



DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY



Performance Based Logistics The DLA Approach

CAPT John Spicer

WARFIGHTER SUPPORT

STEWARDSHIP EXCELLENCE

WORKFORCE DEVELOPMENT



We Are DLA



Foreign Policy Advisor
Mr. Willard Smith
FS-1

Vice Director
Mr. Ted Case

★ ★ ★
Director
Vice Admiral
Mark D. Harnitchek
Supply Corps, United States Navy

Chief of Staff
Mr. Fred Baillie

Senior Enlisted Leader
Command Sergeant Major
Otis Cuffee
United States Army



DLA Aviation
★



DLA Disposition Services



DLA Distribution
★



DLA Energy



DLA Land and Maritime
★



DLA Troop Support
★



DLA General Counsel



DLA Inspector General



DLA Installation Support
GS-15



DLA Human Resources



DLA Logistics Operations
★ ★



DLA Strategic Plans and Policy
GS-15



DLA Information Operations



DLA Acquisition



DLA Finance



DLA Joint Reserve Force
★ ★

DLA Pacific
★

DLA Europe & Africa
★

DLA Central
★

DLA Logistics Information Service
GS-15

DLA Document Services
GS-15

DLA Transaction Services
GS-15

Joint Contingency Acquisition Support Office
★

DLA Strategic Materials
GS-15



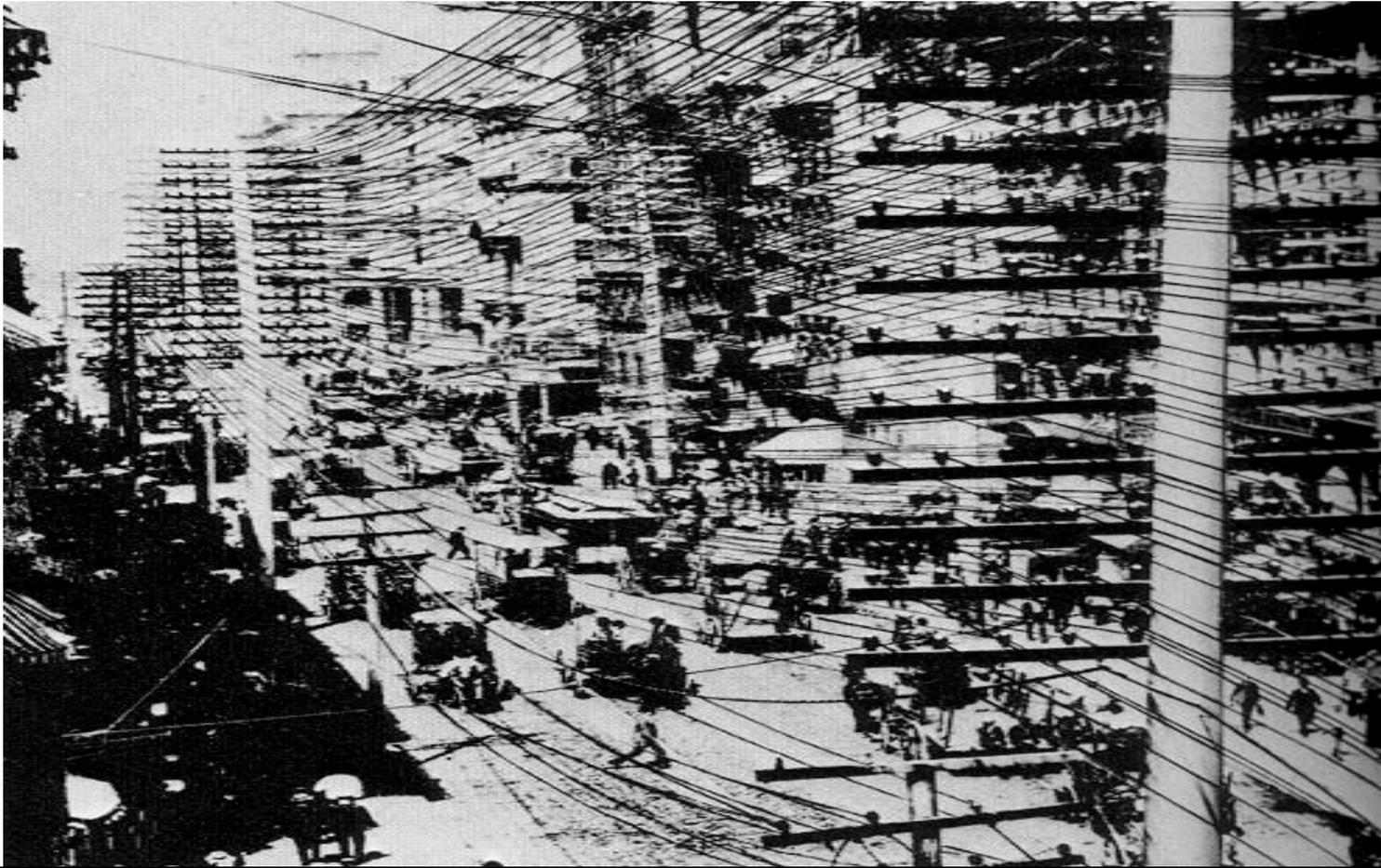
DLA Performance Based Logistics

- PBLs are alternative logistics support solutions that transfer inventory management, technical support, and supply chain functions to a provider for a specified level of performance at the same or reduced cost.
- This approach realigns vendor incentives
 - A fixed price “pay for performance” contract motivates vendor to reduce failures & consumption
 - Long term commitment enables vendor to balance risk vs. investment to attain a return on investments in availability and reliability

DLA is positioned to improve upon this business model



Telecommunications Circa 1912



While the introduction of the telephone improved communications, multiple phone companies utilized separate lines and systems. AT&T was able to rationalize the business model, reducing cost and improving performance.

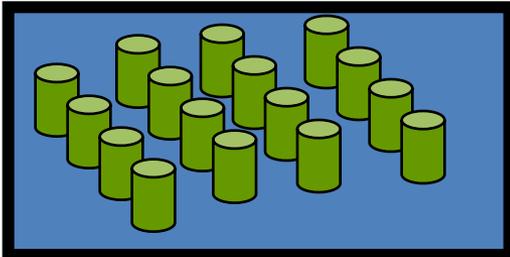


PBLs Circa 2012

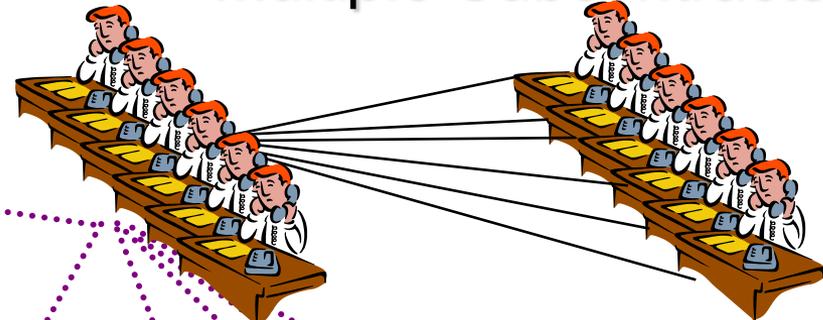
OEM

Sub-Vendor(s)

