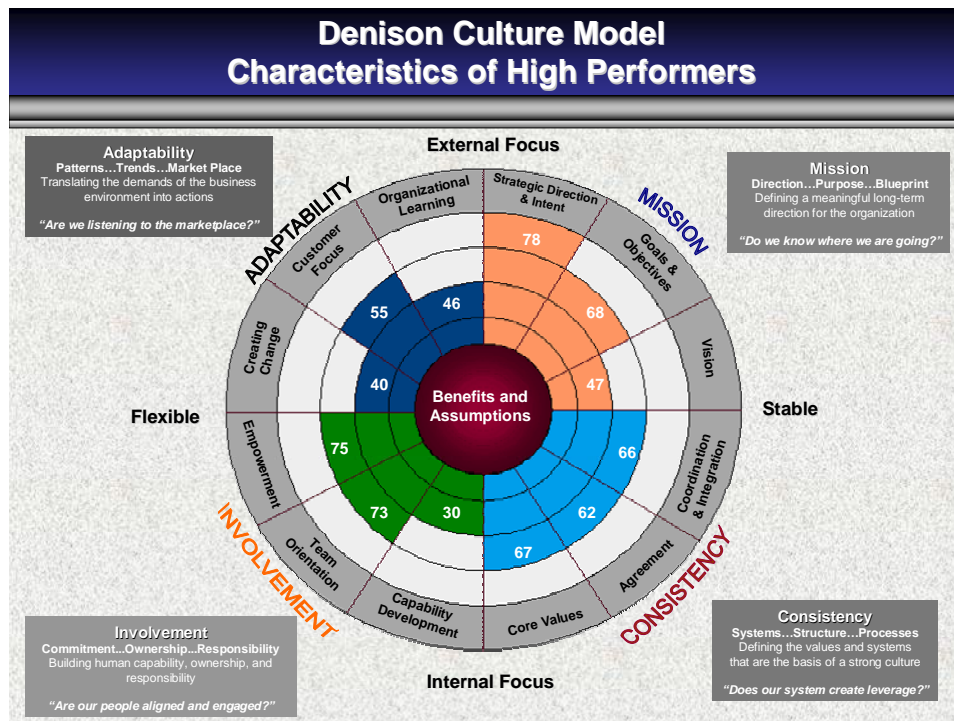


FIGURE 1: DENISON CULTURE MODEL

- **Competency-based performance management** for DLA's supervisors and managers was effective for over 2,200 civilian supervisory and managerial employees for the rating period that ended Sep.30, 2003. After extensive benchmarking DLA uncovered that top-performing organizations rate

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management competencies, link performance management to corporate goals and objectives, and reward top performers. The new system will modify the existing three-level system so that each of the nine mandatory management competencies—leadership, teamwork, oral and written communication, strategic focus, responsibility and accountability, customer service, professionalism, resource stewardship, and innovation and initiative. Elements will be rated as “Exceptional, “,”Superior” or “Solid Performance” which comprise the overall rating level of “Fully Successful.” In addition, the overall rating levels of “Minimally Acceptable” and “Unacceptable” will continue to remain as viable performance ratings. High performers, (Exceptional and Superior) will be eligible for quality step increases, demonstrating to employees that high performance is rewarded.

- **Communications** is a key component of any change effort and the DLA Customer Relationship Management (CRM) Office provides a consolidated approach to developing and delivering information related to DLA and its business initiatives to DLA customers. Using an IPT network of customer-touch points, public affairs offices and current DLA publications, staff provide strategic level information at headquarters and integrate with what’s happening at the field level. The CRM office then develops content and tools to provide the needed message to customers.
- **Value Engineering** strives to improve upon and to make the program a more viable tool to optimize the best values in total ownership cost. DLA’s achievement awards for 2002 are examples of the level of effort and organization-wide range of on-going continuous improvement.

