

18 July 2006

Mr. James D. Hall
Acting Assistant Deputy Undersecretary of Defense (Logistics Plans & Programs)
Office of the Under Secretary of Defense (Acquisition, Technology and Logistics)
Room 2C263
3500 Defense Pentagon
Washington, D.C. 20301-3500

Subject: Recommendations for Accelerating Effective Performance Based Logistics (PBL)

Dear Mr. Hall:

The National Defense Industrial Association (NDIA) and SOLE – The International Society of Logistics (SOLE) appreciate you and your staff meeting with Joe Grosson on 31 May 2006 to discuss our activities and issues related to Performance Based Logistics Strategy acceleration. Since that meeting NDIA and SOLE have continued to both evolve and validate our recommendations.

During the 31 May meeting you mentioned the possibility of the following:

- Formation of a working group(s) to address each of our recommendations
- Briefing at a future meeting of the TLCSM Executive Council to discuss the recommendations

Listening to your thoughts, it also appears that we are mutually aligned on the need for consistent contract structures, business case analyses, community training and education, and processes to enable public-private partnering. We note that the latest draft of the Defense Acquisition Guidance, Part 5, is in consonance with our recommendations thus, it appears, that the next steps to implementation reside in execution.

Herein we are jointly submitting six key recommendations (including streamlining contracting) to significantly improve the value and implementation time of PBL implementation strategy.

We are prepared to discuss details of the below recommendations at the TLCSM Executive Board, as you suggested, that are offered as follows:

Recommendation #1

Each service implement consistent PBL contract structures, terms and conditions and performance metrics at the System, Sub-System, Major Component; and Commodity levels.

Recommendation #2

Standardize a common sustainment Business Case Analysis (BCA) approach. A significant amount of effort and time during PBL development and negotiation is consumed on BCAs. We recommend that BCAs focus on the best value support alternative, providing the foundation for projecting program costs, and serving as a “living” reference to continually measure the success of a program.

Recommendation #3

Implement FAR Part 12 commercial contracting for PBLs when it can be applied to leverage commercial best practices such as the dual-use aviation industrial base, as described in paragraph 5.3.1.12 draft of the Defense Acquisition Guidance (DAG), Part 5.

Recommendation #4

Provide policy encouraging use of Working Capital Funds for funding PBL programs and incorporating the intent of MID 917 across all DoD programs to the extent practicable as described by draft section 5.3.1.11 of the DAG.

Recommendation #5

Provide policy that institutionalizes Public Private Partnerships (PPP) as a viable business construct and enabler of PBL strategy implementation. Today’s body of knowledge clearly evidences the benefits of PPP as implemented for a number of current PBL contracts. We propose that this body of knowledge be institutionalized to benefit from lessons learned and best practices. Further, we suggest the development of a service depot level strategic vision that sustains competitive advantage in those areas that complement industry Product Support Integrator roles and responsibilities.

Recommendation #6

Accelerate and expand the Defense Acquisition University’s educational program to include academia and professional associations in meeting both industry and government needs for PBL knowledge. We suggest that DoD personnel need to understand industry experience, business imperatives and implementation processes and Industry needs to understand DoD program policy and contracting frameworks. Further, there should be recognition that industry is stratified into levels of prime system integrator, major partners, vendors and suppliers. Each has a role in executing PBL strategies. Therefore, the educational experiences should address each level of the execution hierarchy. These will vastly improve DoD and industry-wide understanding of PBL contracting, preparation of BCAs and implementation.

Conclusion:

Our organizations believe that the implementation of these recommendations will allow your office and the Military Services to advance along the OSD PBL Maturity Model, by addressing policy decisions and their updates, and facilitate initiatives with industry. As PBL guidance and structures are understood and improved, innovative contracting vehicles, such as PBL Corporate Contracting, will evolve as a supporting basis to streamline the process. Most importantly, implementation of PBL strategies has significantly reduced operation and sustainment costs for DoD. We must work together to aggressively, practically and logically accelerate this strategy.

We look forward to further engagement with you and your staff in this vital area of National interest. Our point of contact is Joe Grosson who can be reached at 703-401-3747.

Sincerely,

Logistics Division Leaders of NDIA and SOLE

Gordon S. Holder
Chairman
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