



**DEFENSE LOGISTICS AGENCY
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FEB 16 2011

**MEMORANDUM FOR PRINCIPAL DEPUTY ASSISTANT SECRETARY OF DEFENSE
(LOGISTICS & MATERIEL READINESS)**

SUBJECT: Performance Based Logistics (PBL) Pilot for Defense Logistics Agency (DLA)

On December 13, 2010, representatives from DLA and Honeywell met to discuss the potential for a single PBL agreement to combine requirements for Auxiliary Power Units (APUs) across the Services. Currently, the Army, Navy, and, Air Force use Honeywell APUs but contract separately for repair. The result is multiple contracts, multiple contracting approaches, and multiple business rules. Honeywell contends, and DLA agrees, a single PBL contract to support APUs across the Services would rationalize the business structure and allow for the exploitation of economies of scale and scope while yielding significant savings. A single contract would garner improvements to logistical performance, including improvements to component reliability. Further savings are possible if DLA were to construct this as a contract allowing for other Honeywell components to be added incrementally (e.g., aircraft wheels and brakes, CH-47 engines, Abrams Tank engines, etc.).

If these inferences are validated, single, vice multiple, PBL contracts have potential to increase materiel availability and reliability, reduce Operating and Support costs, and return money to the Department for reinvestment. Logically, these savings and benefits would apply to any component or family of components managed by two or more Services. Given the potential this business model offers, DLA requests approval to pursue an APU PBL initiative with Honeywell. OSD sponsorship would facilitate the cross-Service data collection required to conduct a Business Case Analysis (BCA) to determine the potential savings. If the BCA demonstrates a single PBL is the optimal solution it would facilitate acquisition planning. Sponsorship would also provide DLA with the necessary authority to manage these items and to construct the required Depot Level Repairable repair contract to facilitate a PBL.

If approved, DLA is committed to pursue this pilot program, and potentially others, to validate the benefits of a cross-Service PBL business model. From our initial discussions, we see this as a great potential to deliver better value to the taxpayer and the Warfighter.


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Director