DEPARTMENT OF THE NAVY
NAVAL AIR SYSTEMS COMMAND
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IN REPLY REFER TO
NAVAIRINST 4081.2A
AIR-3.0E
DEC 0 1 2004

NAVAIR INSTRUCTION 4081.2A

From: Commander, Naval Air Systems Command

Subj: POLICY GUIDANCE FOR PERFORMANCE BASED LOGISTICS CANDIDATES

Ref: (a) DoDD 5000.1, The Defense Acquisition System
(b) DoDI 5000.2, Operation of the Defense Acquisition System
(c) USD(ATL) memo, Performance Based Logistics, of 13 Feb 02 (NOTAL)
(d) ASN(RDA) memo, Performance Based Logistics (PBL) Guidance Document, of 27 Jan 03 (NOTAL)
(e) USD(ATL) memo, Performance Based Logistics: Purchasing Using Performance Based Criteria, of 16 Aug 04 (NOTAL)

Encl: (1) Performance Based Logistics Process
(2) Performance Based Logistics Process Block Descriptions
(3) Performance Based Logistics Candidate Analysis Guidebook

1. Purpose. To set forth objectives, establish policies, and describe processes and responsibilities for the evaluation and implementation of performance based logistics (PBL) candidates for all systems under Naval Air Systems Command (NAVAIR) Program Manager Air (PMA) direction and control.

2. Objectives. To provide a consistent, standardized, systematic process for evaluating, implementing, and assessing PBL candidates.

3. Cancellation. NAVAIRINST 4081.2 of 18 September 2000.

4. Scope. This instruction applies to all echelons of command and all equipment (weapon systems, subsystems, components, etc.) under the program management control of NAVAIR. It applies to both new and previously fielded (legacy) equipment operated by the U.S. Navy, the U.S. Marine Corps, and Foreign Military Sales (FMS) customers.

5. Background. Logistics support has traditionally provided the supply, repair, and maintenance of items necessary for the proper operation of a system using an organizational, intermediate, and depot maintenance philosophy. The Department of Defense (DoD) is promoting the use of PBL as a cost effective alternative to traditional logistics support. PBL is predicated on performance, and payment should be based on results. Reference (a) directs acquisition managers to consider and use performance-based strategies for acquiring and sustaining products and services whenever feasible. Reference (a) further directs program managers to develop and implement performance-based logistics strategies that optimize total system availability while minimizing cost and logistics footprint. Reference (b) requires program managers work with the user to document performance and support requirements which specify objective outcomes, measures, resource commitments and stakeholder responsibilities. Reference (b) further requires program managers evolve and refine sustainment strategies throughout the life cycle to ensure a flexible performance-oriented strategy is developed and executed to support the system. Reference (c) requires military departments to submit plans that identify their implementation schedules for applying PBL to all new weapon systems and all Acquisition Category I and II fielded systems. Reference (d) promulgates guidance for implementation of PBL within the Department of the Navy and states that PBL has become the default consideration for logistics support planning within DoD. Reference (e) provides guidance on purchasing weapon system logistics support using performance-based criteria.

6. Definition of PBL. A product support strategy, which often utilizes a long-term agreement in which the provider (organic, commercial, or public-private partnership) is incentivized and empowered to meet customer-oriented performance requirements (reliability, availability, etc.) to improve product support effectiveness while reducing total ownership costs.

7. Policy. It is the policy of NAVAIR to:

a. Evaluate and implement PBL candidates following the provisions of enclosures (1), (2), and (3).

b. Assess the effectiveness of PBL initiatives.

c. Establish and maintain a focal point for PBL information to document and distribute lessons learned on the evaluation, implementation, and assessment of PBL initiatives.

8. Responsibilities. PBL product support strategies should be developed and executed in an Integrated Product Team (IPT) forum. The PBL IPT will evaluate and implement potential PBL support candidates in accordance with the guidance provided in enclosures (1), (2), and (3). Enclosures (1) and (2) were developed to define and promulgate the PBL process and to explain the critical steps required to implement PBL candidates on new start and fielded systems and equipment. Enclosure (3) encompasses the Operational Analysis, Business Analysis, and Core Analysis considerations that must be evaluated to successfully implement a PBL agreement. PMAs are responsible for assessing the effectiveness of their individual PBL initiatives. AIR-3.0E is responsible for NAVAIR PBL policy, processes, and guidance.

9. Point of Contact (POC). The NAVAIR POC for all PBL policy matters is AIR 3.0E, commercial (301) 757-9182, DSN 757-9182.

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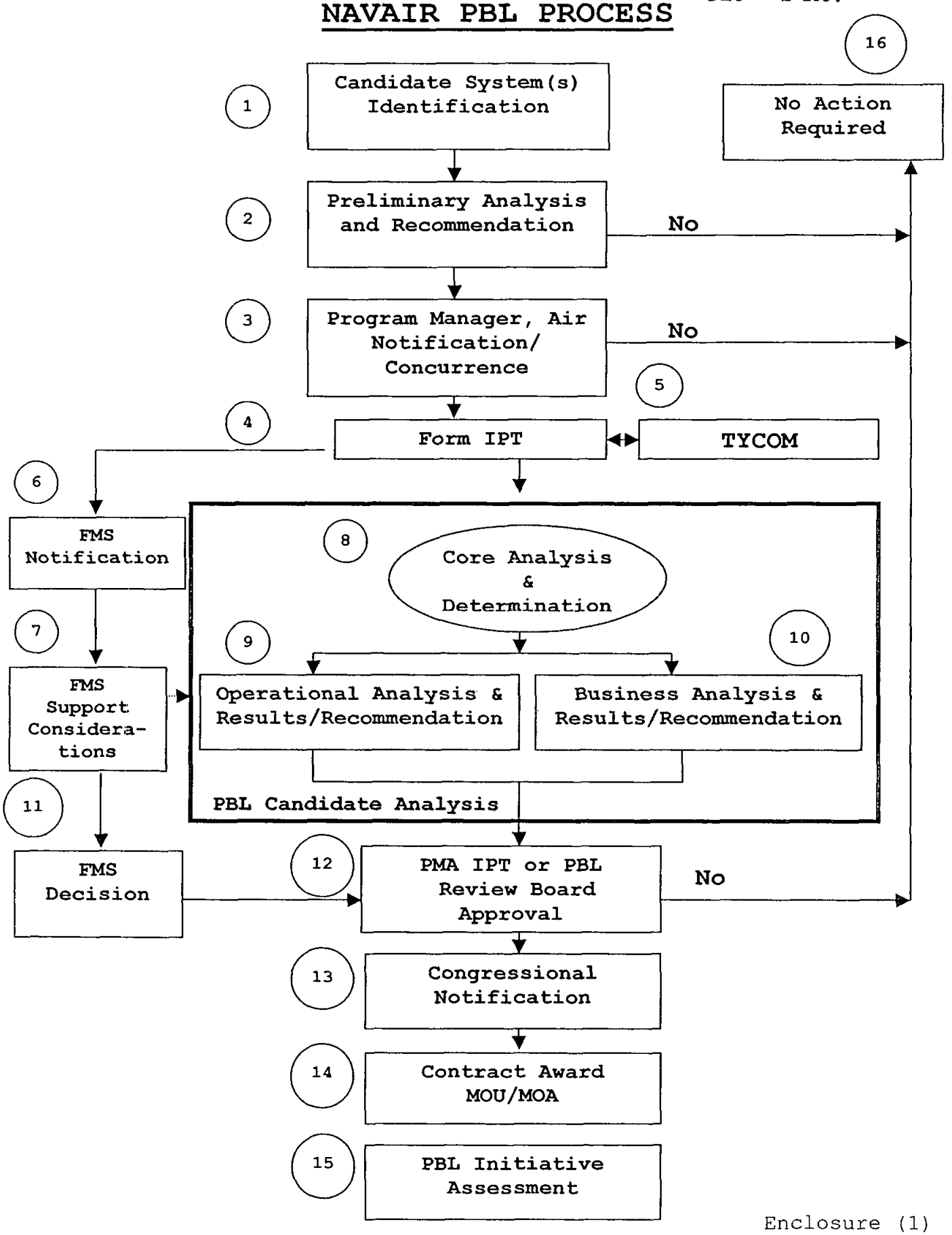
NAVAIR PBL PROCESS



**NAVAIR Performance Based Logistics (PBL)
Process Block Descriptions**

Block 1 **Candidate System(s) Identification**. The process for determining PBL opportunities begins with the identification of a candidate system or equipment. PBL candidates can come from any source (industry or government) and are submitted to the appropriate NAVAIR PMA or the Naval Inventory Control Point (NAVICP) for preliminary analysis. NAVICP has its own internal process for identifying and analyzing potential PBL candidates. Proceed to Block 2.