B1 – B LANCER



The B1-B Lancer is a long-range strategic bomber designed for low-altitude missions. While the aircraft is older than most of the pilots flying it, it provided excellent performance in Afghanistan and Iraq.

The System Program Office (SPO) is located at Wright-Patterson AFB, OH. The first B1 was built, over a ten year period, to rigid specifications with the government telling the contractor exactly how to do every thing. In the early 1992, the military specifications were cancelled as a result of Acquisition Reform. The new statement of work (SOW) is developed around requirements to build the weapon system to perform to specified parameters. Another major change is viewing the design of the aircraft as a capability not a *platform*; the B1 is a lethal *capability* able to target a building or a neighborhood.

The new B1 contract is a sole source to Boeing as the OEM, and the support integrator. The Air Combat Command (ACC) is the customer and identifies all the requirements. The Boeing contract is an Indefinite Delivery, Indefinite Quantity contract. The SPO gets cost estimates for a certain job and time frame. Next they establish cost/schedule objectives for the work and a cost plus award fee incentive. However, cost/schedule objectives are not always adequate for meeting the contract criteria. The B1 SPO's goal is to operate in a "relationship" mode of commitment and trust. They try to use a mix of objective (hard-line criteria) and subjective criteria in evaluating the contractor. They continually work to "massage" the relationship based on a mutual agreement to benefit both parties.

Boeing's decisions are driven by good business rules; making a profit and staying in business are two of those rules. They must satisfy their stakeholders (shareholders) and see no reward to high risk. The AF SPO is the steward of the public's money. There is a

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balance of power in the relationship; if Boeing makes the weapon system “unaffordable” then the AF will abandon the B1 and develop other systems.

The SPO does not have the people to write technical data, they manage it. The AF’s mission is Fly, Fight and Win. Ten years ago everything was government, today they contract for everything (SAIC, MTC, etc. are support contracts). Today a strong SPO has 100 employees, with 40 contractors doing previously labeled “government” advisory and assistance work. The government people are there to maintain continuity.

The ACC provides over \$800 million for upgrades requiring anywhere from 4 months to 4-5 years to complete. Different money (RDT&E, PA, POM) gets assigned to the contract depending on the type of work being performed. Once the user defines the requirement a POM or “program wedge” is put in the budget. They are currently doing the POM for FY06 and will plan for upgrades and funds to accomplish them in 2006.

B1-1 Depot Maintenance

Maintenance is performed at the Oklahoma Air Logistics Center (OALC) at Tinker AFB. In June, 2001, they completed the B-1 *Fly-in Program*; a congressionally mandated, two-year Block D program designed to upgrade the aircraft's global positioning (GPS) and weapons delivery systems during a short timeframe. The modification required the installation or handling of over 37,000 wires and the removal of 200 aircraft components. Each aircraft required an average of 8,500 hours of maintenance.



The OALC work force added a 150 people with avionic, electric, aircraft and sheet metal skills to meet the Fly-In requirement. They established classroom and on-the-job training to meet the modification requirements.

B1 Contractor on Battlefield

Boeing deployed four teams to gun ships to support the B1. The SPO executed a deliver order (time and materials) to buy support hours from Boeing. The airplanes had to be maintained and Boeing had to risk the liability and the safety its employees. The B1 support team was not on the battlefield. Most of the contractors are ex-AF “blue-suitors”

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as few senior level skilled people are available from other industries. One of the issues the SPO identified was the inability to direct Boeing subcontractors. This was not a performance problem, but it is a new command issues to be addressed.

DCMA is responsible for evaluating the Boeing subcontractors. DCMA waived this year's audit of Boeing's subcontractor proposal, based on the on-going high performance level. (The SPO had no problem with this wavier.) The SPO's level of confidence in Boeing and its subcontractors is based on Boeing's ISO9000 certification and the other supplier certification requirements maintained by Boeing.

