

Director, Defense Logistics Agency (DLA)

and

Deputy Chief of Staff G4, Headquarters, Department of the Army (HQDA)

Performance Based Agreement (PBA)

Version 1
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Prepared by the
Headquarters Department of the Army Deputy Chief of Staff G-4, Supply Division,
Headquarters, Defense Logistics Agency, Army Readiness Team

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I. References:

- a. Army Transformation Plan, available at <http://www.ofc.osd.mil>
- b. DLA Transformation, available at <http://www.dla/mil/library/DLA21site.asp>
- c. DoD 4140.1-R, DoD Supply Chain Materiel Management Regulation at <https://lad.dtic.mil/whs/directives/corres/html/41401r.htm>

II. Purpose:

This agreement is made in the context of the transformation initiatives currently being undertaken by the Department of the Army and DLA. The purpose of the PBA is to establish the collaborative partnership between the Army and DLA to support Army readiness. This PBA will be the template for subordinate agreements between Army and DLA, which will be evaluated by the Army G4 (DALO-SM) and HQ DLA (CSO-A).

III. Discussion:

- a. This PBA is designed to be synergistic and supportive of the needs of the DoD, the Army and DLA's current goals and objectives in the existing environment with evolutionary steps towards supporting the future force. This plan will lean towards force-centric logistics enterprise (FLE) objectives such as End-to-End distribution, Performance Based Logistics, and Total Life Cycle Support Management.
- b. Areas of focus of this PBA may include, but are not limited to:
 - i. Supply Chain management and integration for DLA-managed consumable items from factory to foxhole:
 1. National Inventory Management Strategy (NIMS) is an effort to improve the supply chain integration by moving DLA ownership of consumable materiel forward to the consumer level. DLA has already accomplished this for energy, medical, and subsistence commodities and is progressing with clothing and textiles, and construction and barrier materials, with the goal of ultimately encompassing all DLA-managed classes of supply. Consumable Supply Chain Management – Army (CSCM-A) is one of the Army's initiatives under the NIMS umbrella for DLA to maintain ownership of materiel until sale to the final consumer. Under this type of initiative, DLA will automatically replenish Army retail/depot inventories, down to and including tactical

inventories, to agreed levels. Point of sale will be realized when the Army-managed (DLA-owned) inventory is issued from the stockage location to the final consuming customer. Inherent within this initiative are savings anticipated from the reduction of duplicative inventories. Increased visibility of Army retail inventories will allow for better customer support by allowing for redistribution of excess stocks to all DoD customers. Current plans for CSCM-A system integration testing and pilot are on hold as the program is reevaluated and other supply chain integration initiatives are explored.

2. Weapons Systems Support Program (WSSP): The Weapon System Support Program (WSSP) directly supports total life cycle system management by enabling the Army to prioritize its weapon systems so that DLA can appropriately array its human and financial resources in support of weapon system readiness. In order to tie DLA support closer to weapon system readiness, the Army will be tracking how well DLA is support Army weapon system unique items identified in the WSSP data base.
 3. Organization Clothing and Individual Equipment (OCIE)/Central Issue Facility (CIF): The Army and DLA are committed to improve OCIE/CIF operations by transforming and integrating business processes.
- ii. Optimizing the Distribution System –TRANSCOM is the Distribution Process Owner. DLA has responsibility for packaging, palletizing, And automatic identification technology used to move packages through the system. Of special importance to the Army is sustaining the distribution capability to the last tactical mile. Recent warfare operation "lessons learned" experienced in Desert Storm and OEF/OIF are no exception, with extended customer wait times leading to war fighter frustration. DLA and Army will work together to define, measure and improve those nodes of the distribution system under DLA and Army purview to meld into a flexible, predictive and visible distribution pipeline beginning at the source of supply and extending to the point of consumption or use. As an example, the concept of pure palletizing is a current Army/DLA initiative to improve throughout, from the supply depot to the customer.
 - iii. Improving Requirements Determination and Planning: Prior to FY 03, Army demands to DLA were fairly predictable on a macro scale. However, recent warfare operations "lessons learned" coupled with experience from Operation Enduring Freedom and Operation Iraqi

Freedom, show that historical Army demands used to forecast future requirements are skewed by surges and erratic requisitioning. Troop support and land/ground system support requirements received from the Army tended to be greatly understated or were for immediate delivery and in quantities that significantly exceeded annual demands and manufacturers surge capabilities. Army and DLA will work towards incorporating known surge requirements in a peacetime environment and use data to improve demand planning in preparation for, and sustainment of, deployed actions. Improving requirements planning will contribute to adaptable and flexible integrated processes for all DLA commodities and services.

IV. Developing a Partnership Council:

DLA's Army National Account Manager (NAM) and Chief of Supply Division, Army G4, will establish a standing Partnership Council. This Partnership Council will be formed as an official and continuing forum to address prioritized Department of the Army and DLA issues related to improving Army logistics.