Block 2 **Preliminary Analysis and Recommendation**. A preliminary analysis to determine the candidate's initial business and operational acceptability will be conducted. The Preliminary Analysis and Recommendation is intended to be the initial look at the PBL Candidate to determine any obvious reasons which would preclude further analysis, e.g. an upcoming Engineering Change Proposal, current high reliability and low demand, impending program phase out, etc. The DoN Performance Based Logistics Guidance Document, paragraph 8.0 Decision Criteria and Attachment A, Performance Based Logistics Initial Program Assessment Criteria provide initial program evaluation criteria to determine if a PBL strategy is appropriate for a given program. If the candidate is acceptable, proceed to Block 3; if it is not acceptable, proceed to Block 16.

Block 3 **PMA Notification/Concurrence**. The PMA will be notified of the recommendation to pursue the PBL Candidate as required. PMA concurrence is required if the PBL candidate (whether from NAVAIR or NAVICP) impacts form, fit, function, interface, product support elements, or cost. If the PMA concurs with the recommendation, proceed to Block 4, in preparation for the upcoming analyses. If the PMA does not concur, proceed to Block 16.

Block 4 **Form IPT**. The PMA will be responsible for forming a PBL Integrated Product Team (IPT), which includes but is not limited to the Assistant Program Manager, Logistics (APML), the Assistant Program Manager, Systems Engineering (APMSE), and the Industrial Program Coordinator (IPC). NAVICP and Defense Logistics Agency logistic activities shall be invited to participate in the IPT. The IPT is tasked to determine the suitability of the PBL candidate in terms of operational effectiveness, cost implications, and Title 10 compliance determined through the PBL Candidate Analysis described in

Blocks 8, 9, and 10 below. Proceed to Block 5, Block 6 (if applicable), and Blocks 8, 9, and 10.

Block 5 **TYCOM Notification**. The IPT notifies the appropriate Type Commander (TYCOM) of the PBL candidate. The TYCOM may choose to participate in the formal analysis of the PBL candidate as a full member of the IPT or monitor the actions of the IPT. Early TYCOM involvement is essential to ensure Fleet requirements are met.

Block 6 **FMS Notification**. If applicable, the IPT will notify the PMA Foreign Military Sales (FMS) representatives who will notify the FMS customer of the Navy's plan to pursue a PBL candidate that may impact FMS support planning. The IPT also advises the prospective PBL contractor(s) of the need to consider FMS support requirements. Proceed to Block 7.

Block 7 **FMS Support Considerations**. FMS support scenarios (e.g., Cooperative Logistics Supply Support Arrangement (CLSSA), Repair Item Replacement Option (RIRO), Initial Support Requisitions (ISR), Direct Requisition Procedure (DRP), and Repair and Return) and other FMS support requirements must be considered by the IPT and the prospective PBL contractor(s) in order to appropriately address FMS support in a statement of work (SOW) and other follow on contract requirements. Input to Blocks 8, 9, and 10. Proceed to Block 11.

Blocks 8, 9, and 10 PBL Candidate Analysis. The next 3 blocks represent the major analytical effort performed by the IPT to determine the viability of the candidate to provide a cost-effective and Title 10 compliant alternative to the current means of providing support to the Fleet. Two of these analyses (operational and cost) have interdependencies that require they be conducted with identical assumptions and information.

Block 8 **Core Analysis and Decision**. The Core determinations for PBL candidates are based on the findings of the Core Analysis. The Core Analysis considers the Joint Chiefs of Staff (JCS) contingency planning scenario(s), existing organic capability, and whether the PBL candidate qualifies for any of the allowed statutory exclusions. For detailed information on how to conduct Block 8, please contact AIR-6.0.

Block 9 **Operational Analysis and Results/Recommendation**. Operational recommendations for PBL candidates are stated in terms of performance requirements and metrics and are drawn from

the results of the Operational Analysis. The Operational Analysis is a detailed examination of the operational requirements and must be coordinated with the TYCOM to ensure the development of realistic performance requirements that will meet Fleet needs. It also provides an evaluation of product support elements required to support the candidate, potential product support impacts, and potential impacts to other systems. For detailed information on how to conduct Block 9, please consult the PBL Candidate Analysis Guidebook provided as enclosure (3).

Block 10 Business Analysis and Results/Recommendation. Business recommendations for PBL candidates are drawn from the results of the Business Case Analysis (BCA) and the Acquisition Strategy. The BCA compares the cost of the PBL candidate to the cost of the current (legacy) or projected (new) logistic support strategy. The Acquisition Strategy outlines the overall business plan for acquiring and implementing the PBL candidate. For detailed information on how to conduct Block 10, please consult the PBL Candidate Analysis Guidebook provided as enclosure (3).

Note: Proceed to Block 12 when Blocks 8, 9, and 10 are complete.

Block 11 FMS Decision. FMS customers will decide on whether they will participate in the PBL candidate and the FMS support scenario they wish to pursue.

Block 12 PMA IPT or PBL Review Board Approval. Based on the results of the analytical processes outlined in Blocks 8 through 10, and the FMS decisions, the PMA Leadership IPT or NAVICP PBL Review Board will make a final, documented decision whether or not to proceed. TYCOM concurrence is required whenever operational elements are impacted. Proceed to Block 13, or if the candidate is not approved, proceed to Block 16.

Block 13 Congressional Notification. It is the responsibility of the program office or NAVICP, as appropriate, to initiate a Congressional Notification on commercial contracts including core-sustaining workload via their Chain of Command. Notification to Congress, via the Secretary of the Navy or OSD, as appropriate, is required as follows:

The first time a weapon system or other item of military equipment described as essential for the National Defense is

deemed to be a "commercial item" for purposes of exclusion to core capability requirements.

Any time depot-level maintenance for core-sustaining workload is included in a "prime vendor contract," a report that addresses four criteria identified in CITE 10 USC 2464-specific to that contract will be prepared by the appropriate contracting officer. The term "prime vendor contract" means an innovative contract, such as a PBL, that gives a defense contractor the responsibility to manage, store, and distribute inventory, manage and provide services, or manage and perform research on behalf of DoD.

When the Secretary of Defense (SECDEF) waives a core logistics capability and provides that performance of the workload needed to maintain that capability shall be considered for conversion to contractor performance.

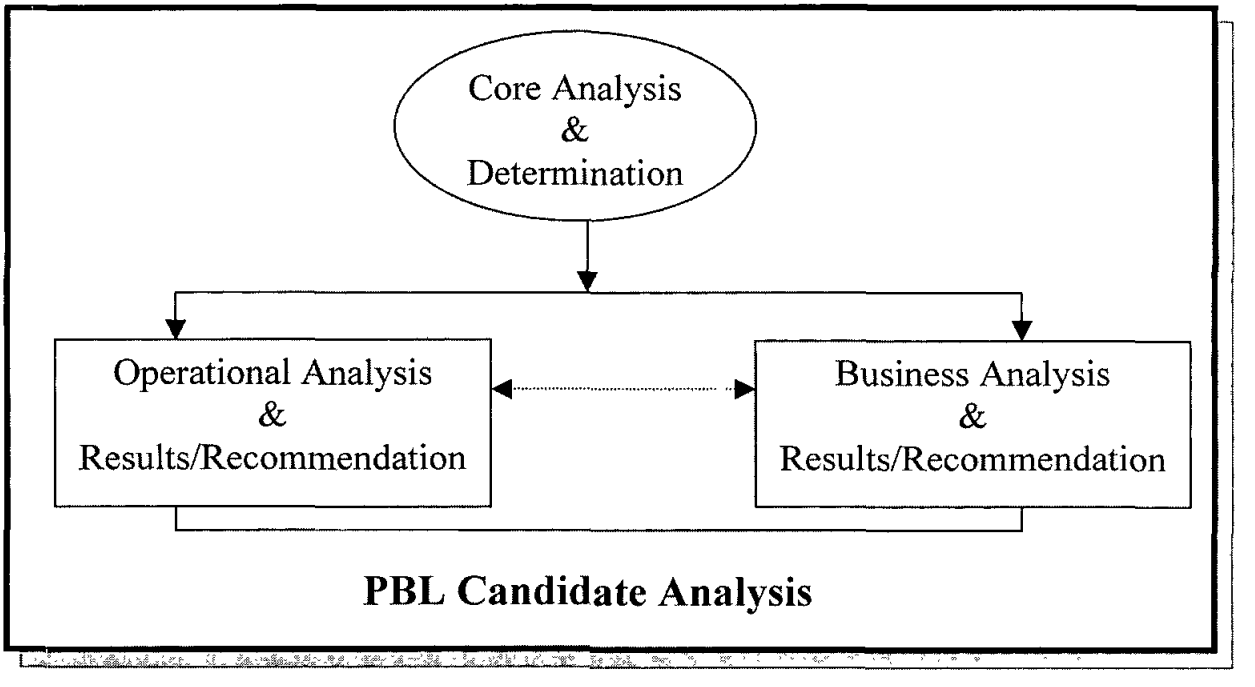
If not applicable to the PBL candidate, proceed to Block 14.