The Air Center at Oklahoma City does all of the B1 sustainment maintenance. The B1 SPO Program Manager and the Boeing Program Manager have joint responsibility and work as a team technology insertion or enhancement requirements. They work with the user to find technology available for the amount of money the user will invest. The AF centrally funds some enhancements (GPS) and DARPA funds some with Dual Science and Technology dollars. They split value engineering monies 50/50 with Boeing.

B1-1 SPO lessons learned from their contract experience include 1) be as thrifty as possible, and 2) keep the number of vendors small.

C-5 GALAXY



The first **C-5 Galaxy** inducted into programmed depot maintenance at Robins arrived Jan. 7, 1998. Since then, center workers have completed maintenance on 101 C-5s. The Air Force currently has 126 C-5 aircraft in its inventory -- two C-models, 50 B-models and 74 A-models. (Courtesy of Air Force Materiel Command News Service)

The C-5 depot maintenance team at the Warner Robins Air Logistics Center, Robins Air Force Base, Ga., delivered a center-record of 23 cargo giants back to the warfighter on September 24, 2003. World events are responsible for the increase from 17 aircraft in fiscal 2002 to 23 in 2003.

Since 1992 WR-ALC has used a variety of programs (TQM, Two-Level Maintenance, QP\$, Lean Logistics, Re-engineering, Pacer Lean, AREP, DREP, ABC Costing, and CREP) to empower the people and to build a continuous momentum for successful change implementation. Over the years, the W-R Center survived BRAC, won the Installation Excellence award, staffed and resourced a dedicated re-engineering capability (the only one in the AFMC) and won the C-5 work competition.

The Aircraft Repair Enhancement Program (AREP) brought about key changes in planning and scheduling, supply support, backshop support, and production practices that impacted the Depot and the customer. The goals of the AREP lean aircraft sustainment effort are: Work fewer aircraft at one time, 50 percent flow day reduction, 20 percent cost reduction, 10% lower inventory requirements, more aircraft mission ready in the field; less at depot, full supportability for planned work inducted, increase mission readiness and capability, forward look for supportability before the aircraft arrives, and synchronous workflows supporting the aircraft mechanic,

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The C-5 maintenance workload left Kelly Air Logistics Center as a result of the 1st major public-private competition under the OPM A-76 requirements. In winning this competition W-RALC became an AF contractor to provide depot maintenance for the C-5. The enormous size of the C-5 eliminated many repair sources from the competition. Having the needed size of hangers and equipment required to perform made W-RALC a logical choice for the C-5 contract. But winning the contract was a result of employees and leaders buy-in to the need for change and the establishment of a re-engineering mentality that inspired the new vision, Center of Choice and Employer of Choice and resulted in the reduction of programmed aircraft maintenance flowdays by 40%.

The initiative to introduce Lean Logistics was included in the foundation for what is today called DREP. Lean Logistics initiatives strive to provide quality products, in the right place, at the right time, at the right price –with the least requirement for inventory. Loosely translated for the customer, this means always finding a plane in supply when needed. Lean Logistics represents a fundamental rethinking of how the ALC achieves that goal. The key is speed and lower inventories of work in process.

The traditional approach to satisfying the field need was to maintain large inventories in work at depot as well as in warehouses. However, large inventories are expensive; when the item is no longer needed, large inventories become losses as they go to disposal. Lean Logistics replaces inventory size with inventory speed. From the source of supply, through the depot repair processes, along the lines of transportation, and into the customers' hands, the faster the inventory moves, the fewer items needed. In AREP, the re-engineers discovered that reducing the number of aircraft in work at depot by 50 percent could double the speed in which W-RALC could deliver an aircraft, even while maintaining the same number of workers.¹

The purpose of the Contract Repair Enhancement Program (CREP) is to create roles, responsibilities, and partnerships between contract repair private vendors and the WR-ALC. The team prioritizes contracts by dollar value and operational needs in order to understand the current contract repair process, identifying inconsistencies, bottlenecks, and areas of improvement for the re-engineering team to focus on. The goal of the program is to export lessons learned to help the private sector.