DLA

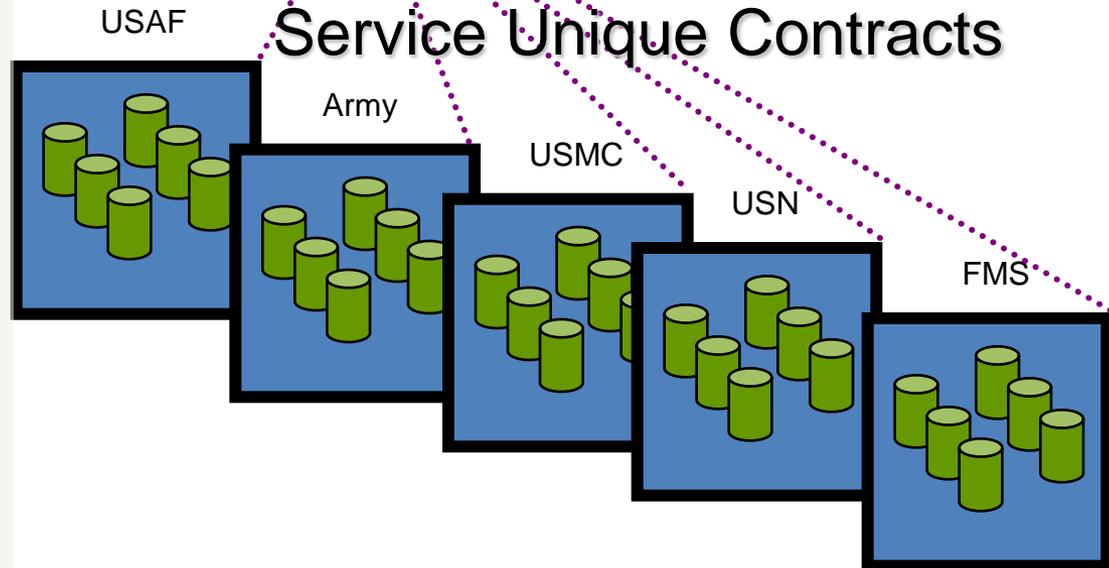


Multiple Subcontracts



- Redundant Contracts for the Same OEM/System
- Increased Cost for Multiple Supply Chains
- Missed Opportunities for Exploiting Economies of Scale & Scope
- Suboptimal Depot Workload Structure

Service Unique Contracts





T700 Support – Segmented into Multiple Contracts and Agreements

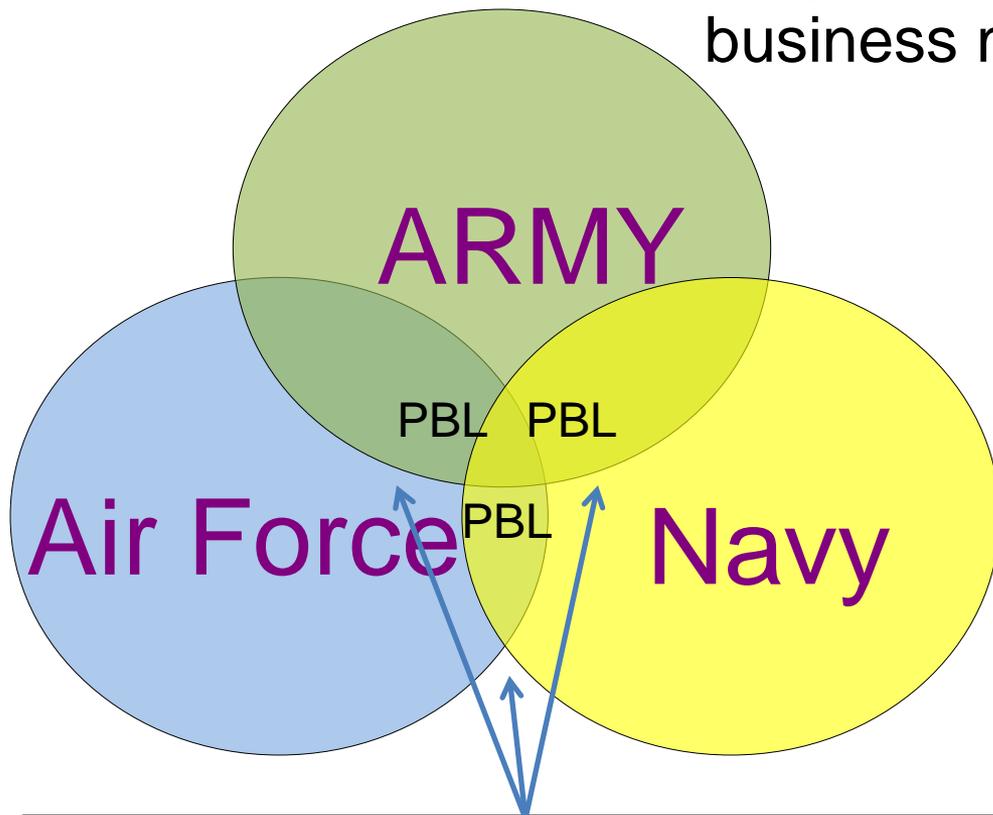
Contract	Issued By	Issued To	Service Provided
W58RGZ-04-D-0037	AMCOM	GE Aviation	Production of Engines and ILS products for Army and Navy
N00421-09-D-0008	NAVAIR	GE Engine Services	Rework of Modules and Engines
N00383-10-D-001M	NAVSUP WSS	GE Aviation	Compressor & GG Rotor PBL for 401 and 401C Engines
N00019-09-G-0009	NAVAIR	GE Aviation	Multi Engine CIP Contract
FA8122-09-G-0001	Air Force	GE Aviation	Air Force and Navy Retrofit Kit Contract
W58RGZ-09-D-0041	AMCOM	GE Aviation	Army Spares Contract
W58RGZ-11-D-0047	AMCOM	GE Engine Services	Repair of Modules
TELSS	AMCOM	GE Aviation	Depot Repair Partnership
Navy DMISA	NAVAIR	CCAD/AMCOM	Depot Repair of Modules and Engines

