



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

## THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3010

FEB 13 2002

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (ACQUISITION,  
LOGISTICS AND TECHNOLOGY)  
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,  
DEVELOPMENT, & ACQUISITION)  
ASSISTANT SECRETARY OF THE AIR FORCE  
(ACQUISITION)

SUBJECT: Performance Based Logistics

In September 2001, the Quadrennial Defense Review (QDR) mandated implementation of performance-based logistics (PBL) and modern business systems with appropriate metrics to compress the supply chain, eliminate non-value-added steps, and improve readiness for major weapons systems and commodities. PBL delineates outcome performance goals of weapon systems, ensures that responsibilities are assigned, provides incentives for attaining these goals and facilitates the overall life cycle management of system reliability, supportability, and total ownership costs.

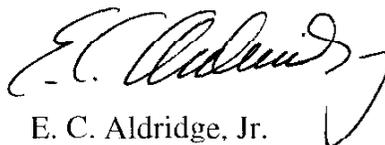
DoD 5000.2-R requires the Program Manager, in coordination with Military Service logistics commands, to include planning for full life-cycle product support management as part of the support strategy documented in the acquisition strategy. As a minimum, product support management planning shall address: integrated supply chains segmented support by system or subsystems; maintaining a relationship with the warfighter based on system readiness; selection of best-value, long-term product support providers and integrators based on competition; measuring support performance based on high-level metrics such as mission capable (MC) rates; improved product affordability and system reliability; and a dedicated investment in technology refreshment.

The FY 2003-07 Defense Planning Guidance (FY03 DPG) requires that each Military Department submit a plan that identifies its implementation schedule for applying PBL to all new weapon systems and all Acquisition Category I and II fielded systems. Service PBL schedules should reflect an objective to aggressively pursue program implementation end dates tailored, program-by-program, to complete at the earliest feasible date. Service plans for PBL implementation should be prepared in accordance with Attachment 1 and submitted to this office by May 1, 2002.



Program-specific PBL implementation planning and progress, per your submitted schedule, will be reviewed and monitored by this office as developed. Guidance for development of PBL strategies and implementation of DoD 5000 Product Support Policy is currently available in our Product Support Guide, "Product Support – A Program Manager's Guide to Buying Performance", available on the Logistics Plans and Programs web site at [http://www.acq.osd.mil/log/new\\_lpp/ps/prod\\_suprt.htm](http://www.acq.osd.mil/log/new_lpp/ps/prod_suprt.htm). Additional plan format guidance is provided as Attachment 2.

My focal point for this effort is Mr. Lou Kratz, ADUSD (Logistics Plans and Programs), at 703-614-6082 or via e-mail at [Louis.Kratz@osd.mil](mailto:Louis.Kratz@osd.mil).



E. C. Aldridge, Jr.

Attachments

As stated

cc:

Deputy Chief of Staff, Army (Logistics)

Deputy Chief of Naval Operations (Fleet Readiness & Logistics)

Deputy Chief of Staff, Air Force (Installations & Logistics)

Deputy Chief of Staff, Marine Corps (Installations & Logistics)

Director for Logistics, J4

Director, Defense Logistics Agency

## **Guidelines for Preparing Service PBL Implementation Schedule**

**GENERAL:** Each Service, in accordance with the FY03 Defense Planning Guidance and Change 1 to DoD 5000.2-R, will develop schedules to ensure implementation of Performance-Based Logistics (PBL) on all new systems and ACAT I and II fielded systems. The implementation schedules will be submitted in a common format as outlined below.

**1.0 Service-level implementing activities** – Provide a comprehensive list and discussion of all Service-level activities and initiatives facilitating the implementation of PBL. Topics included, at minimum, are listed below.

**1.1.1 Goal/Objectives** - Provide the Service goals and objectives for the implementation of PBL on weapon systems.

**1.1.2 Strategy/Approach** - Describe the Service strategy and approach for meeting the goals/objectives for PBL implementation. Include specific corporate initiatives which support PBL. These might include policy, procedures, training and education, organizational realignments, technology, legislative initiatives, or financial mechanisms which facilitate PBL implementation.