C-17 GLOBEMASTER



The **C-17 Globemaster III** is the newest, most flexible cargo aircraft to enter the airlift force. The C-17 is capable of rapid strategic delivery of troops and all types of cargo to main operating bases or directly to forward bases in the deployment area. The aircraft is also capable of performing tactical airlift and airdrop missions when required. The inherent flexibility and performance of the C-17 force improve the ability of the total airlift system to fulfill the worldwide air mobility requirements of the United States.

- The initial contracting activity on the C-17 was an alpha contracting to “down select” to the number of contractors interested in doing the work. After the alpha contracting, everyone goes into a teaming arrangement where they work together to determine projected cost, hours, models, etc.
- Under Total System Support Responsibility (TSSR) the prime contractor, Boeing, is responsible for the following system support functions: program management, asset repair, depot level maintenance, technical orders, support equipment, supply management, sustaining engineering, and engine management. Service Level Agreements are not planned for the C-17. Depot maintenance services from organic sources will be obtained by the prime contractor using Direct Sales Agreements.
- Partnerships for depot level maintenance services outside of core will be established on a best value basis. Other logistical support functions for the C-17 are not subject to partnerships because of the TSSR contract. The prime contractor has the flexibility to seek sources of supply and/or manufacturing in the public or private sectors.
- Organic support comprises only those depot maintenance workloads determined to be core. Core is defined as the level of organic workload necessary to ensure sufficient wartime facility, equipment and skills capability exists to satisfy readiness

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requirements. Current estimates of core show that it comprises about one third of the overall depot maintenance workload projected for C-17. For the other logistical functions, organic sources (such as inventory control points and commodity managers) already exist for government furnished equipment and materiel used by the C-17 program. The prime contractor will be responsible to coordinate support requirements with these organic activities.

- Prime contractor performance is assessed based upon the following metrics:
 - Depot Scheduling
 - Flying Hours Achievable
 - Parts Issue Effectiveness
 - Mission Capable (MICAP) Parts Management
 - Customer Satisfaction
- Formal reviews occur on a weekly basis at the program manager level. The prime contractor is represented at all operational locations, as well as at the program office. Program issues are worked continuously as required.
- 90% of the metrics are quantitative, objectives measures. At each award fee period, they set new goals for each quarter. Customer satisfaction is measured. The first survey is sent to aircraft users 120 days after delivery of the new aircraft on base – initial inspection. In 90 days – they send another survey to check the customer’s perception the second time.
- Customer surveys are completed with each award fee period. (Can get “poor behavior” from an award fee, for example, contractor buys a big number of supplies to score high a specific metric for the award fee.)
- The award fee goal is level of service with a minimum threshold, between the minimum and the goal is considered *acceptable* level of service. The contractor can only earn more (award fee) only if they exceed the *acceptable* level of service goal.
- C-17 will soon be able to go to a firm – fixed price contract since they have collected historical “should cost” data jointly with Boeing.
- Post award activities are coordinated by the program office in coordination with the DCMA on-site presence. Management reviews are scheduled on a regular basis to assess performance. Contractor reporting has been implemented to facilitate performance assessment in cost, schedule and support effectiveness.