Block 14 Contract Award MOU/MOA. Following Congressional Notification and receipt of appropriate funding, NAVAIR 2.0 or NAVICP 2.0 awards the contract or the PMA issues the Memorandum of Understanding/Agreement. Activities coordinated by product support integrators can include, as appropriate, functions provided by organic organizations, private sector providers, or a partnership between organic and private sector providers. Proceed to Block 15.

Block 15 PBL Initiative Assessment. The PBL IPT will track the costs and assess the performance of the initiative in accordance with the criteria set forth in the PBL contract/MOU/MOA. The PBL IPT should periodically review the BCA to validate the PBL decision and the PMA will forward any information it deems relevant (successes, failures, impediments, anomalies, etc.) to AIR-3.0E for inclusion in the lessons learned database.

Block 16 No Action Required. The PBL Process is terminated as a result of a negative Block 2 Recommendation, a Block 3 PMA non-concurrence, or Block 12 PMA IPT or NAVICP PBL Review Board disapproval. Rationale for termination should be documented and retained by the PMA and copy forwarded to AIR-3.0E.

NAVAL AIR SYSTEMS COMMAND PERFORMANCE BASED LOGISTICS



CANDIDATE ANALYSIS GUIDEBOOK

FOREWORD

The Naval Aviation Systems Team In Partnership With Industry Serves The Nation And The Navy By Developing, Acquiring And Supporting Naval Aeronautical And Related Technology Systems With Which The Operating Forces, In Support Of The Unified Commanders And Our Allies, Can Train, Fight And Win.

NAVAIR Mission Statement:

"We Exist to Provide Cost-Wise Readiness and Dominant Maritime Combat Power to Make a Great Navy/Marine Corps Team Better."

Albert Einstein:

"Insanity Is Doing The Same Thing Over And Over Again And Expecting Different Results."

Elbert Hubbard:

"The Reason Men Oppose Progress Is Not That They Hate Progress, But That They Love Inertia."

Francis Bacon:

"He that will not apply new remedies must expect new evils. "

Wayne Gretsky:

"You Miss 100% Of The Shots You Don't Take."

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INTRODUCTION

The Performance Based Logistics (PBL) Candidate Analysis Guidebook has been developed to provide general guidance in performing the PBL Candidate Analysis portion of the PBL Process promulgated in NAVAIRINST 4081.2A. The function of PBL Candidate Analysis is to identify the requirements and compare the costs associated with two different product support strategies (PBL and traditional). It includes the additional tasks of assessing Core impact on requirements and recommending an acquisition strategy. The PBL Candidate Analysis should follow the dynamics of the program and be conducted at a level commensurate with the program. Fleet representative/Type Commander participation is encouraged to ensure realistic product support goals are established and Fleet needs are met. The results of this analysis, including any strategy for implementing PBL, should be documented and retained by the PMA.

PBL Candidate Analysis progress will be assessed in conjunction with formal program reviews. This assessment is used to determine the probability of a PBL strategy meeting established performance requirements while achieving cost goals. Results will be used to adjust the PBL strategy (including performance and cost goals) to ensure maximum value is achieved.

This guidebook applies to developing and legacy systems (both domestic and FMS) and it provides a consistent, standardized set of criteria with which to evaluate the merits of all system, subsystem, and component level PBL candidates. As PBL is a relatively new support concept, this guidebook will be revised as needed to reflect the latest PBL guidance and trends. Programs with FMS customers must review Appendix VI regardless of FMS participation in PBL contracts. The PBL Candidate Analysis is composed of a Core Analysis and Determination (Block 8) and two interdependent analyses, the Operational Analysis and Results/Recommendation (Block 9) and the Business Analysis and Results/Recommendation (Block 10). The successful conduct of the last two analyses is essential in determining the most cost-effective support (PBL or traditional) and as justification for the final approval of the PBL candidate. **Parts of this analysis can be both time and manpower intensive, and it is the responsibility of the performing activity to insure adequate resources are identified and budgeted for its successful completion.**

DEFINITIONS

PBL - A product support strategy, which often utilizes a long-term agreement in which the provider (commercial, organic, or public-private partnership) is incentivized and empowered to meet customer oriented performance requirements (reliability, availability, etc.) in order to improve product support effectiveness while reducing total ownership costs.

BCA - The DON PBL Guidance Document states that Business Case Analysis "is a decision making tool used to estimate the costs between alternative product support strategies (i.e., traditional or existing vs. proposed alternative)." The BCA compares the total estimated product support costs between a baseline support strategy and a proposed PBL support strategy to determine the best value means of supporting a system, subsystem, or component.

PBA – The Performance Based Agreement establishes:

- System level performance requirements,
- System level metrics or measures of success,
- Resource commitments, and
- Stakeholder responsibilities.

PBA requirements must meet or exceed the performance requirements stated in the system Operational Requirements Document (ORD) or other capability document and must be periodically updated to keep pace with ever changing program requirements. PBAs should be documented in a Memorandum of Agreement (MOA) or Memorandum of Understanding (MOU) between the PMA and Fleet end item user (represented by the TYCOM).

CORE - The public depot maintenance capability (including personnel, equipment, and facilities) maintained by the DoD as the ready and controlled source of technical competence and resources necessary to ensure effective and timely response to a mobilization, national defense contingency situations, and other emergency requirements. Depot maintenance for the designated weapon systems and other military equipment is the primary workload assigned to DoD depots to support core depot maintenance capabilities. Refer to Title 10, U. S. Code, Section 2464, Core Logistics Capabilities.

GOAL

NAVAIR is looking for best value product support by empowering providers to support NAVAIR systems, subsystems and components and linking their performance to their payment. The end goal of PBL is to improve product support to the Fleet at similar or reduced costs. Appendix VII provides some general lessons learned regarding the benefits and barriers to successfully implementing a PBL support strategy. Providers are encouraged to partner with government depots and repair facilities and utilize these resources whenever possible. Seven basic tenets are normally found in a successful PBL:

1. It procures an outcome (stated as a level of performance) rather than specific products or services.

2. It incentivizes the provider by linking payment to actual performance. Incentives may include firm fixed type contracts, extended contract periods, and monetary incentives. It also provides program stability, which allows providers to make long term commitments resulting in cost savings to both the contractor and the Navy.

3. It implements realistic, easily understood performance metrics. Performance metrics for PBLs will be stated in terms of readiness, availability, reliability, etc.

4. It tells the provider what the government wants instead of how to do it. However, the Government reserves the right to direct engineering changes, when necessary. NAVAIR will generally issue a Statement of Objectives (SOO) for the PBL that provides top-level program objectives and allows providers maximum flexibility in tailoring and proposing an innovative and cost effective Statement of Work (SOW) to satisfy the SOO requirements.

