

DEFENSE LOGISTICS AGENCY, FORT BELVOIR, VA 22060-6221
NAVAL SEA SYSTEMS COMMAND, WASHINGTON NAVY YARD, DC 20376-4065
NAVAL AIR SYSTEMS COMMAND, PATUXENT RIVER, MD 20670-1547
NAVAL SUPPLY SYSTEMS COMMAND, MECHANICSBURG, PA 17055-0791
SPACE AND NAVAL WARFARE SYSTEMS COMMAND, SAN DIEGO, CA 92110-3127

SPAWAR
5400
Ser 00/309
25 Aug 04

NAVSUP
5400
Ser 00/004
19 Jan 05

NAVAIR
5400
Ser 00/114
2 Sep 04

NAVSEA
5400
Ser 00/011
12 Aug 04

DLA
5400
Ser DLA-013
7 Sep 04

VIRTUAL SYSCOM MEMORANDUM OF AGREEMENT - VS-MOA-14
BETWEEN

DIRECTOR, DEFENSE LOGISTICS AGENCY
COMMANDER, NAVAL SEA SYSTEMS COMMAND
COMMANDER, NAVAL AIR SYSTEMS COMMAND
COMMANDER, NAVAL SUPPLY SYSTEMS COMMAND
AND

COMMANDER, SPACE AND NAVAL WARFARE SYSTEMS COMMAND

- Subj: MEMORANDUM OF AGREEMENT TO ACHIEVE A MORE COMMON APPROACH
TO PERFORMANCE BASED LOGISTICS
- Ref: (a) NAVSEA, NAVAIR, SPAWAR, and NAVSUP Memorandum of
Agreement to Achieve a More Common Approach to Supply
and Logistics Management of 24 May 2002
- Encl: (1) Areas of Consideration in the SYSCOM and DLA Review of
Performance Based Logistics

1. Reference (a) established the foundation for the Systems Commands (SYSCOMs) to examine supply and logistics functions in order to become more efficient, effective and to move toward more common processes. Performance Based Logistics (PBL) was identified as an area of consideration for further review. The intent of this Memorandum of Agreement (MOA) is to define the SYSCOMs and Defense Logistics Agency (DLA) roles necessary to implement a common PBL approach to weapon systems product support. An integrated support arrangement is needed to facilitate a more common PBL product support business model. This MOA, in support of the Program Manager as the lead for weapon systems product support decisions, seeks to identify, across all DoN SYSCOMs and DLA product and service lines, a common framework for implementing PBL product support relationships for both organic and commercial logistics providers.

Subj: MEMORANDUM OF AGREEMENT TO ACHIEVE A MORE COMMON APPROACH
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2. We agree that the product and service recommendations will address the support areas identified in enclosure (1). Towards that end, individual Commands have been assigned as the lead to facilitate development of each support area. However, final development will be by team consensus. Emphasis will be placed on systems engineering methodologies, best business practices, application of incentive structures, and performance assessment techniques that directly contribute to system readiness at a reduced Total Ownership Cost (TOC). Specifically, this agreement covers:

a. Developing guidance and policies that facilitate a common approach across the DoN SYSCOMs and DLA product and service lines. The approach will leverage lessons learned and best practices from the SYSCOMs and DLA that facilitate effective and efficient competitive sourcing decisions for both new acquisition and fielded systems support.

b. Identifying a Business Case Analysis (BCA) process that can be used by program managers to make competitive product support decisions that optimize the use of commercial and organic sources. DLA will provide assistance to the Navy in gathering data and information associated with DLA products and logistics services applicable to the full scope of the PBL BCA.

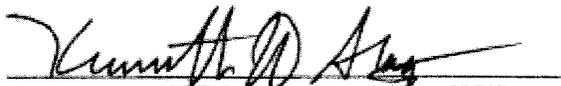
c. Determining methods to baseline, track, and assess performance metrics that measure PBL's contribution to Fleet readiness and TOC reduction. DLA will contribute to performance metrics and measurement techniques associated with its products and logistics services provided under PBL contracts and Performance Based Agreements.

d. Establishing a common set of Business Rules to facilitate a common PBL product support business model.

