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MARINE CORPS ORDER 4081.2

From: Commandant of the Marine Corps
To: Distribution List

Subj: MARINE CORPS PERFORMANCE BASED LOGISTICS (PBL)

Ref: (a) DoD Directive 5000.1, "The Defense Acquisition System," dtd May 12, 2003
(b) DoD Regulation 4140.1-R, "DoD Supply Chain Materiel Management Regulation," dtd May 23, 2003
(c) DoD Instruction 5000.2, "Operation of the Defense Acquisition System," dtd May 12, 2003
(d) SECNAV Instruction 5000.2
(e) DoD Supportability Guide; Designing and Assessing Supportability in DoD Weapon Systems: A Guide to Increased Reliability and Reduced Logistics Footprint dtd 24 October 2003
(f) MCO 4000.57
(g) DoD Defense Acquisition Guidebook of 08 Oct 04 (date not in the Guidebook) (NOTAL)
(h) DoD PBL: Program Manager's Product Support Guide of Nov 04 (NOTAL)
(i) DoD Guide for Performance Based Service Acquisition of Mar 01 (NOTAL)
(j) DoD Product Support Boundaries of 01 Aug 04 (NOTAL)
(k) Title 10, U.S.C. 2464 and 2466

Report Required: Performance Based Logistics Application Level and Codes Report (Report Control Symbol EXEMPT) par 3.b.(6)(l)

1. Situation. This order provides Marine Corps policy for the development, implementation, and assessment of PBL strategies for new and selected legacy weapon systems/equipment. PBL is Department of Defense (DoD) preferred strategy for providing product support. PBL is the purchase of product support as an integrated performance package designed to reduce total ownership cost, optimize operational effectiveness, and satisfy performance objectives using support arrangements with clear lines of authority and responsibility. PBL product support is defined as the support functions necessary to maintain and improve readiness; sustainment and operational capabilities of a system or its subsystems based upon performance and cost objectives. Performance and cost objectives are measured in terms of Total Life Cycle System Management (TLCSM) metrics: Operational Availability, Mission Reliability, Total Life Cycle Cost per Unit of Usage, Cost per Unit Usage, Logistical Footprint and Logistical Response Time. References (a) through (d) provide the authority for this policy.

2. Mission. The primary mission of PBL is to translate Marine Forces (MARFOR) specified levels of operational performance and cost objectives into a product support strategy. The mission is accomplished by linking performance and product support objectives early during system design. System Operational Effectiveness (SOE) concept provides a framework for

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balancing the system's inherent design features with PBL product support processes. Reference (e) provides greater detail of the SOE concept. The action for developing and implementing a PBL strategy resides with the Program Managers

(PM) under TLCSM. PBL is an integral element in the application of TLCSM and the PMs need to balance the individual goals of Program Level Total Life Cycle Management (TLCM) with the goals of Marine Corps Enterprise Level TLCM. Reference (f) provides policy on the levels of TLCM. PMs will enter into User Performance Based Agreements (PBA) with the MARFOR, which will identify the responsibilities, performance objectives and TLCSM metrics for providing product support. Deputy Commandant, Combat Development & Integration (DC, CD&I) shall act as the MARFORs' representative during acquisition and jointly develop the User PBA with the PM. PBL is the default product support strategy unless the results of a comprehensive PBL Business Case Analysis (BCA) prove otherwise. The scope of a PBL approach will vary by weapon system program and may be applied at the system, sub-system or component level. Integration of logistics elements for PBL product support is accomplished by the selection of an organic or commercial Product Support Integrator (PSI). The PSI contract or agreement is performance based and supports the objectives of the User PSI. PBL approach requires continuous and periodic assessment of both the User and PSI PBAs. References (f) through (j) provide guidance on PBL characteristics, strategies and roles.

3. Execution

a. Commander's Intent and Concept of Operations

(1) Commander's Intent. It is the Commander's intent to:

(a) Apply PBL principles to new acquisitions and legacy Acquisition Category (ACAT) I and II weapon system programs where BCA results determine a 'best-value' decision to use PBL product support strategies. ACAT IV (M) and Abbreviated Acquisition Programs (AAP) are exempt.