5. The PBL should empower the provider with the authorization and responsibility to control those elements required to successfully support the program. The following are examples of the functions that may be delegated to the provider:

- Obsolescence Management
- Public/Private Partnerships
- Requirements Determination and Acquisition
- Packaging, Handling, Storage and Transportation
- Warehousing
- Engineering and Technical Services
- Technology Insertion
- Configuration Management
- Retrograde Management
- FMS Support (if applicable)

6. It reduces the logistics footprint.

7. It has minimal or no impact to the Fleet. This means the PBL is essentially transparent, posing no additional tasking on Fleet maintainers and no additional impact to any other product support elements.

8. It mitigates long term risk by ensuring exit provisions are included in the contract/agreement to facilitate the re-establishment of organic or commercial support capability, if needed.

PBL CATEGORIES

PBL support strategies are unique and must be tailored to support a specific system, subsystem, or component, in its operational environment, for the duration of its projected service life, and should be implemented in conjunction with the overall systems engineering approach to supportability. Performance requirements are used to influence system design through reliability and maintainability improvements. The Department of Navy PBL Guidance Document provides the following PBL Categories in Figure 1, which are graphically displayed in Figure 2 below.

PBL CATEGORIES	ALL ELEMENTS	MULTIPLE ELEMENTS	SINGLE ELEMENT
System Level	S1	S2	S3
Subsystem Level	Sub 1	Sub 2	Sub 3
Component Level	C1	C2	C3

Figure 1

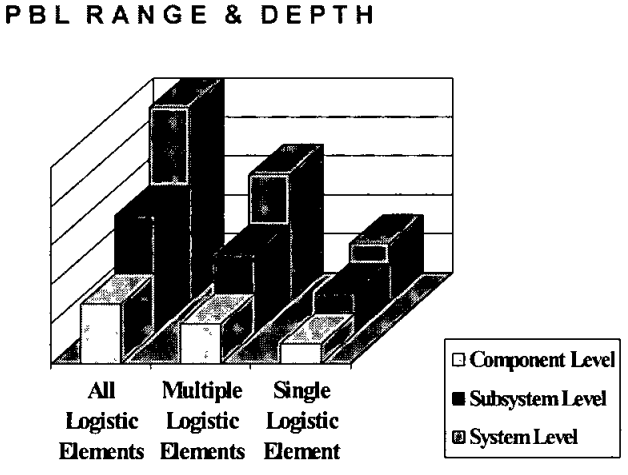


Figure 2

PBL CANDIDATE ANALYSIS

The PBL Candidate Analysis is essentially a Cost Benefit Analysis (CBA) that compares traditional support with one or more PBL support strategies with the additional tasks of recommending an acquisition strategy and core determination. The Operational Analysis represents the requirement (or benefit) portion of the CBA and the Business Case Analysis (BCA) section of the Business Analysis represents the cost element of the CBA. It is intended that the PMA make the appropriate comparison between the range of support and range of cost to determine the most cost effective PBL support strategy.

Implementation of a PBL initiative is dependent on the successful completion of the PBL Candidate Analysis, which is comprised of the three analyses described herein. The successful completion of the Core Analysis, the Operational Analysis and the Business Analysis are required for final PBL approval and to provide the fundamental data needed to determine the type of PBL to be implemented. In order to ensure the consistency and accuracy of the results, the Operational Analysis and the Business Analysis analyses should be conducted with identical assumptions and information. To this end, communication between the IPT team members is essential. Attachment (C) to the DON PBL Guidance Document provides content requirements for System Level PBL plans. Similar planning for subsystem and component PBLs should be contained in the appropriate program and logistics documentation.

1. CORE ANALYSIS AND DETERMINATION (Block 8)

Is the workload associated with the PBL Candidate required for organic performance to satisfy statutory requirements set forth in Title 10, U.S. Code, Section 2464?

A. Core Analysis

The Core Analysis is in response to statutory requirements contained in Title 10, U.S. Code, Section 2464 and the DoD Core Methodology. The analysis ascertains those capabilities and depot-level workload that must be maintained in public facilities to fulfill Joint Chiefs of Staff (JCS) strategic and contingency plans.

1) AIR-6.1.2 will consider statutory, OSD and Navy policies, the JCS Contingency Planning Scenario, and program office, NAVICP, and DMI information to determine:

a) If the depot-level maintenance and repair workload associated with the weapon system or other military equipment is required to sustain core capability;

b) If the weapon system or other military equipment meets the criteria for a "commercial item" or a "commercial item with only a minor modification" as set forth in 10USC2464(a)(3) for purposes of exclusion to the requirement for core logistics capability, or whether the weapon system or other military equipment meets any other Title 10 exclusion criteria;

c) The amount of workload required to efficiently support the core capability; and

d) The anticipated above-core quantities in the core analysis results, when requested by the program office or NAVICP and accompanied by pertinent supporting data.

2) Ideally, a Preliminary Core Analysis will be conducted prior to Milestone B to serve as an advisory to program managers as well as influence early depot maintenance planning efforts. A final Core Analysis will be completed when definitive information regarding all depot-level repairables becomes available.

B. Core Determination

The core analysis results will be sent to the program office, NAVICP, and the candidate organic depot. The results may also be provided to other recipients as needed to determine, support, and execute the PBL candidate's support strategy. If the workload is required to sustain core capability, a PBL incorporating a partnering arrangement between the provider and an organic depot must be considered. If the workload is not required to sustain core capability, a "best value" provider should be sought.

C. Other Statutory Considerations

Other sections of Title 10, U.S. Code, that may affect the depot-level workloads associated with the PBL candidate include:

- Section 2466, 50/50 Rule: Allows no more than 50% of the funds made available in a given fiscal year to a military department for depot-level maintenance and repair to be used to contract for performance by non-Federal Government personnel. Note: This statute is applied at the Service Component level (e.g., 50% of Navy-wide funds).

- Section 2469, > $3 Million Rule: (1) Requires public-private competition to move depot-level workload from an organic depot (over $3M. annually) to the private sector; (2) Requires merit-based procedures to move depot-level workload from one organic depot (over $3M. annually) to another organic depot.

- Section 2474, Centers of Industrial and Technical Excellence - Public Private Partnerships: Designates depot-level activities as Centers of Industrial and Technical Excellence (CITE). Enables CITEs to enter into Public/Private Partnerships for the performance of work related to the core competencies of the Center. Also, allows private industry use of DoD facilities or equipment of the CITE that is not being fully utilized.

- Section 2563, Articles and Services of Industrial Facilities – Sales to Persons Outside the DOD: This section authorizes the Services to sell articles and services outside DoD that are not readily available (time, quality, quantity) from a U.S. commercial source.

2. OPERATIONAL ANALYSIS AND RESULTS/RECOMMENDATION (Block 9)

What are the performance requirements and the metrics by which performance will be measured? What are the technical requirements?

A. Operational Analysis

1) Performance Requirements/Metrics Determination

The Operational Analysis is a detailed examination of the performance requirements and it identifies or develops the metric(s) needed to determine if the performance requirements are being met. System level requirements are normally available within the PMA and are documented in the PBA. Subsystem or component level requirements are normally allocated from the higher-level assembly requirements (if the higher level assembly requirements are available as discussed in paragraph 2 below) or the requirements can be determined independently. The Operational Analysis must also consider the following: the population (the total number of systems, subsystems, or components supported); the distribution (the number of sites supported and the number of systems, subsystems, or components at each site); the operating cycle (the number of hours each system, subsystem, or component needs to operate and/or be in standby mode); changes in and between peacetime and wartime requirements (i.e. drawdown, surge); the operating environment (where and how the equipment is intended to be used); the life cycle (where the system, subsystem, or component is in its life cycle); emerging technologies; system design constraints; viability of the commercial base; and any other programmatic factors which might have an impact on the product support decision. Appendix II contains sample requirements and metrics.

2) System, Subsystem, And Component Compatibility

The Operational Analysis for a system level PBL must ensure its product support is compatible with its flight hour requirements or operational tempo. Similarly, the Operational Analysis for subsystem or component level PBLs should insure its product support is compatible with requirements of the higher level system or subsystem. Regardless of system status (legacy or developing), subsystem and component level requirements must be allocated to the system level to ensure product support at the system level is maintained and/or improved. Care must also be taken not to "bullet proof" a system or component beyond its usefulness, (i.e., it may not be cost effective to buy a high reliability, availability, or turn-around-time reduction on a system, subsystem, or component approaching end of life cycle, or with low demand, etc.).