3. We agree that the terms of this agreement may be affected by external factors such as DoN Planning, Programming, and Budgeting decisions; programmatic issues; directed requirements and processes; and other unpredictable changes that will require us to review this MOA. Additionally, the scope of this agreement does not address the engineering and technical authority responsibilities of the respective SYSCOMs. Engineering and technical responsibilities, if delegated to the contractor under a PBL arrangement, will be in conformance with applicable law, regulations, and instructions.

Subj: MEMORANDUM OF AGREEMENT TO ACHIEVE A MORE COMMON APPROACH
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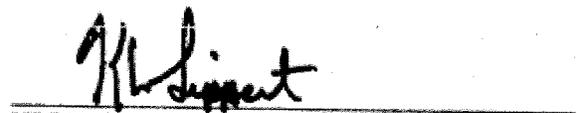
For the Virtual SYSCOM:


RADM KENNETH D. SLAGHT, USN
Commander
Space and Naval Warfare
Systems Command


RADM DANIEL H. STONE, SC, USN
Commander
Naval Supply Systems Command


VADM WALTER B. MASSENBURG, USN
Commander
Naval Air Systems Command


VADM PHILLIP M. BALISLE, USN
Commander
Naval Sea Systems Command


VADM KEITH W. LIPPERT, SC, USN
Director
Defense Logistics Agency

AREAS OF CONSIDERATION IN THE SYSCOM AND DLA
REVIEW OF PERFORMANCE BASED LOGISTICS

PBL Processes and Product Lines: The areas to be examined for potential alignment are as follows:

a. Common Business Rules within the Virtual SYSCOM. A set of business rules, based on lessons learned from the implementation of Performance Based Logistics (PBL) product support initiatives will be developed to foster a common approach across DoN SYSCOMs and the DLA. Typical examples might include: a focus on readiness and possible cost drivers, utilization of Business Case Analyses (BCA) at the appropriate level, and an understanding that not all PBLs necessarily require a Performance Based Agreement (PBA). These rules will be appropriate for program manager's use in organic, commercial, and public/private partnerships and for incorporation into the evolving PBL product support business model. (Lead: DLA)

b. Product Support for Fielded Systems. The majority of our weapon systems inventories are fielded systems and most are supported by traditional organic processes. Current policy requires review of support alternatives that provide performance based weapon system logistics product support. Available cost and performance data are evaluated at the system, subsystem and/or component levels to identify a preferred alternative support strategy. This data assists in identifying PBL candidates; determining opportunities for alternative support solutions; and development of system cost and performance baselines. Identification and analysis of PBL elements that need to be reviewed (prior to making a decision to alter an existing product support strategy) shall be reviewed to determine commonality across Acquisition SYSCOMs. PBL elements open to review may include, but are not limited to:
(Lead: NAVSUP)

- Overall PBL Process
- PBL Candidate Identification
- Integrated Program Team formation
- PBL milestones during the acquisition process
- Operational Requirements (Reliability, Maintainability, Availability, Fleet Input)
- Contract Metrics
- Resource Commitments
- Stakeholder Responsibilities
- Potential PBL Contract Clauses
- Technical Requirements

- Foreign Military Sales Considerations
- Cost Benefit Analysis (Business Case Analysis Elements)
- Title 10 Analysis
- Final PBL decision criteria (lowest cost; best value, etc)
- PBL Performance Assessment

c. Product Support for New Systems Acquisitions.

Identification and analysis of PBL elements that need to be reviewed (prior to making a decision as to what product support strategy to implement on a new systems acquisition program) shall be reviewed to determine commonality across Acquisition SYSCOMs. PBL elements open to review may include, but are not limited to those identified in paragraph b. above.

(Lead: NAVAIR)

d. Business Case Analysis (BCA). Command and industry BCA frameworks will be evaluated for potential process alignment and benefit across DoN SYSCOMs. This will include a review of cost models/tools, alignment of cost baselines and cost element structures, and the identification of top-level cost metrics.

(Lead: SPAWAR)

e. Performance Metrics and Measurement Techniques. Using inputs obtained from the Fleet and industry, a standard set of performance metrics will be generated. The template will be established for use in Warfighter PBAs and product support contracts. This will include potential mechanisms for collecting, assessing and reporting performance metrics.

(Lead: NAVSEA)