(b) Use PBL to support Force-Centric Logistics Enterprise initiative and TLCSM requirements.

(c) Ensure PBL strategies are considered through Independent Logistics Assessments and Enterprise TLCM Corporate Board reviews.

(d) Utilize PBAs to identify objective outcomes, measures, resource commitments, and stakeholder responsibilities.

(e) Develop metrics/performance measurement standards to assess PBA/PBL performance.

(f) Designate/select Product Support Integrator (PSI) to manage daily product support functions.

(g) Determine and establish best usage of organic and commercial Depot Maintenance capabilities through Public-Private Partnerships (PPP).

(h) Utilize Performance Based Service Acquisition in the execution of PBL PBAs.

(i) Plan, program, and budget financial resources in the execution of PBL activities.

(2) Concept of Operations. The following processes define Marine Corps concept of operations deemed essential for the implementation of successful PBL programs.

(a) Performance Based Agreements (PBA). PBAs are agreements or contracts, which identify the responsibilities of PBL stakeholders and the desired performance objectives in providing product support. The term "Agreement" is synonymous with either a commercial contract, Memorandum of Agreement or Memorandum of Understanding (MOA/MOU). PBAs are divided into three types: User PBAs, PSI PBAs, and Product Support Providers (PSP) PBAs. The User PBA is an agreement between the PM and MARFORs that defines the level of negotiated product support and sustainment costs. User PBAs shall be completed and signed prior to Production and Deployment Phase. The PSI PBA is an agreement or contract between the PM and the PSI to execute product support integration for system, subsystem, and component levels or to provide a service. PSP PBA is an agreement or contract between the PSI and PSPs to provide product support.

1. PBAs established with organic organizations shall be formatted as a MOA/MOU. PBAs with commercial activities shall be in the form of a contract. The preferred approach for development of PSI PBAs is use of performance based acquisition and contracting principles. To ensure equitable, consistent expectations and enforcement, the terms of the PSI PBAs shall be aligned with the terms of the User PBA.

2. PBA signature authorities shall have the responsibility for executing, monitoring, and managing the agreement. Roles and responsibilities shall be delineated so that each signatory clearly understands the performance levels agreed upon.

3. PBAs shall be a joint developmental effort between signatories to maximize the effectiveness of achieving documented performance objectives and levels of collaboration. The PSI and PSPs are encouraged to participate in the development or revision of the agreement.

4. PBAs shall be negotiated between the signatories on the level of performance, cost and schedule to be achieved at a cost consistent with anticipated support funding. PBAs are not intended to be unconstrained statements of performance outcomes, but rather agreements with realistic goals.

5. User PBAs shall be reviewed no less than annually to assess the effectiveness of the product support, revalidate operational needs and ensure financial resources are budgeted to support programmed PBL contracts and MOUs/MOAs. Financial resource planning and coordinating shall involve any activity contributing resources.

6. User PBAs shall define accountability parameters and prioritize the critical readiness/maintenance drivers at system, sub-system, and major assembly levels.

7. PBAs shall be constructed in a manner that allows flexibility for a range of operational conditions (peacetime, exercise, contingency), since funding and performance objectives are subject to fluctuation.

8. PBAs for PBL Joint Service/International Programs shall be developed and placed into service with as much interoperability in product support requirements as possible.

9. PBAs shall comply with all statutory and regulatory requirements.

(b) PBL Business Case Analysis (BCA). PBL BCA process shall be conducted to identify the product support alternatives and provide economical and technical arguments for selecting the best life cycle value for achieving the performance objectives of the User PBA. "Best value" is defined as the process of making tradeoffs among cost/price and non-cost performance factors, in order to provide the greatest overall benefit to the Marine Corps.

1. PBL BCAs shall be developed for legacy ACAT I and II weapon systems and new ACAT I, II, III and IV(T) acquisitions programs. ACAT IV(M) and Abbreviated Acquisition Programs are exempt from the requirement of conducting a PBL BCA.

2. PBL BCAs shall be conducted at system, sub-system and component levels that will provide information necessary to initiate cost effective product support actions. All logistical support elements and services needed to meet MARFORs objectives will be evaluated in determining best value mixture of PBL product support strategy.