3) Product Support Elements Estimate

The Operational Analysis must provide an estimate of the impact to current product support elements (for existing system/subsystem/component) or a projected estimate of the impact to product support elements (for developing system/subsystem/component) to support the

BCA process in the Business Analysis and to provide a basis for assessing potential (positive and negative) impacts to other existing systems, subsystems and component and existing product support elements as outlined in paragraph 4.

4) Product Support Compatibility

The impact a PBL can have on product support elements and other systems, subsystems and components must be evaluated to ensure the PBL initiative is transparent to the Fleet. PBLs can correct problematic product support elements and can be implemented to affect a positive impact on other product support elements. The product support provider may be required to prepare a risk mitigation plan. Examples of compatibility issues include:

- Potential impacts to other product support elements, (i.e., a change in maintenance concept), can drive changes in tech pubs, training, support equipment, etc, which must be considered.
- Potential impacts to other systems, subsystems or components (i.e., impacts to the logistics infrastructure which in turn impacts other systems, subsystems, or components which use the same product support elements). A change in supply support on an item that is common across several platforms might drive changes to other product support elements.

5) Technical Requirements

The intent of PBL is to spell out the requirement in terms of results without spelling out the means. This leaves the contractor free to implement whatever means he determines are adequate to provide the government with a product or service that meets the Fleet's requirement at the lowest possible cost. In some instances (i.e. no corresponding or inadequate commercial standard) the need to stipulate technical requirements may be unavoidable. In these cases the Operational Analysis must identify any technical requirements that need to be incorporated into the Statement of Objectives (SOO) and/or Performance Work Statement (PWS). The inclusion of technical requirements should be judicious and kept to a minimum as they infringe on the flexibility that a contractor would normally have in proposing and executing cost effective contracts. Appendix IV refers.

6) Operational Analysis Results

The results of the Operational Analysis provide performance requirements and metrics that may be used in the Performance Based Agreement. The PBA is an agreement between the Warfighter and the Program Manager that establishes Key Performance Parameters (KPPs) for support of a Weapon System. The PBA is typically a short document in the form of a Memorandum of Agreement (MOA) or Memorandum of Understanding (MOU). This System Level PBA agreement defines outcomes for the overall PBL support strategy and contains measures of success to meet the warfighters' needs. Any subsequent agreements for subsystems and components should establish metrics that will contribute to the performance outcomes defined within the system level PBA. Over the life of the program,

the performance measures may change or evolve depending on the changing requirements of the program.

The Operational Analysis definitizes the SOO or PWS requirements from which potential support providers prepare their proposals. In some instances (such as sole source procurement) the potential support provider may participate in developing the SOO or PWS requirements. The Operational Analysis should produce:

- Performance requirements and metrics (Appendix II),
- Performance and Exit clauses (Appendix III),
- Technical requirements (Appendix IV),
- Product support element baseline estimate for BCA input/ (Appendix V),

The SOO or PWS for the Request for Proposal should include the performance requirements and metrics, performance and exit clauses, technical requirements, and direction to provide planning to mitigate any projected adverse impacts to any product support elements or other systems, subsystems and components.

The Operational Analysis should also include a recommended comprehensive evaluation criterion for ranking proposal technical content.

B. Operational Analysis Results

The Operational Analysis Results represent the baseline operational requirements on which the Business Analysis (Block 10) is performed.

3. BUSINESS ANALYSIS AND RESULTS/RECOMMENDATION (Block 10)

Does the PBL Candidate make good business sense and if so, how is it acquired?

A. Business Analysis

The Business Analysis consists of the BCA and the PBL Acquisition Strategy. Guidance on performing a BCA and developing an acquisition strategy are provided herein.

1) Business Case Analysis

a) The BCA is the decision making tool used to estimate the costs of different product support strategies. It normally compares a baseline support strategy against one or more proposed PBL support strategy(s) to determine the relevant cost of supporting a system, subsystem, or component at the levels identified in the Operational Analysis and PBA. A BCA is required for all PBL candidates. The BCA should be conducted using the latest, most accurate information available from the Operational Analysis and at a level commensurate with the program ACAT. Actual and proposed data are preferable to estimates and should be used whenever possible. BCAs can range from whatever the program manager needs to make an informed, objective business decision to a formal BCA using the AIR-4.2 Maintenance Trade Cost Guidebook. The program manager is responsible for choosing the appropriate BCA format (following an IPT review and recommendation of BCA requirements) and documenting the results of the BCA. Typically, the AIR-4.2 Maintenance Trade Cost Guidebook is used for major system and subsystem level, multiple ILS element efforts while the NAVSUP BCA format contained in NAVICP's Supply Chain Solutions website is more suitable for spares, repairs, PHS&T, configuration status accounting, technical integration, some facilities, and various levels of tech support and sustaining engineering efforts. The Navy Working Capitol Fund (NWCF) is a primary focus of the NAVSUP BCA with other TOC elements considered. The AIR-4.2.5 BCA is a more detailed BCA, encompassing all TOC considerations. On occasion, both formats may be used together in conjunction with large, complex PBL efforts.

b) The AIR-4.2 Maintenance Trade Cost Guidebook provides guidelines for developing, documenting, and presenting maintenance trade study cost analysis. The guide discusses the requirements for maintenance trade cost estimates, provides instructions for developing such estimates, and presents standard cost element structures. Documentation and presentation requirements are also provided. The primary objective of the guidebook is to achieve comprehensive, consistent, and well-documented cost estimates that can be replicated and verified by an independent party. The BCA is a decision making tool which:

- compares a baseline (no change) against alternate courses of action.
- identifies all costs associated with implementing the change (s).
- provides an estimated return on investment over a specified period of time and can make multiple comparisons given a range of requirements.

The AIR-4.2 Maintenance Trade Cost Guidebook can be downloaded from: http://www.navair.navy.mil/air40/air42/Overview/reference/reference.html

The Aviation Depot Level Repairable/Aviation Fleet Maintenance (AVDLR/AFM) Handbook is the guide used by cost analysts to determine AVDLR/AFM costs.

c) The NAVSUP BCA format contained in NAVICP's Supply Chain Solutions website is required for all Navy Working Capital Fund (NWCF) funded PBL candidates. The BCAs are performed to ensure that NAVICP implements business improvements that benefit the Fleet and includes NAVICP policy that requires all NWCF PBL candidates to break even or better. The organization responsible for conducting BCAs for both NAVICP Philadelphia and NAVICP Mechanicsburg is the NAVSUP mission funded Fitting Out and Supply Support Assistance Center organization (also known as Price Fighters). Information on NAVSUP BCAs can be obtained at: https://extra.navicp.navy.mil/scs/index.htm. Government Common Access Cards may be required to view this site.

2) PBL Acquisition Strategy Development

The Acquisition Strategy should be developed in accordance with the latest DOD acquisition guidance and after the product support requirements and metrics have been determined in the Operational Analysis and Results/Recommendation (Block 9). Additionally, the Acquisition Strategy should address:

a) PBL Determination

- The category of PBL that will best meet the product support requirements

b) Budgeting and Funding

- Ensure adequate funding is budgeted to support the PBL. BCA results can be used in support of budget projections. Note: Given the current DOD emphasis on Total Life Cycle System Management, it is important that the PMA be aware of the different support organizations (NAVICP, etc.) and programs (Flying Hour Program, etc.) as well as funding (Navy Working Capital Fund, etc.) currently supporting the program. PMA should also review their budget requirements/ allocations, and their potential impact to the PBL initiative.

- FMS
  - Has the potential for FMS participation been considered?

c) Procurement Issues

- A recommendation of contract type based on performance requirements will help the contracting officer select the most appropriate type of contract for the PBL acquisition. The recommended contract type should also include draft Contract Line Item Numbers to help identify how the projected services will be procured.

