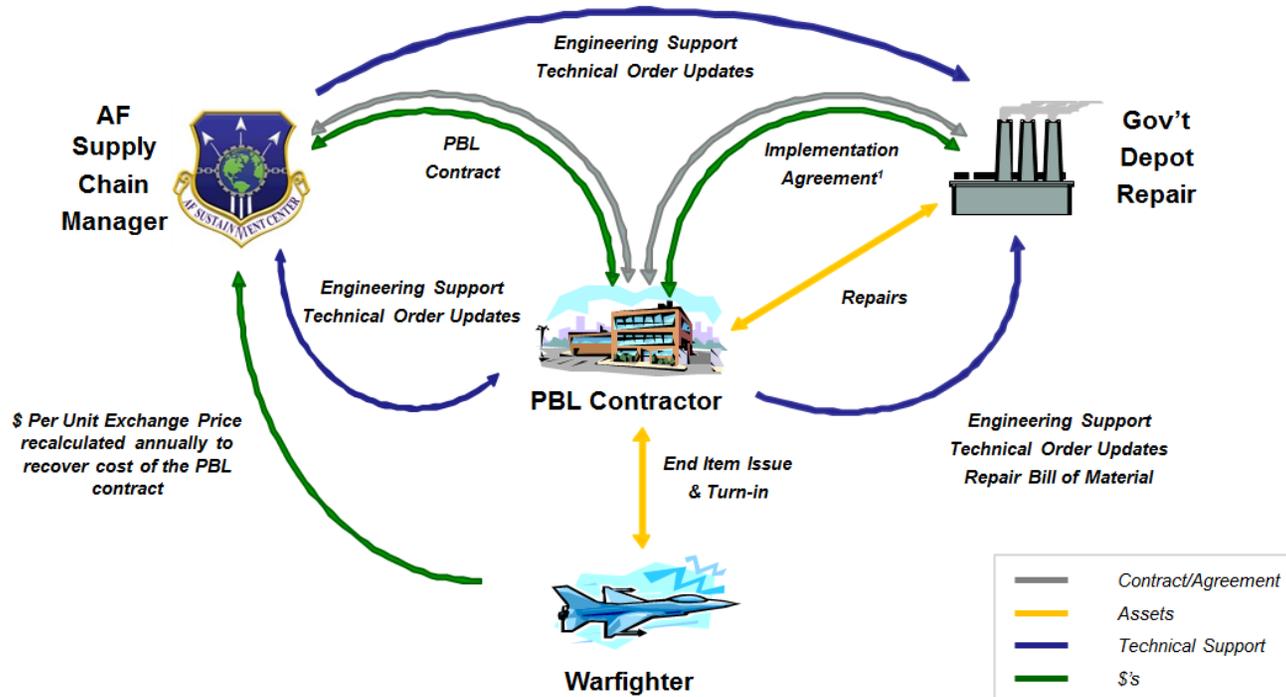


## CONCEPT FLOW DIAGRAM

### Support Provider PBL Utilizing a Public Private Partnership



<sup>1</sup>An Implementation Agreement is an agreement between the Government Depot Repair source and the PBL Contractor that specifies the roles, responsibilities, expectations, and limitations of each party for a specific contract when a public private partnership is being utilized.

### BUSINESS MODEL

PBL does not change the requirements of spares, repairs, and sustainment engineering. PBL does change the business relationship by which we obtain those requirements.

PBL does not give supply chain management to a contractor. Cost effective readiness is optimized by enabling a contractor to perform supply chain management functions where they can add value.

Every PBL is different and should be designed to meet customer needs at the lowest acceptable cost. PBL is a spectrum and can vary greatly in size, scope, and the supply chain management functions a contractor is enabled to perform.

PBL is ultimately about buying performance outcomes!



#### **PBL is not Contractor Logistics Support.**

PBL does not displace the 448 SCMW as a Product Support Provider (PSP) and shift jobs to a contractor. PBL provides the 448 SCMW, as a PSP, an approach to optimize cost effective readiness for our customers.

### RESOURCES

**Policy:** *Use of Performance Based Logistics (PBL) Product Support Strategies*, 448 SCMW/CV, 04 Sep 2012

**Policy:** *AFI 63-101/20-101 Integrated Life Cycle Management*, SAF/AQXA, 07 March 2013

**Memo:** *Performance Based Logistics Comprehensive Guidance*, OSD Logistics and Material Readiness, 22 Nov 2013

**Guide:** *448 SCMW PBL Guidebook*, 01 Aug 2014

**Guide:** *OSD PBL Guidebook*, 27 May 2014

**Guide:** *Public-Private Partnering for Sustainment Guidebook*, 01 Feb 2012

**Website:** *448 SCMW PBL SharePoint Site*, <https://org.eis.afmc.af.mil/sites/948scmg/429scms/GUMC/PBL/default.aspx>

**Website:** *DAU PBL Community of Practice*, <https://acc.dau.mil/pbl>

### FOR MORE INFORMATION

Visit the *448 SCMW PBL SharePoint Site* (reference Resources)

#### **Questions or Comments?**

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# Performance Based Logistics (PBL)

## Definitions, Spectrum, and Resources



## DEFINITION

PBL is a long-term support arrangement where the product support provider is responsible for achieving performance outcomes and is motivated through the use of incentives and/or a performance-based payment approach. PBL is not Contractor Logistics Support (CLS).