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- Performance to date has met or exceeded program office and user expectations.
- Electronic Data is available to contractor and government using a combination of contractor developed and existing government data systems. The user has access to the appropriate data systems as well as to contractor on site representatives.
- A combination of sources is used to fund C-17 contractual efforts. Currently, the program uses funds in the aircraft procurement appropriation, O&M appropriation, and working capital funds.
- Each Boeing Customer Contact Person (CCP) develops a “Customer Contact Plan” and keeps current a “Customer Profile” for each government POC. The Customer Profile covers the basic information about the customer (government). It can be used as a standardized checklist when first meeting a new customer to ensure that all the appropriate information is know and recorded for future use. It is a reference for the Alternate CCP and supervisor to use during a Primary CCP’s absence or when training a new CCP. (Both documents are available in Appendix III, Study Charts and Tables.)
- The Customer Contact Plan describes a CCP’s assigned customer interface. Included in the plan are the customer’s principal interests, most important values, and desired frequency of contact and areas of related interest in which the customer is expecting to be kept informed. Contact frequency may vary widely depending on the role the customer plays, individual customer preferences and the nature of the customer interaction activity. The customer contact plan formally documents how customer interaction is to be implemented.

COMANCHE RAH-66



RAH-66 integrates battlefield sensors, shooters, and the tactical command and control system. The Comanche's tactical role is both offense and defense acquiring and distributing target information and battlefield intelligence to joint services intelligence, maneuver, and fire support elements, including armor, artillery, infantry aviation, and USAF and Navy strike systems, and applying combat power to ensure operations achieve intended results with minimum/no U.S. or Allied casualties.

The Project Manager for the Army's next-generation light-attack/army reconnaissance helicopter is at Redstone Arsenal, AL. The Boeing Sikorsky Comanche team relocated from Huntsville to Bridgeport, Conn., to be near the Comanche production facility, in the summer of 2002. The program successfully completed the Milestone II Defense Acquisition Board review in March/April 2000. The Comanche is slated for fielding in 2009.

Numerous studies including three Cost and Operational Effectiveness Analyses (COEAs) and two Analysis Of Alternatives (AOAs) have come to the conclusion that the RAH-66 is the most cost-effective weapons system for armed reconnaissance and attack. Comanche is expected to provide a significant improvement in operational effectiveness with a 40% reduction in Operating and Support Cost versus the current Army attack helicopter fleet. Plans for its sustainment are being made to incorporate all of the taskers

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associated with logistics transformation: minimize logistics footprint, reduce infrastructure with respect to inventory, and establish best value.

Along with its unique warfighting capabilities, the RAH-66 is designed for support. Its quick Rearm and Refuel turnaround of 20 minutes, and with only three soldiers. When compared to legacy helicopter systems, the Comanche has enhanced support attributes:

- Minimal Logistics Footprint
 - Fewer parts
 - Reduction in maintenance equipment
 - Extended time between maintenance actions
- Simplified Maintenance
 - Unique “remove and replace” 2-level maintenance design
 - Only 4 Military Occupational Specialties
 - Improved integrated component diagnostics
 - Improved access (50% of skin is access panels)
 - Electronic maintenance computer
- Briefcase-size tool kit (49 tools)
- Embedded training

Performance Based Logistics (PBL) metrics are also being incorporated into planned sustainment contracts: System Operational Readiness Rate of 90% peacetime and 78% wartime; Average monthly Non Mission Capable-Supply (NMCS) at or below 10%, a Management information systems operational 23-hours/day with current data. Additional metrics address reliability and configuration management response.

The PM benchmarked product support strategies with Southwest Airlines, FedEx and several Navy and Air Force aviation programs.

Under the planned product support integrator (PSI) concept, a *PSI Management Team (PSIMT)* will support the PSI. The PSIMT (1-800-COMANCHE) will have a Warehouse Specialist, Supply Chain Management (SCM) Specialist, IT Specialist, Budgeting and Contracting Maintenance Specialist and administration support. It envisions that supply support inventory, distribution and transportation management, will be competitive and

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can be subcontracted to a third-party logistics provider (3PL) or a partnership between the OEM and a logistics firm. In the current plan the OEM will maintain responsibility for technical data, PDSS, CTR and technical publications.