- Contract Issues
  - What contract type (firm fixed price, fixed price incentive, etc.) best meets the requirement? Is higher level contracting officer review and approval required?
  - Are deviations/waivers necessary? Who has approval authority?
  - Pricing Structure. Is the establishment of performance by measures of time (e.g., price by the flight hour) and metrics (e.g., reliability/availability) the best way to approach the contract? What alternative pricing structures are available that would best suit this requirement?
  - Competition. Can the requirement be competed? If not, is there sufficient supporting data available to obtain the appropriate Justification and Approval for other than full and open competition?
  - Over and Above Costs. Are there over and above repair or warranty scenarios to be addressed and administered (i.e. Shipping damage, physical damage due to mishandling)? Could there be any other types of contract price adjustments?
  - SBA Participation. Have SBA considerations been addressed?
  - Transition Planning. How are Navy assets passed to the provider? If assets have been passed, how is their return handled?
  - Data Base Access. What access will the provider have to government data? Will the government have access to the provider's data?
  - Exit Criteria. What will the Navy need to re-compete the requirement or re-establish organic capability? See Appendix III.
  - Contract Structure. Will it readily allow additional systems, subsystems and components to be added to it?

- Length of PBL commitment

- Incentives for Industry
  - Award/Incentive Fees
  - Profit tied to reliability (under Firm fixed price contract)
  - Long Term Award (funding stability)
  - Award Terms

- Contract Metrics should be based on the performance metrics and may include:
  - Achievement incentives
  - Failure to perform penalties. Will the contract carry provisions for incentives and/or penalties based upon performance to the stated terms and conditions?
  - Performance monitoring and data required to monitor
  - What is the basis for the contract? For consumables, do we expect all customer requisitions to be satisfied within a specified timeframe? For repairables, do we want a guaranteed Supply Material Availability or satisfaction of customer requisitions within a specified timeframe, or both? As an alternative, should a cost per unit of operating time or overall system availability be considered as the more effective provider performance option?
  - What is the plan to monitor provider performance once the contract is in place?

B. Business Recommendation

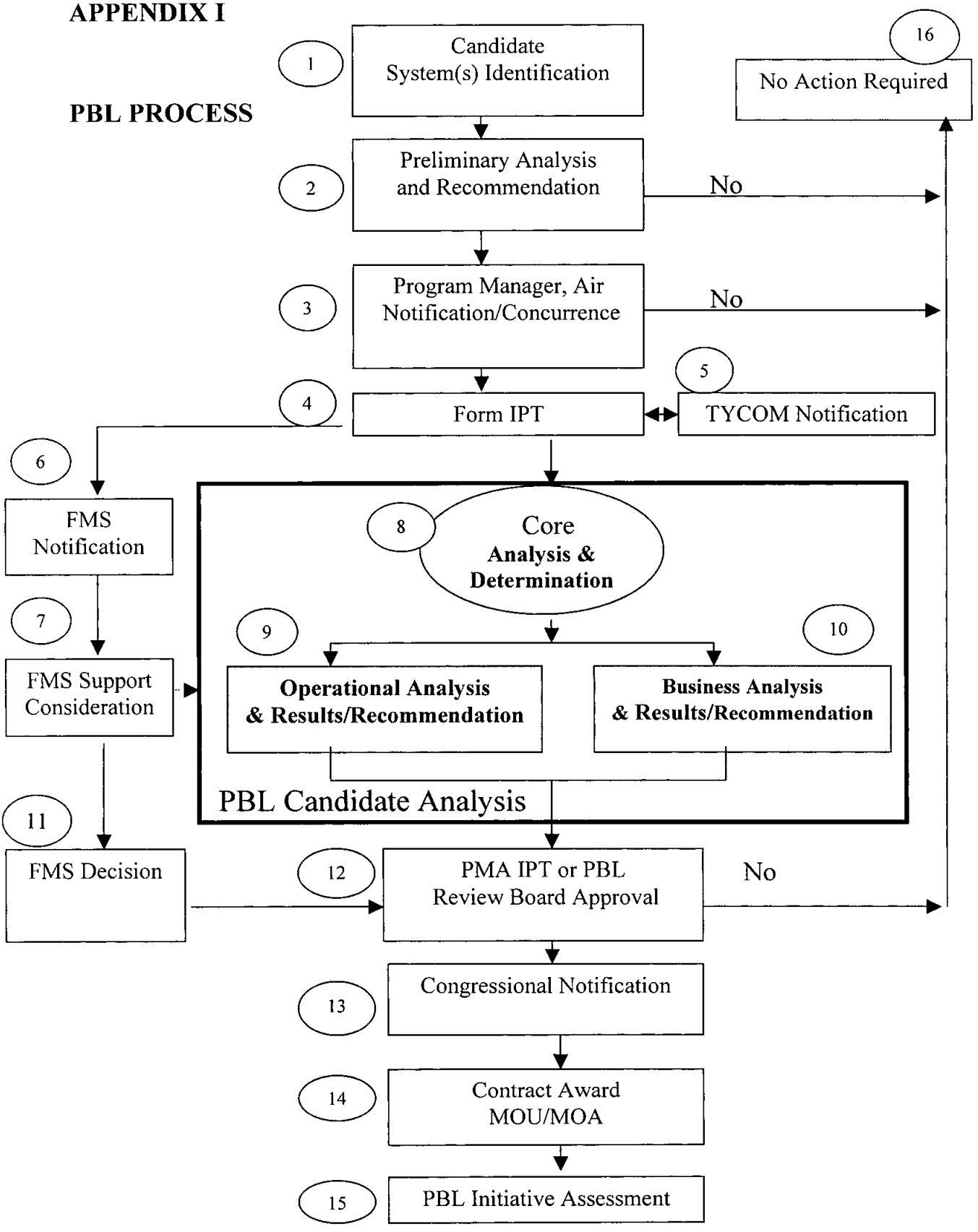
The Business Recommendation is based on the results of the BCA and Acquisition Strategy and is presented to the Program Manager or the NAVICP PBL Review Board by the IPT as an affirmative or negative recommendation.

1) Affirmative Business Recommendations will contain the results of the BCA, the rationale for the recommendation, and a proposed Acquisition Strategy.

2) Negative Business Recommendations will contain the results of the BCA and the rationale for the recommendation not to implement the PBL.

APPENDIX I

PBL PROCESS



APPENDIX II

PERFORMANCE REQUIREMENTS AND METRICS

Performance requirements and metrics are tailored for each PBL, to support PBA outcome requirements, and are readily transformed into SOO or PWS format. A well thought-out description of performance-based requirements is essential to ensure the government receives the supplies and services that meet or exceed the established requirements (i.e. Key Performance Parameters from the Operational Requirements Document or appropriate Capabilities Documents, etc.). Determining the correct performance requirements and metrics is also one of the most difficult and challenging tasks within the PBL Candidate Analysis.

Performance requirements represent the end item capability being acquired in the PBL contract/agreement. They must be stated in high level, outcome based, readily understood language without specifying how they are to be achieved. Performance metrics are the means by which achievement of the requirement (i.e. PBL performance) is measured.

Considerations that must be addressed when choosing/developing performance requirements and metrics include:

- Use of warfighter supportability-related performance requirements
- Identification of realistic, consistent and readily quantifiable metrics
- Identification of the source and data to be collected
- Identification of roles and responsibilities for analysis and reporting of performance data
- Description for the data elements and formula for calculating the critical metrics
- Statement of the frequency and format for reporting results

Performance requirements and metrics are essential elements of a PBL contract/agreement and are used in system level, subsystem level, and component level PBLs. The requirements are always directly (system level) or indirectly (subsystem and component level) linked to a system level performance criteria. The metrics can be standard, known values or any other non-standard value or metric, which suits the program's need to measure PBL performance. The following are sample performance requirements and metrics which are recommended for tailoring and inclusion into PBL agreements as appropriate:

PERFORMANCE OUTCOMES	METRICS/CONSIDERATIONS
Operational Availability (Ao)	A(o) – (Under Full CLS Only) Readiness Mission Capable Rates Sortie Generation Rate Turn-Around-Times Surge Requirements Reduced Down Time
Operational Reliability	Sortie/Mission Completions Time On Wing Mean Time Between Failures (MTBF) MTBF Improvement No Fault Found Reduction/Elimination
Cost Per Unit Usage	Cost Per Flight Hour Annual FFP Cost (prorated by units) Obsolescence Management Attrition Replacement Sustaining Engineering/ECP Costs Total Ownership Cost (TOC)
Logistics Footprint	Maintenance Planning Reliability improvement Reduced Cannibalizations Support Equipment/Training/Publications Inventory Needs Staffing Levels
Logistics Response Time	Parts Availability First Pass Effectiveness Maintainability P,H,S&T Mean Logistics Down Time Supply Chain Management