## TYPES

PBLs can vary greatly in scope and complexity. PBLs can be for any one or combination of the following:

- System (e.g. F-15, A-10, F-22)
- Subsystem (e.g. landing gear, power systems, radar)
- Components (e.g. NSN 123456789)

## PERFORMANCE OUTCOMES

Benefits to performance outcomes can include but are not limited to:

- Cost savings
- Improved availability (e.g. backorders, MICAP hours, ALT/PLT)
- Improved reliability (e.g. Mean Time Between Failure, Mean Time Between Demand)
- Improved Depot Maintenance capability and efficiency (e.g. turn-around time, first-pass yield, shop flow days)

## PAYMENT APPROACHES

For contracts with industry, the payment approach used should be based upon the drivers of demand (e.g. fly to fail, time change) and the desire to incentivize reliability improvements. The following are examples of two main performance-based payment approaches (both are firm-fixed price):

### Price-Per-Flying-Hour (also referred to Cost-Per-Flying-Hour)

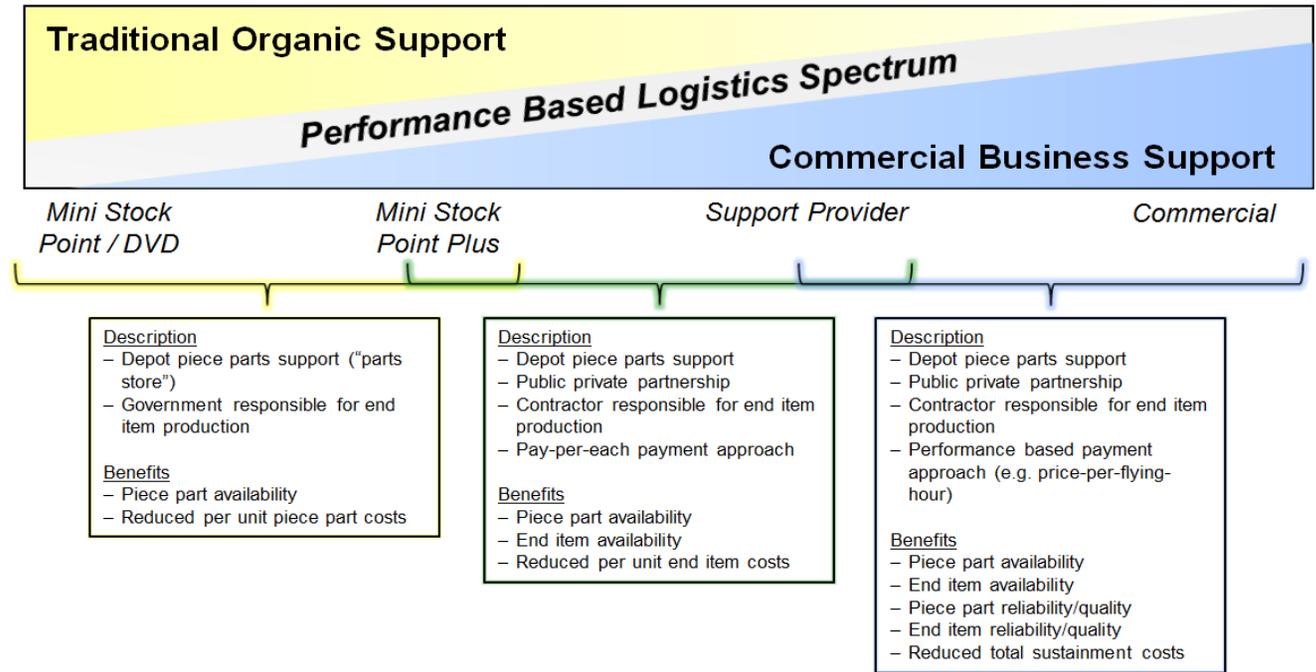
- **Example:** For every hour the Air Force flies the contractor is paid \$100. The contractor is not paid a transactional price-per-each for each demand or requisition.
- **Benefits:** Incentives the contractor to control both drivers of cost: the quantity demanded (reliability) and the price-per-each.

### Demand Bands

- **Example:** Over the period of one year, for demand or requisitions quantities that fall between 90 to 110 the contractor is paid \$5M. A transactional price-per-each adjustment would be applied if the demand or requisitions quantities are outside of the band.
- **Benefits:** Incentives the contractor to control both drivers of cost: the quantity demanded and the price-per-each.

A PBL may utilize another type of payment approach (e.g. pay-per-each, lot, cost-type) if a performance-based payment approach will not work.

## PBL SPECTRUM



## EXAMPLES

Per the OSD PBL Guidebook (May 2014):

- **Mini Stock Point:** A Contractor/Organic activity provides the storage and requisition processing of DoD-owned material. The DoD requires full inventory accountability and retains requirements determination and execution; the Contractor receives requisitions, stores and issues material, and may also repair the material. These are normally firm-fixed price or firm-fixed price incentive fee.
- **Mini Stock Point Plus:** This is the same as above, plus giving the Contractor or Organic facility authority to execute procurement/repairs within a ceiling. The requirements determination is negotiated, usually with a minimum and maximum amount.
- **Support Provider:** A contractual arrangement where the Contractor manages the inventory and determines inventory levels typically repairs "F" condition assets, and is required to meet specific performance metrics. Reliability improvements, technology insertion, and obsolescence management may be some of the inherent benefits of a full PBL. The Contractor is usually given Class II engineering change proposal authority and configuration management responsibility.
- **Commercial:** An arrangement where the Contractor supplies commercial items directly to the end users. Customer requisitions are automatically routed through DoD's procurement system directly to the Contractor as a delivery order. The Contractor owns the inventory, determines inventory levels, has configuration control of the items, and must meet performance requirements. DoD pays the Contractor for performance (usually monthly). Reliability improvements, technology insertion, and reduced obsolescence are incentivized either through fixed-priced contracts or through performance fee.

Note that the PBL spectrum and examples represented focus on long-term support arrangements that are contracts with industry not intragovernmental agreements. A PBL could be an intragovernmental agreement but is usually a contract with industry.