JOINT SURVEILLANCE TARGET ATTACK RADAR SYSTEM (JSTARS)



The **E-8C Joint Surveillance Target Attack Radar System** (Joint STARS) is an airborne battle management, command and control, intelligence, surveillance and reconnaissance platform. Its primary mission is to provide theater ground and air commanders with ground surveillance to support attack operations and targeting that contributes to the delay, disruption and destruction of enemy forces.

Joint STARS evolved from Army and Air Force programs to develop, detect, locate and attack enemy armor at ranges beyond the forward area of troops. The first two developmental aircraft deployed in 1991 to Operation Desert Storm. The joint program accurately tracked mobile Iraqi forces, including tanks and Scud missiles. Crews flew developmental aircraft on 49 combat sorties, more than 500 combat hours with a 100 percent mission-effectiveness rate.

Northrop Grumman Corporation (NGS) is the prime contractor for the sole-source TSSR contract. The WR-ALC depot performs core depot maintenance work under a workshare partnership with NGC. The NGS determines the depot's work requirements and provides sustaining engineering and other support functions to the depot to facilitate the accomplishment of the work.

The Long Range Memorandum of Agreement (LRMOA) is between all partners—the JSTARS Joint Program Office, NGC, and the WR-ALC depot. The LRMOA provides the overarching goals and objectives of each of the parties and documents the top-level commitments to negotiate subsequent agreements in concert with these goals and objectives. The LRMOA is reviewed and updated semi-annually.

The Partnering Agreement (PA) between NGC and the WR-ALC provides the general terms and conditions by which all depot-performed workloads will be accomplished and outlines the general responsibilities of the parties for performance of the workloads.

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Specific legal issues (e.g., dispute resolution, warranties, assignments, legal remedies, funding processes, etc.) are addressed by the PA. The PA is incorporated into the prime TSSR contract as the guiding basis for the Air Force providing the depot-performed workloads to the contractor.

NGC is in general control of the funding, although funds are actually transferred from the government buying activity to the depot.

The Implementation Agreements (IAs) are between NGC and the WR-ALC. The IAs are structured similar to a contract order, containing line item pricing, work descriptions, delivery times, Statements of Work, and other information and commitments pertinent to each specific workload. IAs also includes budgetary dollar estimates for the following 5 years of requirements.

Overall the performance of the contractor is considered highly satisfactory. Multiple layers of metrics are reviewed, a few are as follows:

- The availability rate of the mission crew trainers averaged 98% for the fiscal year. The standard is 95%. This resulted in 50 additional training positions at no additional cost.
- The number of organic software changes included in the JSTARS baseline increased from 20 in FY01 to 171 in FY02.
- FY-01 and FY-02 Program Savings of \$30.8M
- Flew 100% of Scheduled Missions in Support of Operation Enduring Freedom (249)

In general the metrics support performance and affordability. Under the award fee, technical performance is 36% and Customer Satisfaction is 29%. Affordability metrics include cost performance for 35% of the award fee, and 34% of the award term is cost.

The Contract is an integrated award fee/award term strategy with a long-term potential of 22 years. Additional terms are awarded based on the total number of performance points NGC earns each quarter. Accrual of 100 positive points increases the term by one year. Accrual of negative points reduces earned term by one year. Each year there is a potential -100 to +150 points available.

WISCRS is the software program used to track performance.

TOW IMPROVED TARGET ACQUISITION SYSTEM (ITAS)

Tow Improved Target Acquisition System (ITAS) provides world-class surveillance and anti-armor capability.

In the words of MG David H. Petraeus, Commander, 101st Airborne Division:

“The FLOR and the TOW ITAS, in particular, was the hero of the battlefield. It enabled us to see the enemy way, way out before he could even believe we could see him. And that night outside the airfield, for example, our TOW gunners could see the enemy and bring in either close air support or artillery before the enemy even realized he was being seen.”
(Roadshow briefing)



The ITAS briefing, during the PBL Roadshow in Huntsville on 18 August 2003, covered information related to the PBL study.

