



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

SAAL-ZL

APR 13 2014

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Performance Based Product Support (Performance Based Logistics (PBL))  
Contracts for Army Working Capital Fund (AWCF) – Supply Management Army (SMA)  
Secondary Items

1. This policy applies to all performance based contracts for AWCF-SMA secondary items and is effective, this date.
2. The PBL is synonymous with performance based product support. The Army preference is that all performance based product support leverage existing organic product support capabilities, to the maximum extent possible, while other non-organic alternatives are considered. All Business Case Analyses (BCA) should include, as an alternative, a comparison of organic supply chain management costs to commercial supply chain management costs to ensure the lowest cost alternative is identified.
3. The goal for performance based contracts is to provide financial incentives to industry to deliver needed reliability and availability at reduced total cost. Given the current fiscal environment, cost reductions wherever possible are critical to our future operations. Performance metrics should reflect only performance that is needed, and should not reflect more performance than required. Metrics exceeding the requirement may drive increased cost and may not improve overall weapon system readiness. The primary metric for AWCF-SMA items is stock availability. Performance based contracts shall neither pay for stock availability rates greater than what is defined in Army Regulation 710-1, nor incentivize the contractor to exceed regulatory goals. For example, if an 85 percent stock availability is needed, the performance based contract should not require 95 percent stock availability that drives a higher support cost.
4. The PEOs shall ensure that Materiel Developers (MATDEV) in cooperation with the appropriate U.S. Army Materiel Command (USAMC) Life Cycle Management Commands (LCMC) review existing secondary item contracts for opportunities to:
  - a. Implement metrics that support the needed performance requirements and enable effective cost management and control.
  - b. Reduce supply chain management costs.
  - c. Eliminate duplication of support currently available through the organic supply chain management infrastructure. In instances where additional non-organic supply chain support is required, the BCA must include justification for the additional supply

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chain management costs and readiness impacts that clearly support a capability not currently available.

d. Evaluate contract requirements when the BCA is revised and adjust the contract as required.

5. The PEOs, MATDEVs, and LCMCs shall:

a. Seek opportunities to expand successful implementation of performance based product support arrangements where they deliver the needed reliability and availability at reduced total cost.

b. Perform an analysis of existing contracts, contract actions in-process, and related BCAs, and report results of the analysis to the Office of the Deputy Assistant Secretary of the Army (Acquisition Policy & Logistics), ATTN: SAAL-LC, by 15 July 2014.

6. The point of contact is Mr. Stephen Hayes, commercial (703) 617-0227, DSN 767-0227, or e-mail: stephen.e.hayes8.civ@mail.mil.



Heidi Shyu

Assistant Secretary of the Army  
(Acquisition, Logistics and Technology)

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