APPENDIX III

PERFORMANCE AND EXIT CLAUSES

Clauses can be general (Federal Acquisition Regulation (FAR) or Defense Federal Acquisition Regulation (DFAR) which are included via incorporation or reference) or may be specifically written to accommodate specific program requirements. Contract clauses govern how a contract is executed and are of utmost importance in any PBL arrangement. Performance clauses govern the terms and conditions of contract performance. Exit clauses spell out the condition of the infrastructure (government provided or contractor developed) that the provider transitions or returns to the government upon contract expiration/termination. Exit clauses are critical to ensure that the government has the means to re-establish organic or commercial support capability. As performance and exit clauses serve to mitigate risk, it is imperative that the IPT, particularly the Procuring Contracting Officer (PCO), select the appropriate clauses and tailor them to meet each program's specific requirements. Some elements to consider for inclusion in exit clauses:

- Transition Planning & Timelines
- Government & PBL Provider Transition Responsibilities
- Complete Configuration Documentation
- Spares (condition of spares)/Repair parts
- Support Equipment
- Technical Data (includes Drawings, Publications, Provisioning Technical Documentation, and Data Rights)
- Training Provisions (to Transition/Establish Capability)
- Real Property
- Partnering

APPENDIX IV

TECHNICAL REQUIRMENTS

Managing the system design requirements is an inherently government function which is coordinated by the program's Chief Systems Engineer. Technical Authority (TA) is the authority, responsibility, and accountability to establish, monitor, and approve technical products and processes in conformance to higher authority, policy, requirements, architectures, and standards. For Naval Air Systems Command (NAVAIR) systems, the only NAVAIR personnel permitted to exercise TA under a performance based logistics (PBL) contract must be empowered by the appropriate AIR 4.0 Technical Warrant Holder (TWH). The PBL concept of procuring performance does not eliminate the requirement for a thorough; Milestone Decision Authority (MDA) approved Systems Engineering Plan (SEP). The SEP shall clearly define the Systems Engineering approach and specify the necessary Systems Engineering Technical Reviews (SETRs) required during the program acquisition/life cycle.

The sustaining engineering elements within many PBL contracts are among other things, for the purpose of mitigating the impact of changes caused by obsolescence, and/or for the purpose of permitting technical insertion to improve a system's reliability, cost, maintainability, etc. Technical authorities are encouraged to grant some level of sustaining engineering functionality to PBL providers, and it is required for a PBL IPT to ensure appropriate reviews and approvals of PBL statements of work (SOWs) by the cognizant engineering authority for technical content. Language with respect to review and approval aspects of the various classes of engineering change proposals (ECPs), the identification of provisioned and non-provisioned (required as part of exit criteria) Critical Application Items (CAI) and Critical Safety Items (CSI), configuration status accounting, update of drawings and technical data packages, Automated Test Programs (ATPs), test equipment, and other appropriate technical elements should specify how these elements will be quality accessed, reviewed, approved, or rejected, as they apply to a PBL for a specific system, subsystem, or component.

All current engineering (AIR 4.0) guidance and related engineering instructions and directives will continue to apply fully to all PBL contracts, unless the MDA approved Systems Engineering Plan (SEP) specifies otherwise. This also applies to provisions to make adjustments for any new technical requirements or alterations to technical instructions or directives that may occur during the term of a PBL contract that may require contract modifications to ensure compliance.

The following programs may be included to satisfy a technical requirement. They include, but are not limited to:

- Naval Aviation Maintenance Program (OPNAVINST 4790)
- Configuration Management
- Operational Risk Management
- Corrosion Control
- Hazardous Materials

- Facilities Maintenance
- Base Security
- Government Furnished Property
- Government Furnished Equipment
- Safety
  - Critical Safety Items (NAVAIRINST 4200.25D)

APPENDIX V

PRODUCT SUPPORT ELEMENTS – BASELINE ESTIMATE FOR BCA INPUT

1) Maintenance Planning
   a) Supportability Analysis
   b) Depot Planning
   c) Reliability, Maintainability, Availability
   d) Will the current maintenance plan and designated levels of maintenance be retained? If the maintenance philosophy is changed to eliminate "I" level repair; will the retail requirements remain unchanged? If the maintenance plan changes, who is responsible for updating the current plan?
   e) ILS Management
   f) Warranty
   g) Repair. Is there an impact on organic "core" workload?

2) Technical Data
   a) Data Rights. Are data rights procured? If not, does the contract address data rights when technology insertion is applied? What happens under the "Escape" provision?
   b) Work Unit Codes. Will new work unit codes need to be assigned?
   c) Provisioning Technical Documentation. DCN's, Drawings, etc., is this included in the contract?
   d) Technical Manuals. Are technical publications effected by the PBL? If so, who will be responsible for update?

3) Computer Resources Support
   a) Computer Aided Logistic Support (the hardware, software, documentation, manpower, personnel, and facilities needed to operate and support an embedded computer system).

4) Supply Support
   a) Asset Type (Piece Parts/Repairables) Does the contract address both types? Are there different guidelines for handling each type?
   b) Enhanced Reliability and Availability
   c) DLA Involvement. Repair Parts. Does the contract allow access to DLA inventory?
   d) Residual Inventory. What provisions will be included to require contractor draw down of existing government inventory, including DLA managed items? The establishment of an MOA between NAVAIR/NAVICP and DLA addresses utilization of DLA material. See Appendix VIII.
   e) Asset Reporting. What system will be used to report assets? Will asset visibility be fully maintained in NAVICP files? Will all condition code changes be reported?
   f) Requisition Processing. Will all requisitions pass through the NAVICP for referral to the contractor? Will the ICP maintain the backorders? Who will be responsible to provide status to the customer? Who replies to follow-ups? Will delayed turn-ins (DTI) be authorized?
   g) Demand/Sales. Will all demand and sales be recorded by the ICP for both consumables and repairable?

h) Wholesale Replenishment. Who makes the decision to procure additional inventory? Who makes the decision on the quantity to be procured? Who funds the replenishment? Are repairables and consumables handled differently, i.e. delegate full authority to the contractor for consumables, yet retain decision making for repairables?
i) Retail Requirements. Will the ICP retain full responsibility for allowance development? Who decides range and depth?
j) Contractor Pools. Will a wholesale spares pool be required by the contractor to permit satisfaction of customer requisitions within the agreed to timeframes? Does the ICP initiate the pool through the redistribution of wholesale assets? Does augmentation to the pool become the sole responsibility of the contractor?
k) Asset Ownership. Who owns the wholesale inventory?
l) Survey/Disposal Authority. Does the Navy retain responsibility for survey/disposal decisions?
m) Data Base Access. What access will the contractor have to ICP files? Will ICP have access to the contractor's database?
n) PICA/SICA Issues. Are other services participating?
o) Requirements Determination.

5) Support Equipment (SE)
a) Impact on SE Requirements
b) Impact on ATE and TPS
c) Is unique support equipment required for "O" or "I" level maintenance?
d) Calibration and Maintenance
e) SE Acquisition
f) SE Logistics.

6) Packaging, Handling, Storage, and Transportation (PHS&T)
a) Impact to Existing Procedures
b) Warehousing. Who will be responsible for warehousing?
c) Transportation. Who will be responsible for transportation? Is the use of premium transportation envisioned? In the case of repairable, who is responsible for retrograde transportation? Is there a requirement for retrograde to arrive at the contractor in a specified number of days? DTI's?
d) Packaging, Preservation and Marking. Will contractor's commercial packaging ensure item arrives at its destination undamaged? How is hazardous material addressed?
e) Use of reusable shipping and storage containers when specified.
f) Heat treatment of wood products.
g) Contractor will ensure proper management of shelf life program.

7) Facilities
a) Space Requirements
b) Environmental Impacts.

8) Manpower/Personnel
a) Human System Integration Impact on Requirements
b) Impact on Maintenance Man Hours
c) Impact on Skill Levels and Mix
d) Other Human Factors.

