Performance Based Incentives

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LM Experience with Performance Based Logistics

- Over 20 PBL programs successfully implemented across all Services

- DoD Secretary of Defense Award
  - F-117
  - HIMARS

- Defense Logistics Award
  - Javelin

- Defense Logistics Agency Award
  - Javelin
Keys to Successful PBL’s

- **Long-term contractual agreement (5+5)**
- **Clear outcome-related performance metrics**
- **Contract payment linked to performance metrics**
- **Limited number of distinct CLINs**
- **Strong partnership with Government providers**
Recent DoD Policy Developments

- Re-emphasized commitment to PBL in QDR
- Stated preference for OEM as provider (NAVAIR)
- Endorsed sustainment KPP and outcome metrics
- Articulated end-to-end value focus via Performance Driven Outcomes
- Expanded “partnering” authorities to DLA

DoD leadership aggressively moving to codify PBL!
Recent Observations

- Extended timelines for BCA’s
- Contract length = 1 year+ options
- Contract payment not linked to performance
- Multiple and conflicting metrics
  - Process level
- Multiple CLINs linked to specific funding citations

**Limited “incentives” to industry**
A Path to the Future (Industry and Government)

- Clarify PBL contracts classification
  - Supply vs Service

- Revise BCA guidance for new systems
  - To reflect actual practice

- Clarify current guidance / handbooks
  - 5+5 as preferred structure
  - Outcome metric
  - Pay for performance
  - Limited CLINs

- Drive PBL responsibility / accountability across value chain
  - Consistent with PDO

- Extend partnering authorities to explicitly include Service ICPs