**1.1.3 Decision Criteria** – Provide the decision criteria used to conduct the business case analysis for legacy systems. Program PBL Plans should be tailored appropriately applying good business sense. Describe the process(es) used to determine weapon system product support strategy and variations or accommodations for different systems. In summary, define how a weapon system support strategy is selected and who is responsible.

**1.1.4 Enablers and Barriers**

**1.1.4.1 Enablers** – Describe, from a Service perspective, enablers promoting implementation of PBL support strategies

**1.1.4.2 Barriers** - Describe, from a Service perspective, barriers to PBL implementation

**1.1.5 Resources** – This section will present resources required to implement PBL consistent with the Service's FY04 (or FY05 planned) POM submission. This section will include a summary of investments required for PBL implementation and expected efficiencies, if any.

**2.0 Service PBL Plans, Guidance, and Initiatives** - Describe any planned, existing, or in-development guidance to Program Managers regarding the implementation of PBL. Each Service, in concert with overarching DoD 5000-series directives and OSD guidance, should develop and disseminate appropriate implementing guidance and instruction applicable to their suite of weapon system programs.

## **Guidelines for Preparing Service PBL Implementation Schedule, continued**

**3.0 Implementation Schedule** – This section provides the Service PBL implementation schedule by weapon system. In table format, present top-level PBL implementation schedules for all weapon system programs meeting the DPG criteria. For each system, indicate the implementation start date and end date (fully implemented).

**4.0 Exceptions to PBL Implementation** – In table format, identify programs that will not transition to PBL with a brief summary statement of the conclusions which support his decision.

## **Program PBL Implementation**

**1.0** PBL implementation schedules for individual systems shall be developed in support of Service PBL implementation. Although no common format is dictated, program plans should include, at minimum, the information outlined below.

**1.1. Descriptive Program Information** – For all service weapon system programs provide background data to include brief system description, mission area, Acquisition Category, life cycle stage, number of systems, summary level cost/budget information, customer base (to include FMS), brief overview of current support concept, current organization, current readiness rates (for legacy systems) and other critical performance measures as applicable. For each program, indicate which of the following PBL components are in place:

- 1.1.1.** Performance agreements with the Warfighters
- 1.1.2.** Performance agreements with commercial and organic providers
- 1.1.3.** Integrated Product Support provider
- 1.1.4.** Performance-based metrics
- 1.1.5.** Performance-based incentives
- 1.1.6.** Partnering
- 1.1.7.** Total life cycle systems management responsibility (i.e. Program Manager oversight of sustainment)
- 1.1.8.** Others as present

### **1.2. PBL Strategy**

- 1.2.1.** Current Product Support Approach (including the maintenance strategy)
- 1.2.2.** Support infrastructure (organizations, roles and responsibilities)
- 1.2.3.** PBL Transition Plan
- 1.2.4.** Redefined support infrastructure
- 1.2.5.** Expected outcomes in terms of performance and cost
- 1.2.6.** Performance incentives and sanctions
- 1.2.7.** Risk Management
- 1.2.8.** Other Factors

### **1.3. PBL Implementation**

- 1.3.1.** PBL Plan
  - 1.3.1.1.**Product support integrator
  - 1.3.1.2.**Reduced demand for logistics support (performance requirements)
  - 1.3.1.3.**Reduced resources for logistics support (personnel and dollars)

## **Program PBL Implementation, continued**

### **1.3.2. PBL Metrics**

- 1.3.2.1. Readiness indicators**
- 1.3.2.2. Customer Wait Time**
- 1.3.2.3. Cost**

### **1.3.3. PBL Schedule**

- 1.3.3.1. Total system**
- 1.3.3.2. Major sub-systems (i.e. propulsion, avionics)**