- ITAS designed to improve performance; and better performance equals more kills and greater soldier survivability.
- There is no change in the soldier's direct support mission; they trouble shoot and repair system, with repair by replacement spares loaded as shop stock.
- Inventory management is the contractor's responsibility. They provision, own, and maintain an inventory of spares; determine requirements and capture demand history.
- The soldier uses standard Army information systems (SARSS) to interface with the contractor. There is no direct cost to the soldier; initial spares, replenishment and transportation to and from the depot are all provided as part of the contract.
- Depot maintenance repair is also provided under contract with Raytheon at McKinney, Texas
- During mobilization, the contractor's Forward Repair Activity (FRA) is collocated with Army Support Battalions to provide limited depot level repair.

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They are on the unit’s load plan, on two hour recall, with shots, wills, and personal equipment ready to deploy on Commander’s call. They are not required to be on the battlefield.

- Since this is a new, low-density weapon system, with relatively low funding requirements, it is not integrated into the AWCF.

The 5-multiple year contract performance requirement is 90 percent system operational readiness level. Higher performance levels result in greater profit with an adjustable award fee. The price of the contract is increasing each year due to the increase in the number of systems being fielded. The price per system is decreasing per year.

ITAS Logistics Support: Contractor (CLS) / Organic Cost Comparison						
	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2004</i>	<i>FY 2005</i>	<i>Total FY 99- TC</i>
CLS (TY\$)	7.7	10.8	13.5	12.9	16.0	601.1
Organic (TY \$)	18.2	27.4	18.2	21.9	29.0	944.6
Cost Avoidance	10.5	16.6	4.7	8.9	13.1	343.5

CLS Cost Avoidance Major Contributors: No TDP, Replenishment Spares, Initial Spares

TABLE 1: ITAS LOGISTICS SUPPORT

The PBL contract (FY 02 – 06) has several metrics in place to maintain contractor performance: Any one system down more than 30 days reduces maximum award fee by 50%; three battalions at less than 90% (during award fee period) eliminates any award fee. If a division is at less than 90% for a month there is no award fee and the contractor is required to increase inventory by the number of unfilled requisitions that month.