3. PBL BCAs shall be based on MARFORs stated performance objectives and conducted iteratively with the development and refinement of the User PBA.

4. PBL BCAs for new acquisitions shall be initiated upon entry into the System Development and Demonstration Phase and completed before entry into Production and Deployment Phase.

5. PBL BCA documented results shall be maintained and revalidated, no less then every five years, to ensure the most effective and efficient PBL product support is being provided to the MARFORs. BCA documentation will be updated to reflect the results of the revalidation process.

6. BCAs shall be conducted in compliance with all statutory and regulatory limitations.

(c) PBL Contracting. The preferred method of contracting for PBL product support strategy is long-term, firm-fixed price with incentives.

1. Incentives shall be tied to metrics/performance measurement standards established by the User PBA and structured by BCA results.

2. Contracts used for PBL purchase shall include tailored cost reporting to enable appropriate contract management and to assist future cost estimating and price analysis.

3. Contractor compiled cost and performance data shall be verified to ensure information integrity and reliability.

4. PBL contracting shall include the requirement to identify, track, report, and manage Diminishing Manufacturing Sources and Material Shortages.

(d) PBL Finance. PBL programs may be financed through a mix of appropriations. Regardless of the mix, PBL budgets should be accomplished by understanding the financial policies governing these budgets and coordinating them into the minimum number of accounting lines.

1. Negotiated cost and funding responsibilities for purchasing PBL product support shall be identified in the User PBA.

2. Identification and programming of PBL funding requirements shall be closely coordinated between the PM, DC, CD&I/MARFORs and Headquarters Marine Corps (HQMC) Departments annually.

3. Consolidate Budget Line Items (BLI) and segmented Activity Group/Sub Activity Group (AG/SAG) funds in support of PBL activities using the least number of accounting lines as possible.

4. Develop POM investment initiatives to produce structured proposals that identify the PBL cost and performance objectives.

5. POM initiatives for new PBL acquisitions shall be programmed directly into the PM's BLI and/or AG/SAG accounting line for PBL activities.

6. PBL funding for legacy systems/sub-systems or components shall require the transfer of funds from MARFORs and MARCORLOGCOM accounts to the PM's AG/SAG accounting line for PBL activities. The movement of funds shall be negotiated prior to transfer and documented in the PBA.

7. Negative impacts to Defense Working Capital Fund (DWCF) shall be mitigated by close coordination between MARCORSYSCOM and MARCORLOGCOM on funding transfers.

8. Financial disputes between PBA signatory authorities concerning PBL product support shall be resolved at the lowest possible

level. If deemed necessary, the financial dispute may be raised to the Enterprise Total Life Cycle Management Corporate Board for action.

9. PBL financing shall comply with all statutory and regulatory limitations.

(e) Product Support Integrator (PSI). A key tenet of PBL is the role and responsibility of the PSI. The PSI may be selected from either an organic or commercial organization. The PSI is the single point of contact responsible for the day-to-day management and integration of all PSPs in order to meet the performance objectives specified in the PSI PBA. The PSI function can be aligned along vertical (weapon system platform) or horizontal (commodity, sub-system, or component level) axis.

1. PSI shall manage, direct, and control the product support processes using an integrated approach.

2. Preferably, the PSI should be selected prior to entry of Production and Deployment Phase to ensure collaboration in the allocation of product support workloads to targeted PSPs.

3. No action shall be taken that would prevent the Government from ensuring basic Title 10 (reference (k) and other statutory and regulatory requirements are effectively executed.

(f) Metrics and Assessments. DoD defines performance in terms of military objectives using the following criteria: Operational Availability, Operational Reliability, Cost per Unit Usage, Logistical Footprint, and Logistics Response Time. Metrics shall identify the performance objectives that are to be measured and provide quantifiable indicators for assessments.

1. PSI PBA metrics shall be developed to support the performance objectives documented in the User PBA.

2. Metrics defined in User and PSI PBAs shall include any business rules/conditions, calculations, and if applicable, data sources, data validation processes and reporting mechanisms.

