



THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

MAY 14 2012

MEMORANDUM FOR SERVICE ACQUISITION EXECUTIVES

SUBJECT: Endorsement of Next-Generation Performance-Based Logistics Strategies

Operations and Support (O&S) costs comprise 60 to 70 percent of total ownership costs. We must find ways to lower our O&S expenditures while maintaining the right readiness for our Warfighters. A key method to lowering O&S costs is the implementation of sustainment strategies that optimize readiness at best value. Appropriate use of Performance-Based Logistics (PBLs) will help to achieve affordable sustainment strategies and is a method for achieving our Better Buying Power (BBP) goals.

PBLs can be an effective method of achieving notable cost savings while improving readiness and should be broadly applied across the Department. A recently completed study by the Office of the Assistant Secretary of Defense for Logistics and Materiel Readiness (ASD(L&MR)) provided compelling evidence that properly constructed and executed performance-based product support strategies (commonly referred to as PBLs) deliver best-value weapon system support.

ASD(L&MR) is spearheading an effort focused on enabling broader, more effective implementation of PBLs across the inventory of DoD platforms, sub-systems, and components as appropriate based on business case analysis results. The Next-Generation PBL Integrated Product Team will provide effective policies, processes, tools, and training across all functional communities engaged in structuring and executing PBLs.

Developing correctly structured, priced, and executed PBLs is often a more complex task than initiating a standard transactional arrangement. It requires a combined and focused effort by the Program Manager, the Product Support Manager, and the Contracting Community, among others. However, the ability to more affordably support the Warfighter at a greater level of readiness is worth the effort.

I will closely track our progress toward the goal of aggressively implementing PBLs and solicit your endorsement, commitment of resources, and active support.

Frank Kendall
Acting

cc:

Assistant Secretary of the Air Force
(Installations, Environment and Logistics)
Commander, U.S. Army Materiel Command
Commander, Naval Air Systems Command
Commander, Naval Sea Systems Command
Commander, Space and Naval Warfare Command
Commander, Naval Supply Systems Command
Commander, Air Force Materiel Command
Commandant, Marine Corps Logistics Command
Deputy Chief of Staff of the Army, G4
Deputy Chief of Naval Operations (Fleet Readiness and Logistics), N4
Deputy Chief of Staff for Logistics, Installations,
and Mission Support, U.S. Air Force, A4/7
Deputy Commandant, Installations and Logistics, U.S. Marine Corps
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