



DEPARTMENT OF THE ARMY
ASSISTANT SECRETARY OF THE ARMY
ACQUISITION LOGISTICS AND TECHNOLOGY
103 ARMY PENTAGON
WASHINGTON DC 20310-0103

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SAAL-ZL

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Performance Based Logistics (PBL) for Army Working Capital Fund (AWCF) Secondary Items

The purpose of this memorandum is to expand the implementation of PBL to secondary items/depot-level reparable (DLRs) products that are stocked within the AWCF. Life Cycle Management Commands (LCMC) will collaborate with Program Managers when developing and implementing PBL strategies for AWCF secondary items.

Performance Based Logistics is a Department of Defense Product Support Strategy (PSS) initiative which includes as its goals: Increased operational readiness; enhanced logistics response time; enhanced deployment; reduced logistics footprint and reduced logistics cost. Consistent with established policy, PBL for secondary items is one of the available support strategies that should be considered where economically and operationally feasible.

To date, PBL initiatives have focused on Acquisition Category programs managed by Program Executive Officers/Program Managers (PM). However, PBL may be extended to systems, subsystems, secondary items, components, assemblies, or subassemblies as well as processes that lead to business process improvements (e.g., Lean or Six Sigma improvements on a depot line).

In order to more aggressively pursue PBL opportunities for secondary items, the following guidelines are provided. In identifying potential PBL candidates, focus should be on actively-demanded AWCF Depot Level Repairable (DLR) items rather than obsolete, semi-active, low demand, non-Army managed and non-stocked items. Secondary items with diminishing manufacturing resources and materiel shortages also lend themselves to PBL solutions.

An abbreviated Type-I (Feasibility) Business Case Analysis (BCA), in accordance with the Assistant Secretary of the Army (Acquisition, Logistics and Technology) (ASA(ALT)) BCA policy memorandum of August 18, 2005, should be performed to justify PBL PSS for AWCF secondary items. For Defense Logistics Agency procurement actions, PBL efficiencies will be obtained via consolidation of like items into long-term contracts with incentives tied to performance outcomes in accordance

with existing acquisition regulations. Full government access to item-level demand and return data will be incorporated into all PBL contracts/Memorandum of Agreement (MOA)/Memorandum of Understanding (MOU). Surge production capability should also be included in both repair MOAs/MOUs and in procurement contracts.

The Performance Base Agreement should include accurate, quantifiable and defensible baseline metrics for use in gauging the success of the PBL initiatives as well as incentives and/or disincentives for achieving the selected metric(s). For secondary items, some key metrics include stock availability, logistics response time, reduction in procurement lead-time, reduction in overall backorders, reduction in backorders of mission essential items and overall inventory costs. Cost-per-unit usage and other application-specific metrics may also be applicable. Comparison of baseline to current performance metrics will be an iterative process over the term of the PBL initiative. The PM/LCMC must ensure that performance metrics chosen for AWCf secondary item PBL arrangements support and contribute to the PBL performance metrics for the weapon/materiel system they support.

The LCMC will designate a PBL coordinator to submit a report on PBL implementation for the AWCf secondary item inventory. The LCMC will take the lead, in coordination with the PM and other stakeholders, to prepare this report as part of the Army's current PBL report being provided to ASA(ALT), ATTN: SAAL-ZL, until a new reporting format is formalized and published. The report will list the number of candidate DLR items, the number being considered for PBL feasibility, the number involved in active BCA consideration, and the number currently on PBL contracts for procurement and for repair.

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