9) Training
   a) Impact on O/I Level Training
   b) Impact on Courseware
   c) Trainer Updates
   d) Engineering and Technical Services Requirements.

10) Design Interface
   a) The relationship of the logistics related design parameters, such as reliability and maintainability, to readiness and support resources requirements.

11) Other
   a) Configuration Management (CM) - PM control of CM is essential. SECNAV guidance states "CM decisions shall be based on factors that best support implementation of performance-based strategies throughout the product life cycle."
      1. Configuration Control.
      2. Design Interface
      3. Specifications and Standards. Will the contract permit utilization of commercial specifications and standards for assets replenishment or repair? Will performance standards vice "build to print" be authorized?
      4. ECP's. Class I, Class II, who has approval authority, ACO, CCB?
      5. Provisioning Technical Documentation. DCN's, Drawings, etc., is this included in the contract?
      6. Obsolescence Management
      7. Technology Insertion
      8. Retrograde Management

   b) Hazardous Material
   c) Safety
   d) FMS Support (If Applicable)
   e) Public/Private Partnerships or Teaming
   f) Metrics.

APPENDIX VI

FOREIGN MILITARY SALES (FMS) IMPLEMENTATION

1. FMS/PROVIDER NOTIFICATION (Block 6)

FMS Customer Notification: Those within the IPT that are actively pursuing a PBL Candidate for a system or equipment that may be used by FMS customers must identify this plan to the appropriate Program Office to notify the FMS customers of the Navy's support plans. The FMS Assistant Program Manager, Logistics (APML) should accomplish the notification of FMS customers via formal correspondence.

Provider Notification: The Navy has a logistics support requirement for FMS customers, and a potential provider must be advised to plan for support of FMS customers as well as the Navy requirement. The notification should clearly state that the Navy is obligated to plan for FMS support and therefore the provider must consider FMS requirements in their support planning. The FMS customers, however, are under no obligation to utilize the PBL initiative, and may elect to obtain their support via other means.

2. FMS SUPPORT CONSIDERATION (Block 7)

The support of FMS customers may be accomplished through a variety of support strategies and each customer involved may elect a different support scenario. The decision to participate in a PBL Initiative with the Navy may be made at the onset of the contract or at a later point in time. Advance planning for potential FMS scenarios allows; 1) the inclusion of the different FMS support scenarios and other FMS support requirements into the statement of work (SOW) and other contractual documentation and, 2) the execution of the FMS portion of the contract on an "as needed" basis. Failure of the IPT, the provider, and the FMS customer to plan this support in advance may result in the PBL initiative being unavailable to the FMS customer.

A. Major FMS Support Scenarios:

1) Cooperative Logistics Supply Support Arrangement (CLSSA)
FMS customers with this arrangement have bought into the Navy's inventory and requisitions (identified by a "P", "B", or "D" in the first position of the requisition and a "V" in the sixth position of the requisition) are to be treated the same as if they were from a U.S. Navy Fleet customer. These requirements are to be included in forecasts provided to a provider and they will result in a draw down of assets with no reciprocal carcass turn-ins.

2) Repair Item Replacement Option (RIRO)
FMS customers are being offered the opportunity to become full participants in the Navy supply system and includes a mandate to accept any changes to configuration that have been agreed to for Navy use. FMS customers supported under this method will requisition assets from the wholesale asset pool and will turn in the failed carcasses for repair. This support method will require the participating FMS customers to provide information related to the number of platforms, average operating hours of the platforms per year, and for

electronic components the average time that equipment is powered up in relation to platform operating times. The average time line for the return of failed carcasses is another commitment the FMS customer must make under this support concept. RIRO will result in the inclusion of the FMS requirements into the PBL.

3) Initial Support Requisitions (ISR) and Direct Requisition Procedure (DRP)
These are non-recurring FMS requirements for which a carcass return will not occur, and are filled only when assets available exceed the expected requirements for a given period of time. These requisitions will primarily occur for legacy systems for which excess assets are already in the system and were turned over to support a PBL contract. The Navy and the PBL support provider should pre-negotiate this asset level at the onset of the PBL contract.

4) Repair and Return (ROR)
FMS support concept that includes turn in of carcass by an FMS customer for individual repair actions that are normally priced individually on separate orders. Several ROR formats may occur in support of FMS customers:

- ROR with Configuration Sustainment: Repair to existing configuration,
- ROR with Configuration Update: Repair with tech insertion/changes authorized,
- ROR with Optional Updates: Repair with update only when specifically authorized.

B. Other FMS Support Requirements:

- Configuration sustainment vs. configuration changes with emphasis on ensuring that the FMS APMLs receive an identification of any changes to include a brief description of what is being changed and the reason for the change (this is particularly important in cases where the Navy does not plan on receiving delivery of a DCN with related drawings and technical data),
- The inclusion of a specific CLIN on a PBL contract for use by an FMS customer to buy data if they require it for their internal needs and the Navy does not possess the data,
- Notice of whether Single Vendor Integrity (SVI) can be assured for all or part of a system or platform, since some FMS customers list SVI among their support requirements,
- Differences in packaging requirements,
- A review of metrics related to Reliability, Availability, and Cost that may differ somewhat from the metrics agreed to for domestic customer support,
- Impacts on support equipment,

- Impacts on software,
- Impact on publications,
- Cost considerations to ensure that FMS costs or savings are never mixed with Navy costs or savings unless both FMS and the Navy are treated in an identical mode on the contract.

Appropriate consideration of potential FMS requirements early in the process may be expected to save time and money for the Program Offices, FMS customers, IPTs, PCOs and various other members of the logistics support community. The NAVICP Philadelphia PA Code P751 has developed some standard clauses that may be reviewed for potential use in dealing with FMS needs in PBL contract actions. A letter to consider addressing FMS support issues with a prospective PBL support provider in advance of finalizing a statement of work (SOW) for inclusion in a PBL contract may be of significant value in design of SOW that facilitate the addition of emerging FMS requirements as they appear.

3. FMS DECISION (Block 11)

The Navy IPT in consultation with a prospective PBL provider will determine the specific FMS support scenarios that may be included in the PBL contract.

Individual FMS customers will decide if and when they would like to participate in a given PBL support contract and the support scenario they prefer to participate in based upon those support scenarios available.

The Navy IPT will address the desires of the individual FMS customers with contracting officers to determine potential for addition of FMS requirements to a PBL contract and/or if a separate contract vehicle will be necessary.

APPENDIX VII

LESSONS LEARNED

Benefits:

- Improved Readiness at Reduced TOC,
- PBL Helps to Achieve CNO Top Priorities/Goals
  - Manpower- Increased Availability and Reliability Will Lower MMH/CANNs, Enhancing Fleet Quality of Life and Morale
  - Readiness- Availability Commitment at High Percentage
  - Future Readiness- Availability Commitment/Reliability Growth
  - Quality of Service- Lower MMH, Increased Parts Availability, Premium Transportation and Field Reps for Assistance
  - Alignment- Multi-Organizational/Multi-Competency IPTs Including OEM/Contractors With Common Goal.

Basics:

- Bring In ALL Stakeholders Early in the Process, Including FMS,
- Establish a PBL IPT with Empowered Members,
- Develop a Few, Simple Metrics With Dependable Measurement Tools,
- Eliminate Adversarial Relationship Between Government and Contractors,
- Strive to Ensure PBL is Transparent to the Fleet,
- Compliance With Title 10 USC,
- Solid Business Case Analysis- PBL Programs Are Under More Scrutiny,
- Provider Empowered to Fulfill Requirements (Responsibility/Authority Delegated),
- Profit Motive Coincides With Navy Performance Objectives,
- Need to Educate/Train Navy and Industry Personnel in PBL Concept,
- Need to Include FMS Early in the Process.

Barriers

- Cultural Change in the Way We Do Business.... Unwillingness to Delegate Control to PBL Providers and Adversarial Contractor/Gov Relationships,
- Budget Reform Needed to Facilitate Implementation of Engine and Aircraft PBLs (Multiple Single Year Appropriations, Each With Constraints, Required to Fund Single Line of Account),
- Significantly More Complex Than Traditional Contracts
  - Supplier Relationships Also More Sophisticated,
- Heavy Resource Investment Required for PBLs
  - Time & People,
- Historically 18 – 24 Months to Complete.