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# **Acquisition Reform Initiatives That Support PBL**

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- Early Acquisition Reform Initiative
- Federal Acquisition Streamlining And Defense Acquisition Pilot Programs
- Individual Service Initiatives
- Authority For PBL
- DoD 5000.1
- Observations On PBL To Date

# Early Acquisition Reform Initiatives Point Towards PBL

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- June 1994 Memorandum from Secretary of Defense Perry "Specification and Standards – A new way of doing business"
  - Mandates a preference toward Commercial Off The Shelf (COTS)/ Non-Developmental Items (NDI) procurement
  - Buy performance rather than specify design; move from Statement Of Work (SOW) to Statement Of Objectives (SOO)
  - Capitalize on commercial technology cycles to speed modernization of weapons systems

# Move To “Open Systems” Approach

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- 29 Nov 1994 Memorandum from Under Secretary of Defense Kaminski on Use of “Open Systems”
  - Use Open Systems standards and specifications to acquire weapons systems (specifically the electronic products) as much as practical
  - Take advantage of broader commercial base for technology to minimize DoD investment
  - Minimize obsolescence/ Diminishing Manufacturing Sources (DMS) because of inherent stability of open standards and specifications
  - Lower lifecycle cost through use of available, stable and proven technologies

DoD expenditures, as a % of GDP, dropped from 7% to 3.5% over a 20 year period ...DoD influence has declined materially in impacting the manufacturing base

# Federal Acquisition Streamlining Act (FASA) Of 1994

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- Facilitated the acquisition of commercial items and the use of commercial practices
- Enabled the advent of electronic commerce in the federal government
- Allowed use of more streamlined contract processes
- Established statutory basis for pilot programs

# Defense Acquisition Pilot Programs (DAPP)

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- Provide test bed for demonstrating viability of acquisition reforms
- Seek DoD bureaucracy “buy-in” to change
- Gain visible wins for acquisition reform effort
- Services to propose pilots (example)
  - Apache Helicopter
  - M109 Family of Vehicles

# DAPP Results – A Cautionary Tale

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- M109 FOV Fleet Management Pilot cancelled prior to RFP release to industry after 2 ½ year study effort
  - PBL-type approach to outsourcing of weapons system support
  - Draft RFP limited scope to the point where interested industry competitors announced that they would no-bid
  - Impacted subordinated commands self-interest
  - No means to evaluate support option since government would not speak with contractors due to rule governing competition
  - No means for valuing government inventory
  - No means for quantifying current government costs

# DAPP Results – A Cautionary Tale

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- Apache pilot cancelled (continued)
  - PBL-type approach to outsourcing of weapons system support
  - Impacted subordinate commands self-interest
  - Negatively impacted Army Working Capital Fund recovery
  - Sole-source contract not supported in congress
  - No means for valuing government inventory
  - No means for mitigating contractor risk

**Large investment in pilots – NO RESULTS!**

# Individual Service Initiatives With A PBL-Type Twist

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- Modernization Through Spares/Continuous Technology Refreshment (Army)
  - Modernize weapons systems through implementation of continuous improvements to spares
- Buy Our Spares Smart III (Navy)
  - Part of Navy VECP program
  - Improve sustainment through component reliability, maintainability and logistics improvements through the supply system
- Improved Item Replacement Program (Air Force)
  - Correct reliability problems through improve SRU/LRUs available through the supply system

# Formal Authority For PBL Granted

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- Quadrennial Defense Review  
(Sep. 2001)  
*"DoD will implement Performance Based Logistics to compress the supply chain and improve readiness for major weapons systems."*
- Undersecretary of Defense, Acquisition, Technology & Logistics (Feb. 2002)  
*Requires PBL plan from each Program Manager for all new acquisition programs and all ACAT I and II Fielded Systems*

# DoD Directive 5000.1 Establishes Guidance For PBL

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- May 2003 DoD 5000.1 update
  - Program Manager responsible for product sustainment
  - Use performance based acquisition for acquiring and sustaining product and services
  - PMs shall develop and implement performance based logistics strategies that optimize:
    - availability
    - reliability
    - logistics footprint
    - cost

# ...2006 QDR States That DoD Is Still Focused On PBL

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“...OSD has made significant strides in migrating to a capabilities-based logistics approach. In this QDR, the Department focused on improving visibility into supply chain logistics costs and performance and on building a foundation for continuous improvements in performance by using tools like Lean, Six Sigma and **Performance Based Logistics**, to help optimize the productive output of the overall Department of Defense supply chain.”

# PBL Centerpiece of DoD Future Logistics Enterprise

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- DoD's near-term plan is to transform logistics
  - Weapons systems support
  - Lifecycle cost
  - Integration with each Service's Enterprise
- Focused on improving warfighter satisfaction
- Enabled by best practices and commercial solutions

# Observations On PBL To-Date

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- General confusion within government and contractor community concerning PBL
  - Will this help the warfighter? (Legitimate concern)
  - Do we really want to do this? (Legitimate concern)
  - What happens when we go to war? (Legitimate concern)
  - What if the contractor fails to perform or exits the business? (Legitimate concern)
  - How will we measure success? (Legitimate Concern)
  - How will it impact my current organization? (Not legitimate concern)
    - What about my job?
    - How will I add value if a performance based agreement is signed with a contractor?
    - Will I fill “squeeze” it into my existing processes or create new processes?

# Observations On PBL To-Date

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- PBL, though supported at the top, does not have full support at all levels within DoD
  - Threat to existing organic infrastructure
  - Threat to existing contractor infrastructure
  - Emerging policy but not yet mature
  - Legal impediments to elements needed to enter PBL agreements

# Observations On PBL To-Date

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- Industry confusion concerning PBL and government's commitment to contract
  - Is this real or just another initiative?
  - Can I make any money at it?
  - Why would I want to take the risk for lousy returns and high investment?
  - What happens if at the end of SDD the BCA says that PBL is not the right solution?
  - Will Federal employee self-interest drive the outcome of the BCA recommendation?

# Observations On PBL To-Date

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- DoD thinking-to-date addresses the warfighter and government's self-interest but has failed to recognize the contractor's self interest
  - Incentives versus "penalties"
  - Empowerment versus oversight
  - Caps on profits rather than profits as incentive for continuous improvement

**It is our belief that PBL can provide a win/win for both DoD and Industry if both parties understand each others self-interest!**