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Tailoring PBL: How Much Do You Want?

Gil Diaz

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Why Consider a PBL Solution?

- PBL is ***"The strategy best able to deliver significantly reduced sustainment cost and improved readiness with less overall risk."***
  OSD MR, 2011, *Proof Point Study*

- USD AT&L Directive-Type Memo (DTM) 10-015, Change 2, Dec 9, 2011, *Requirements for Life Cycle Management and Product Support*, Duties of the PSM: **"*Develop And Implement A Comprehensive, Outcome-Based, Product Support Strategy*"**

- And Finally**,** DODI 5000.02, Dec 2008, *Operation of the Defense Acquisition System*
  - ***"The PM Shall Employ Effective PBL Planning, Development, Implementation, And Management. "***
  - "Performance-Based Life-Cycle Product Support Represents The Latest Evolution Of Performance-Based Logistics."
  - "***PBL Offers The Best Strategic Approach For Delivering Required Life Cycle Readiness, Reliability, And Ownership Costs."***

Yet, the Number of Active PBLs has Gone Down by About 50% Since 2005

PBL Setting The Stage

- **PBL represents an evolution in product support, but …**
  - **It is simply a tool that must be used properly to be effective**
  - **PBL by itself will not solve your problems and it is not "fire and forget"**
  - **PBL may not be perfect, but it beats the alternative and is certainly better than the status quo.**
  - **Since each PBL is tailored, if the PBL doesn't reflect your needs, then shame on you!**
  - **PBL is more than a fixed price transactional based sustainment contract, unless you treat it like one**

- **You get what you pay for:**
  - **If that's all you get then something is wrong with your PBL**
  - **Value received should exceed the contract price**
  - **Value received will vary with the incentives made available to the PSP**

PBL Converts the Traditional Return on Sales Model to a Return on Investment Model for the PSP

For The Price of RoR You Could be Getting:

- **Sustaining Engineering -- Dedicated life cycle engineering resources in support of Reliability, Maintainability, and Supportability.**
- **Reliability Growth Plan -- Clearly articulated path leading to targeted improvements in product reliability.**
- **.Configuration Management – Configuration Control is always the responsibility of the government, but CM authority below LRU level allows the PSP to rapidly incorporate R/M/S upgrades as well providing for better management of COTS**
- **FSR -- Field Service Representatives, CONUS and OCONUS**
- **.DMSMS Mitigation -- Diminishing Manufacturing Sources and Material Shortages (obsolescence). Mitigation, not simply the identification of DMSMS issues.**
- **Wholesale Inventory Management -- PSP accepts risk for receipt, management and issuance of wholesale spares.**
- **24/7 Hotline – PSP technicians on call 24/7 either through a manned phone bank or through a monitored web site.**
- **SCM: Optimized /Aligned -- Dedicated repair supply chain tailored specifically to the needs of the program in question, but able to enjoy efficiencies through economies of scale and shared resources with other PSP PBL efforts.**
- **Gain Share – Sharing of contractor margin with the government in the event pre-established reliability metrics are exceeded.**

PBL Benefits are Made Affordable to PSP Through Incentives

How Much Do You Want?

- Not a question of affordability, since in most cases you are already paying for RoR
- The Real Question is, "How Much Value Can I Get for My Sustainment Dollar?"
- If, PBL Success is Dependant on 3 factors:
  - Alignment of Goals between the PSP and the PSM
  - Increasing the Reliability of the Product
  - Improving the Efficiency of the Process
- Then, the Answer to the Question Boils Down to The Ratio of Contract Incentives to Disincentives
  - The More Incentives, the More Value Received
  - The More Disincentives the less Value Received

The Right Disincentives Can Turn a PBL into a Fixed Price RoR Contract

Potential Contractor Incentives

- **A "Best Value," life cycle approach on the part of the PSM**
  - **Best value as opposed to lowest cost: i.e. RCM, DMSMS. FSRs, etc., vs. IRAN**
  - **Reflected in long term (5 year base plus options) sustainment contracts**
- **Award Fees and Award Terms**
- **Streamlined Contracting Process and Reduced Time to Contract**
- **Contract Metrics Focused on Reliability, Not # of Demands**
- **Transparent Contract BCAs**
- **Annual Fund Disbursements**
- **Class II ECP Authority below LRU/WRA level**
- **Additional Contract Scope or New Business Opportunities**

"Too much of a good thing can be wonderful" Mae West

What Does AT&L Say About Incentives?

- **"And we need a culture in which getting value for the money is a very, very highly considered attribute for people across our workforce. And we want to, by the incentive system we've put in place, do the same with industry."**

- **"We have been accused often – and I put this in just about every speech I make – of coming after people's profits. We are not after profits. What we are after is better performance, OK."**

- **And execution is fundamentally industry's responsibility. And all we can do about that is provide better incentives to industry and then get industry to react. And I know industry will respond to those incentives."**

The Honorable Frank Kendall, *DAU E-Newsletter*, April 2012 Edition

Future of PBL

- **First generation PBL reinvented repair supply chain**
  - **Incentivized behaviors to reduce life cycle costs to Govt**
  - **Need for process efficiency broke down Industry silos: OEMs–Subcontractors–Suppliers**

- **Next Gen PBL will move beyond silos to networks**
  - **PSP program support chains will be replaced by cross program sustainment grids to allow sharing of resources and services**
  - **Must breakdown Govt/Service silos as well, to maximize savings**
  - **Best value OEMs, subcontractors, suppliers, and 3PLs incentivized to perform thru favorable contracting practices**
  - **You won't get best value anything by focusing on short term cost**

- **If not PBL, then where will you find future efficiencies?**

"Industry is pretty predictable.
Industry needs – you know, business to be in business.
And it will do the things that it needs to do to get more business.
You know, growth is an imperative for industry.
It is not an option."

The Honorable Frank Kendall, *DAU E-Newsletter*, April 2012 Edition