**DEPARTMENT OF THE NAVY**
NAVAL SEA SYSTEMS COMMAND
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IN REPLY TO
NAVSEAINST 4000.7
SEA 04L/060
21 Jul 04

NAVSEA INSTRUCTION 4000.7

From: Commander, Naval Sea Systems Command

Subj: IMPLEMENTATION OF PERFORMANCE BASED LOGISTICS

Ref: (a) ASN (RD&A) Memorandum of 27 Jan 2003, Performance Based Logistics (PBL) Guidance Document
(b) ASN (RD&A) Memorandum of 26 Apr 2002, DoN PBL Implementation Plan
(c) SEA 04L Memo, NAVSEA Performance Based Logistics Policy, 11 Feb 2003

1. Purpose. To set forth the requirements, roles, and responsibilities for the implementation of Performance Based Logistics (PBL).

2. Objective. To identify consistent, standardized roles and responsibilities within NAVSEA and affiliated Program Executive Offices (PEOs)/Direct Reporting Program Managers (DRPMs) for the consideration and implementation of PBL for both new and fielded weapon systems product support.

3. Scope

a. This instruction applies to all new weapon systems and to all Acquisition Category (ACAT) I and II fielded systems and service contracts under the cognizance of NAVSEA and affiliated PEOs/DRPMs. This instruction also applies to all other programs for which, in the judgment of the Program Manager (PM), the application of PBL would reduce costs, improve system availability, and make for a sound business decision.

b. This instruction does not apply to Naval nuclear propulsion plant systems and equipment under the cognizance of the Deputy Commander, Nuclear Propulsion Directorate (SEA 08).

4. Background. In September 2001, the Quadrennial Defense Review (QDR) mandated implementation of PBL and modern business systems to compress the supply chain, eliminate non-value added steps, and improve readiness for major weapon systems and commodities. In January 2003, ASN (RD&A) promulgated reference (a) to facilitate PBL implementation throughout the Department of the Navy (DoN). References (a) and (b) state that PBL is the

preferred method of providing weapon systems product support and will be implemented when it improves Warfighter support and is based on a sound business decision. Reference (c) provides NAVSEA's PBL policy. The DoN PBL strategy was established to delineate Warfighter focused performance-based goals for weapons systems, sub-systems, and components. The focus of a PBL strategy is to translate Warfighter specified levels of operational performance into a sustainment program that optimizes system readiness and reduces Total Ownership Costs.

5. Description. PBL strategy is defined as an agreement, usually long-term, in which the provider (organic, commercial, and/or public/private partnership) is incentivized and empowered to meet overarching customer-oriented performance requirements. Agreements are structured so that they do not override programmatic requirements which include the Key Performance Parameters (KPP), the Initial Capabilities Document (ICD) and the Acquisition Program Baseline (APB). PBL includes the following key elements:

a. Initial Program Assessment (IPA) - used to determine if a PBL strategy is appropriate for a program.

b. Performance Based Agreements (PBA) - used to document the Warfighter's product support performance requirements.

c. Measures of Performance or Metrics - performance measures that can be quantitatively assessed and relate to the Warfighter's product support performance requirements. These measures are specified in high-level, outcome-based performance language; e.g., Maintenance Free Operating Period.

d. Business Case Analyses (BCA) - decision support tool used to estimate the costs and to describe the benefits between alternative product support strategies. It is used to compare the total estimated support costs between the baseline and PBL strategies in order to assist the PM in determining the appropriate PBA product support strategy.

e. Product Support Integrator (PSI)- the activity assigned by the PM to serve as a single point of accountability for product support.

6. Responsibilities

a. NAVSEA 04L shall:

(1) Represent NAVSEA and affiliated PEOs/DRPMs on PBL policy issues and coordinate the collection of PBL information requested by external sources or higher authority.

(2) Provide assistance, sources of PBL information, and sample documents to support PEO execution of PBL requirements. Also, facilitate improved lines of communication to support PBL efforts.

(3) Develop PBL tools to assist PMs and acquisition logisticians in implementing PBL.

(4) Develop and facilitate implementation of a common PBL process for use across all NAVSEA and affiliated PEOs/DRPMs Programs.

(5) Incorporate PBL assessment criteria into the NAVSEA logistics assessment instruction in order to support the Defense Acquisition Management milestone decision-making process.

(6) Monitor application across NAVSEA and the affiliated PEOs/DRPMs to determine the aggregate benefit of PBL.

b. NAVSEA and affiliated PEO/DRPM PMs shall:

(1) Conduct an IPA to determine PBL candidacy.

(2) Implement a Warfighter PBA as required.

(3) Conduct a BCA to determine if implementation of PBL will improve system availability and/or reduce life cycle costs.

(4) Tailor PBL strategies for each new, modified, or fielded system. Factors to consider in tailoring the PBL strategy include the needs of the Warfighter; the milestone, phase, or work effort of the acquisition; the existing product support infrastructure (public and private); and current and/or future funding constraints. The relative weight of the factors will be determined by the PM and the associated trade-off analyses will be used in making Best Value decisions.

(5) Assign a PSI.

(6) Reassess the PBL approach to product support at least every two years during the system's life cycle.

(7) Invite fleet representatives to participate on PBL Integrated Product Teams (IPT).

(8) Provide PBL program information to NAVSEA 04L.

c. NAVSEA Field Activities shall provide technical support as requested by NAVSEA and affiliated PEO/DRPM PMs.

7. Action. NAVSEA and affiliated PEOs shall comply with the responsibilities in this instruction and document the decisions and strategies regarding PBL for their programs. SEA 04L will distribute additional guidance and information to assist PMs/PEOs in meeting the requirements of this instruction.

8. Point of Contact. SEA 04 and PEO IWS are the PBL Team Leads. The NAVSEA point of contact for PBL is Mr. Lawrence Fitzpatrick, SEA 04L2, (202) 781-1306. The PEO IWS point of contact is Mr. Jon Joyce, PEO IWS6L, (202) 781-0671.

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