3. PSI PBA metrics shall be achievable and aligned within their span of control.

b. Subordinate Element Missions

(1) Deputy Commandant, Installations and Logistics (DC, I&L)

(a) Act as the CMC agent for PBL oversight and policy in accordance with current DoD directives and guidance. Establish and promulgate Marine Corps enterprise level PBL policy.

(b) As the Advocate for Logistics Combat Element, provide input to the PMs and combat developers regarding PBL requirements and acceptable tradeoffs for those capabilities impacting their respective element.

(c) Conduct annual review of PBL planning and execution to ensure compliance with this policy. Provide Marine Corps PBL status reports to Office of Secretary of Defense, as required.

(2) Deputy Commandant, Plans, Programs and Operations (DC, PPO). As the Advocate for Ground Combat Element and Command Element, provide input to the PMs and combat developers regarding PBL requirements and acceptable tradeoffs for those capabilities impacting their respective elements.

(3) Deputy Commandant, Aviation (DC, AVN). As the Advocate for Aviation Combat Element, provide input to the PMs and combat developers regarding PBL requirements and acceptable tradeoffs for those capabilities impacting their respective element.

(4) Deputy Commandant, Programs and Resources (DC, P&R)

(a) Ensure POM approved resources are distributed to the appropriate comptroller in order to efficiently execute PBL activities.

(b) Receive and review PBL Funding Deficiency Requests for funding consideration.

(5) Deputy Commandant, Combat Development & Integration, (DC, CD&I)

(a) Develop and implement internal command policies and procedures to facilitate the execution of this Order.

(b) Accept responsibility as MARFORs' representative during acquisition and provide the co-signature authority for initial release of the User PBA.

(c) Coordinate with the MARFORs to identify the desired performance objectives and jointly develop the User PBA.

(d) Provide support to the PM's Logistics Integrated Product Team in the development of the PBL BCA and PBL strategy.

(e) Coordinate with MARCORSYSCOM, MARFORs and HQMC Departments for the purpose of formulating POM funding requirements in support of PBL activities.

(6) Commanding General, Marine Corps Systems Command (CG, MARCORSYSCOM)

(a) Develop and implement internal command policies and procedures to facilitate the execution of this Order.

(b) Develop, execute, assess, and refine PBL strategies for commodities or programs from initial support planning to disposal. Tailor PBL strategies to satisfy DC, CD&I's stated cost and performance objectives for the MARFORs.

(c) Translate and refine DC, CD&I's stated product support requirements into achievable, contractible, and measurable weapon system cost and performance objectives.

(d) Develop and evaluate BCA results for the purpose of determining the "best value" product support strategy.

(e) Develop, execute, and act as co-signatory authority for PBAs.

(f) Select/designate a PSI.

(g) Develop quantifiable metrics and conduct assessments to ensure performance/cost thresholds and objectives are being satisfied.

(h) Develop and maintain select PBL documentation throughout the program's life cycle.

(i) Support the execution of Enterprise TLCM policies and objectives during development and implementation of PBL strategies.

(j) Coordinate with Centers of Industrial and Technical Excellence on the possibility of using PBL strategies to establish PPPs in support of reference k.

(k) Develop a PBL exit strategy and coordinate implementation if determination is made to transition away from a PBL approach based upon negative results of the PBL BCA revalidation or funding deficiency.

(l) Submit an annual report to HQMC (I&L) identifying the PBL Application Level and Codes for newly fielded Marine Corps weapon systems during the reporting year. This report is exempt from reports control. Application Level and Codes are defined in the Marine Corps PBL Guidebook.

(m) Develop PBL financial strategies and ensure PBL costs are identified in the User PBA.

(n) Identify PBL funding requirements in close coordination with DC, CD&I, MARFORs and appropriate HQMC Departments.

(o) Develop and submit Program Objective Memorandum (POM) for those PBL funding responsibilities identified in the User PBA and specifically tasked under a PBL agreement or contract.

(p) Coordinate with MARFOR, MARCORLOGCOM and HQMC Departments on the usage of DWCF and the transfer of funds from Operations and Maintenance (O&M) budgets.