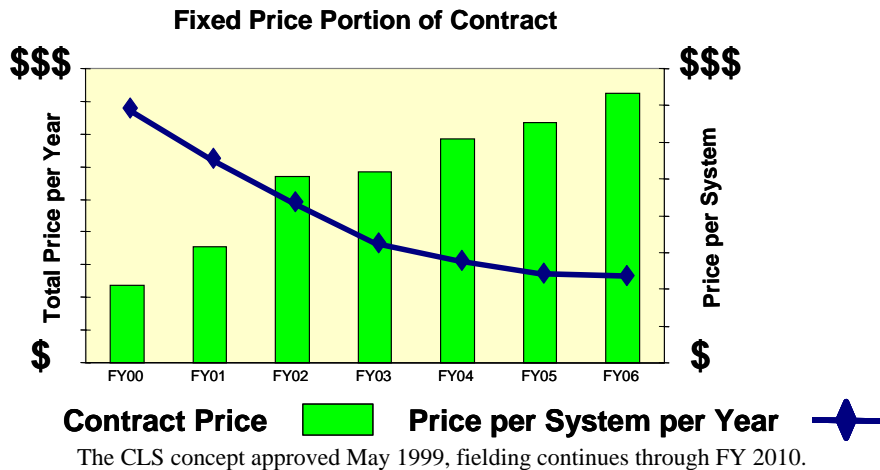


FIGURE 2: FIXED PRICE PORTION OF CONTRACT

F/A-18 E/F USN/INDUSTRY PARTNERSHIP

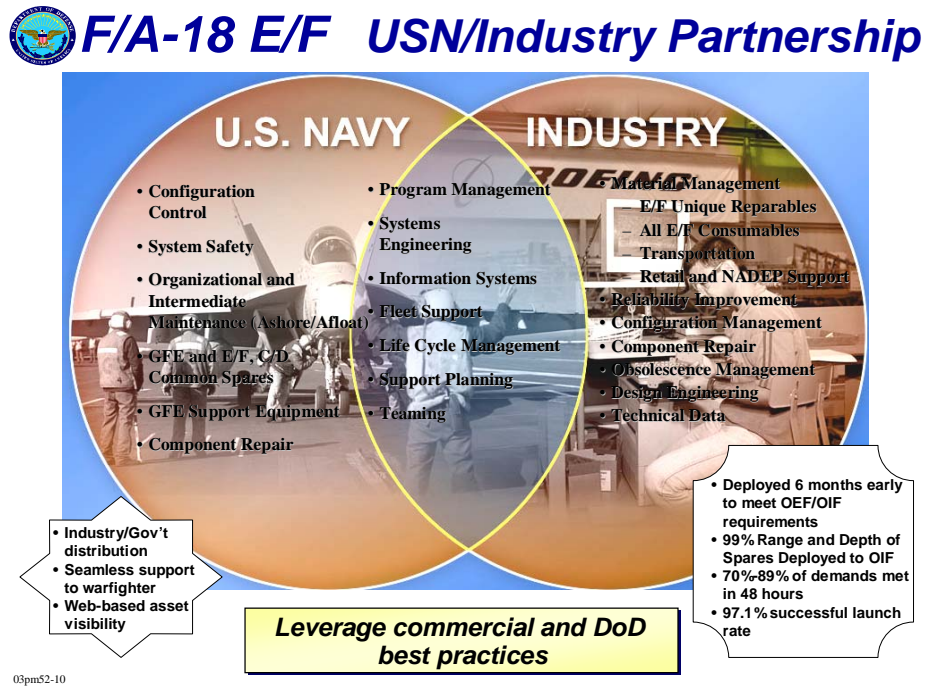


FIGURE 3: F/A-18 E/F USN/INDUSTRY PARTNERSHIP

The NAVY uses a PBL approach for sustainment of F/A-18E/F unique items, with the potential to evolve to an OEM sustainment integrator under a NAVAIR contract.

The TSSR-like structure contract provides tip to tail components for the E/F unique items. Boeing is the overall system integrator. The contract is managed by NAVICP, Philadelphia. It is a two-year base term contract with plans to evolve to a fixed price. It is currently an IDIQ cost plus, inventive fee/award fee contract

Metric include the following:

- Material Availability
- Supply response time – 85% within LMMIPS
- Stock effectiveness – 90%
- Fleet Support – RFI within 8 hours
- Sustainability – Reliability subjectively measured
- IT Connectivity

Award fees up to 11% of the contract value are possible:

Incentive Fee is 33% and measures cost performance

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Award Fee is 67% and measures technical performance

Partnering Arrangements include:

- Commercial Service Agreement between Boeing and 3 Navy Depots
- Joint Government/Industry Team determined best value repair points—commercial or organic
- A business case was build to support the partnerships and documentation is currently maintained for all decisions.

NWCF are used for the contract. The initial plan was to fund the contract with a single “line of accounting” however a shortage of flying hour program (FHP) monies required the NWCF arrangement.

NAVICP buys performance and sells flying hour support. FLP funds individual components to reimburse NWCF



The single-seat F/A-18 *Hornet* is the nation's first strike-fighter. *Hornets* are currently operating in 37 tactical squadrons from air stations world-wide, and from 10 aircraft carriers. The U.S. Navy's Blue Angels Flight Demonstration Squadron proudly flies them. The *Hornet* comprises the aviation strike force for seven foreign customers including Canada, Australia, Finland, Kuwait, Malaysia, Spain and Switzerland.

ⁱ The DoD Depot of Choice Brochure, published by the WR-ALC Re-engineering Office, Robins AFB, GA. Published October 1998, p. 25.