DLA also has support contracts with GE for consumable item support for T700



PBLs Circa 2012 and Beyond

Like AT&T, DLA sees great potential in improving the business model



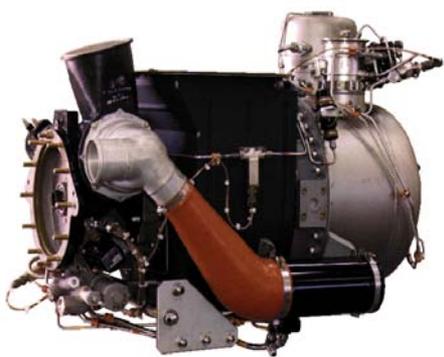
- Rationalize Business Structure
- Leverage economies of scale & scope
- Garner efficiencies associated with one standard business process
- Move from PBL 1.0 (separate efforts) to PBL 2.0 (unified PBL structures that span DoD)

As we have engaged with industry, defense firms have consistently stated that DoD can save 15 to 20% by migrating to a joint PBL structure, while providing better availability and reliability.



Enterprise PBLs

Leverage One Supply Chain, One Set of Rules, One Business Model, and One Overarching Public Private Partnership



APUs



Engines



JSF

Army Solution
Navy Solution
Air Force Solution



Avionics Systems

Enterprise Solutions

2011 2012 ————— 2014 ————— 2016 ————— 2018 ...

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Enterprise Performance Based Logistics

Briefing to the JLB
24 April 2012

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Navy TLS Experience

\$50M in Savings & Efficiencies

Impact	Pre PBL	Post PBL	Result
Reduced Back Orders	125	0	Met Target ✓
Increased Availability	65%	98%	Exceeded Target ✓
Improved On-Time Delivery	20%	99%	Exceeded Target ✓
Decreased Repair Turn Around Time	138 days	<50 days	Exceeded Target ✓
Improved Logistics Response Time	30 days	5 days	Met Target ✓



Enterprise PBL Content

Value Proposition Platforms / Components



Aviation Ground Power Unit



A-10 APU



B-1 APU & A/C Mounted Accessory Drives



E-3 AWACS APU



H-60 APU



F-15 Jet Fuel Starter & Acc Drives (SPLS II)



C-5 APU



F/A-18 EnCS & Wheel and Brakes



F-16 Emergency Power Unit, Wheels and Brakes



V-22 Env Control Sys, IR Suppressor, Valves & Avionics



Existing PBL USAF SPLS I C-130, Ground Cart APUs



Existing PBL Navy TLS F/A-18 APU & MFC P-3 APU & EDC C-2 APU



CH-47 T-55 Engine



MQ-9 Reaper TPE-331 Engine

Additional Opportunities (not included in savings calculations)



P-8A Poseidon – all HON Components



KC-767 – all HON Components



M1 Abrams Tank – AGT1500 Gas Turbine Engine

And associated FMS Customer orders

Projected Savings by Service:

Army – up to 20%

Navy – up to 20%

Air Force – up to 20%



Enterprise PBL Efficiencies

Features	Expected Results
Improved Reliability	Up to 20% fewer repairs and reduced fleet maintenance manhours
Lower Repair Cost	10-15% cost savings per repair
Shorter Logistics Response Time	Customer wait time reduced by 80%: fewer spares required
Single Logistics Infrastructure	15-30% related cost savings
Consistent contract terms	One way of doing business
Dedicated Contracting	Contract award reduced from 4 years to 1 year (3 years of savings)

Gain Share Can Enable Even Greater Savings



Savings Contingent on Contract Framework

- **10-year term (5 year base, 5 year option)**
- **Outcome Based: Cost per hour / cost per landing**
- FAR Part 12
- Contract mechanism for adding new components
- **Honeywell single supply chain**
- Consistent performance definitions and metrics
- Implement standard practices
- Leverage organic depot capabilities

Aggressive, Aligned Goals to Drive Lower Event Rates, Lower Cost per Event, Greater Availability, Greater Time-On-Wing



DLA Request

Approval from the Joint Logistics Board to issue a Request for Proposal for a firm-fixed price Enterprise Performance Based Logistics contract to Honeywell that will drive efficiencies and cost savings for the Department of Defense.

APPROVED

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