



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

2006 JUN 20

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Performance-Based Logistics (PBL) and the Business Case Analysis (BCA)

The Strategic Planning Guidance (SPG) requires the Services to complete a Business Case Analysis (BCA) by September 30, 2006 on all new and fielded ACAT I and II programs for application of Performance-Based Logistics (PBL) sustainment strategies. The PBL approach is the preferred product support strategy within the Department of Defense (DoD). The purpose of this memorandum is to provide additional guidance to assist you in assessing the potential application of a PBL strategy to accomplish the September 2006 deadline.

The assessment should be conducted through a 2-step process. Step 1 is to conduct a management analysis of all ACAT I and II programs that have not currently employed or plan to employ a PBL strategy. The assessment should consider the potential for a PBL strategy at the system, subsystem, or major assembly level. The following criteria should be used in your analysis:

- Program is currently supported via traditional sustainment strategy through organic or commercial means.
- Programs involving minimal logistics requirements, such as "wooden round" armaments or products under commercial warranties, should maintain existing support strategies.
- There shall be a minimum of 5 years useful life expectancy for the system in the DoD inventory.
- The warfighter's stated capabilities shall be achievable and maintainable under the PBL approach with a high level of potential in achieving an increase in system performance.
- The cost per operational unit of performance (i.e., cost per flight hour) shall be capable of being reduced through the application of a PBL approach. Cost reduction potential shall be assessed through application of cost estimating tools, simulations, or cost models.



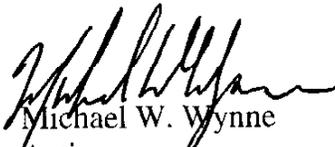
- The risks associated with implementation of a PBL strategy shall be determined to be low to medium.
- All costs associated with completing the formal BCA shall be considered an investment to attain future savings.

The Defense Logistics Agency will provide assistance to the Military Departments in gathering data and information associated with DLA products and services applicable to the scope of potential PBL strategies.

The results of your management analysis shall be documented as a listing of those ACAT I and II programs determined to have potential for PBL application. This listing will target a date for completion of a formal BCA. Rationale for not pursuing a PBL approach shall be documented. The potential candidates and rationale shall be forwarded through DUSD(L&MR) to arrive at AT&L no later than September 30, 2004.

Step 2, shall be to conduct a formal BCA in accordance with the BCA guiding principles I promulgated on January 23, 2004 (memo attached).

My focal point for this effort is Mr. Lou Kratz, ADUSD (Logistics Plans and Programs), at (703) 614-6327, or via e-mail: Louis.Kratz@osd.mil.


Michael W. Wynne
Acting

Attachment
As stated