



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

3500 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3500

December 20, 2010

LOGISTICS AND  
MATERIEL READINESS

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (ACQUISITION,  
LOGISTICS AND TECHNOLOGY)  
ASSISTANT SECRETARY OF THE NAVY (RESEARCH  
DEVELOPMENT AND ACQUISITION)  
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)  
ASSISTANT SECRETARY OF THE AIR FORCE  
(INSTALLATIONS, ENVIRONMENT AND LOGISTICS)  
DEFENSE LOGISTICS AGENCY

SUBJECT: Maximum Utilization of Government-Owned Inventory in Performance-Based  
Logistics Arrangements

Recent Department of Defense (DoD) Inspector General reports have highlighted the need to review inventories and use government-owned repair parts before procuring the same parts from private contractors through performance-based logistics (PBL) arrangements or contractor logistics support. PBL arrangements are an important method of support for weapons systems and may employ either government-owned or contractor-owned repair parts. When executing commercial product support strategies, particularly in today's environment of affordability and efficiency, use of on-hand and due-in government inventory should be standard practice on all PBL arrangements and partnering agreements. When PBL arrangements utilize commercial sources, stocking objectives should be adjusted accordingly. DoD 4140.01-R (Volumes 2 and 3), "DoD Supply Chain Materiel Management Regulations" provides further guidance on adjusting inventory levels and forecasting to meet changes in demand.

While DoD Instruction (DoDI) 5000.02, "Operation of the Defense Acquisition System," DoDI, 4151.21, "Public-Private Partnerships for Depot-Level Maintenance," and DoD 4140.1-R require full costs and benefits be considered in developing support arrangements, policy is being strengthened to emphasize the utilization of government-owned inventory before procuring contractor-owned inventory. In the interim, existing performance-based arrangements should be reviewed to ensure maximum use of on-hand and due-in government-owned inventory to support good business practices.

Points of contact for this subject are Ms. Lisa P Smith, ODASD(MR) at (703) 614-8339, [Lisa.Smith@osd.mil](mailto:Lisa.Smith@osd.mil) and Ms. Lynn Fulling, ODASD(SCI) at (703) 604-0098 x185, [Lynn.Fulling@osd.mil](mailto:Lynn.Fulling@osd.mil).



Alan F. Estevez  
Principal Deputy

cc:

Commander, US Army Materiel Command  
Commander, Air Force Materiel Command  
Commander, Naval Air Systems Command  
Commander, Naval Sea Systems Command  
Commander, Space and Naval Warfare Command  
Commander, Naval Supply Systems Command  
Commander, Naval Inventory Control Point  
Commandant, Marine Corps Logistics Command  
Deputy Chief of Staff for Logistics, U.S. Army, G4  
Deputy Chief of Naval Operations (Fleet Readiness and Logistics), N4  
Deputy Chief of Staff for Logistics, Installations, and Mission  
Support, U.S. Air Force, A4/7  
Deputy Commandant, Installations and Logistics, U.S. Marine Corps