V. Roles and Responsibilities:

- a. Army G4 will appoint DALO-SMP to act as a co-chair on the Partnership Council described herein.
- b. DLA will appoint CSO-A (Army National Account Manager) to act as a co-chair on the Partnership Council described herein.
- c. The Partnership Council will:
 - i. Extend invitations for membership on the Partnership Council to:
 1. Assistant Secretary of Army (Acquisition, Logistics, and Technology (ASA(ALT))
 2. Assistant Secretary of Army (Financial Management and Comptroller)
 3. Army Materiel Command (AMC)
 4. Army Audit Agency (AAA)
 5. Army Installation Management Activity
 6. Army Major Commands
 7. DLA Supply Centers, Defense Distribution Depots, Defense Reutilization and Marketing System (DRMS)
 - ii. Develop complementary mid-range goals and strategies that are aligned with Army, DLA and Joint Vision 2010. The Partnership

Council will review and report on the progress of agenda items and will make recommendations on future projects. The council will also share information with other teams within the Army and may provide this information to DOD and other agencies.

- iii. Review this PBA annually and modify it as necessary.
- iv. This body will meet at least quarterly.

VI. Performance Metrics:

Performance metrics (Appendix A) for this partnership are evolutionary yet consistent with the balanced scorecard approach identified by the Office of the Assistant Secretary of Defense (OSD) for Acquisition, Technology and Logistics. These metrics focus on the warfighter; resources, and capabilities, logistics process execution, and learning. Additional metrics specific to unique Army and DLA business processes may be developed and used for diagnostic purposes. As the Army and DLA partnership advances, goals and metrics will be refined, tracked and reported in accordance with requirements set forth by the Partnership Council.

VII. Accountability and Oversight:

To ensure all parties enforce this agreement, adequate resources (i.e., funding, manpower support) necessary to achieve the required support levels will be committed.

VIII. Existing and Future Agreements:

Existing applicable Memorandums of Agreement (MOAs), upon renewal, will be converted to the PBA format and be in consonance with this basic agreement. It is not the intent of this agreement to restrict the interaction of the Army and DLA Enterprise members. It is expected that PBAs will be developed between Army Major Commands and DLA. These PBAs will be forwarded to DALO-SMP and HQ DLA CSO-A for numbering assignments to become an annex to this agreement and for review/coordination prior to signature. When completed and signed, the PBA will be forwarded to the same organizations for entry in the agreements database and retention.

IX. Terms of the PBA

This PBA is a living document. The initial terms of the PBA will be three years from the date signed by the principals. The PBA will be amended only by written agreement of the signatories or their successors.



K.W. LIPPERT
Vice Admiral, SC, USN
Director
Defense Logistics Agency

12/5/03

Date signed



C. V. CHRISTIANSON
Lieutenant General, GS
Deputy Chief of Staff, G4
Department of the Army

5 DEC 03

Date signed

APPENDIX A: PBA Metrics and Definitions

Term	Definition
Army Backorders <ul style="list-style-type: none">• Army Backorders as percentage of requisitions by• Issue Priority Group (IPG) for• SORT Systems • Aged Backorders	Measure backorder trend over 12 month period for Army SORT systems. The number of customer requisitions not satisfied on the first pass as a percentage of total requisitions for DLA items broken by IPG and by SORT system. Backorders not satisfied broken out at 30, 60, 90, 180, and 365 days.
Army Supply Availability Trend for Level A (most critical) weapon systems	Measures availability of stocked items in support of weapon systems.
Logistics Response Time	The measure of time it takes from the julian date of the requisition to receipt of the material as reflected on a material receipt acknowledgement document.

APPENDIX B: Partnership Council Agenda

Initiative	DLA POC	Army POC	Target Due Date*	Comments
Implementing National Inventory Management Strategy (NIMS) in Army	DLA J337	DALO-SM	2005	<p>a) Continue efforts ongoing to implement consumable supply chain management to the consumer level both at field and at repair depot locations.</p> <p>b) Examine potential for DLA to assume war reserve mission for Army used, DLA-managed items.</p> <p>c) Improve readiness by reducing backorders for stocked weapon system support items.</p>
Improve DLA-managed Distribution Nodes	DLA-J332, DDC	DALO-SM DALO-FP	TBD	Assess improvements to packaging, palletizing and use of AIT that will increase responsiveness of DLA-managed pieces of the distribution system.
Improving Requirement Determination and Planning	DLA J-332	DALO-SM	TBD	Review on-going initiatives to improve requirements determination process.
<p>Include Enterprise Metrics for BSM Release 2 & GCSS-Army, for example:</p> <ul style="list-style-type: none"> • Time Definite Delivery • Demand Plan Accuracy • Customer Wait Time • Inventory Turns • Stock Availability • Order Quantity Fill Rate • Vendor/Supplier 	DLA CSO-A	DALO-SM	TBD	<p>Develop evolutionary metrics in support of DOD logistics enterprise. Identify Key Performance Indicator metrics available in BSM and in GCSS-A. Ensure that metrics meet the criteria and purpose of the OSD balanced scorecard. Identify those enterprise metrics that will be used to evaluate improvements to readiness and repair process.</p>

Effectiveness <ul style="list-style-type: none">• Fill rate at forward stockage points. (Army ASLs)				
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*Partnership Council will set target due dates during their first meeting.