(q) Employ safeguards to ensure accountability of O&M and DWCF funds transferred from MARFOR and MARCORLOGCOM budgets and to ensure funds are expended on the targeted weapon system/equipment in support of PBL activities.

(r) Submit Funding Deficiency Request to HQMC (P&R) for any funding shortages in support of PBL contracts/agreements.

(s) PBL strategy shall address Diminishing Manufacturing Sources and Material Shortages.

(t) Implement a tailored Configuration Management program in which the PM retains the authority and responsibilities of configuration control for those changes impacting performance and cost objectives of the User PBA.

(u) Utilize integrated data management procedures, which allow for real, or near real-time access for the purpose of assessing overall effectiveness of product support processes.

(7) Commanders, Marine Corps Forces (COM, MARFORs)

(a) Develop and implement internal command policies and procedures to facilitate the execution of this Order.

(b) Designate a single point of contact for consolidating and presenting positions on PBL related issues and actions.

(c) Provide signature authority for revision to the User PBA after initial release.

(d) Provide requirements to DC, CD&I for the identification of desired cost and performance objectives.

(e) Coordinate and authorize the transfer of Operational Budget funds in support of PBL activities with MARCORSYSCOM, MARCORLOGCOM and HQMC Departments.

(f) Provide support in the development of metrics, business case analysis and User PBA.

(g) Assist the PM in capturing and reporting data used in assessing metrics documented in the User PBA.

(h) Assist the PM in assessment reviews as documented in the User PBA.

(i) Identify to PM and/or DC, CD&I any changes in mission needs, operating environments, or financial resources, which could impact weapon system/equipment PBL strategy.

(8) Commanding General, Marine Corps Logistics Command (CG, MARCORLOGCOM)

(a) Develop and implement internal command policies and procedures to facilitate the execution of this Order.

(b) Provide sustainment logistics subject matter experts to PG/PM PBL and Logistics IPTs.

(c) Provide data and information in support of supportability assessments, strategy development, planning, and BCAs.

(d) Establish PPP agreements in support of PBL depot maintenance actions. Coordinate with PMs prior to entering into a PPP to ensure the partnership's objectives are compatible with any developing or existing PBL strategies.

(e) Act as a PSP for logistics chain management and the integration of supply chain, depot-level maintenance, distribution, and strategic prepositioning PSPs, when designated by the PSI.

(f) Act as a PSP for identified logistics chain functions (supply chain, depot-level maintenance, distribution, and/or strategic prepositioning PSPs), when designated by the PSI.

(g) Act as a PSI for the day-to-day management and integration of all PSPs in order to meet performance objectives specified in the PSI PBA, when designated by the PM.

(h) Act as a PSI horizontally aligned at the commodity, sub-system and component levels and develop enterprise-level PBAs for logistics chain functions that create economies of scale for PBL support common to multiple weapon system platforms when designated by MARCORSYSCOM in coordination with HQMC Departments.

(i) As the Marine Corps end-to-end logistics chain manager, develop enterprise-level PBAs that institute a logistics chain team integrated into a seamless worldwide supply chain and distribution network with depot-level maintenance and strategic prepositioning capability.

(j) Assist PM and DC, CD&I in the development of performance objectives and sub-tiered metrics, when requested.

(k) Coordinate and authorize the transfer of Depot Maintenance Budget funds in support of PBL activities with MARCORSYSCOM, MARFOR and HQMC Departments.

4. Administration and Logistics

a. Distribution statement A directives issued by the Commandant of the Marine Corps are published electronically and can be accessed on-line via the Marine Corps homepage at: http://www.usmc.mil.

b. Access to an on-line medium shall suffice for directives that can be obtained from the Internet, CD-ROM or other sources. For the purpose of inspection, electronic files shall suffice and need not be printed. For commands without access to the Internet, hard copy and CD-ROM versions of Marine Corps directives can be obtained through the Marine Corps Publications Distribution System.

5. Command and Signal

a. Command. This Order is applicable to Marine Corps Total Force.

b. Signal. This Order is effective the date signed.

R. S. KRAMLICH
Deputy Commandant
Installations and Logistics

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