

Defense Logistics Agency Instruction



DLAI 1105

March 27, 2003

Modified December 1, 2009

J-74

Engagement Strategy for Performance-Based Logistics

References: Refer to [Enclosure 1](#).

1. **PURPOSE.** The purpose of this Defense Logistics Agency (DLA) Instruction (DLAI) is to outline DLA's processes, roles, and responsibilities in working with the Program Manager (PM), other Military Service (MILSVC) organizations associated with performance-based logistics (PBL), and commercial support providers in securing partnerships whereby DLA's capabilities are utilized in supporting weapon systems or troop support systems under contractor logistic support (CLS) or PBL contracts.

2. **APPLICABILITY.** This DLAI applies to Headquarters (HQ) DLA and primary level field activities (PLFA).

3. **POLICY.**

a. This instruction provides the DLA policy and process for supporting PMs for weapon systems and troop support systems in their development and implementation of Total Life Cycle System Management (TLCSM) product support strategies and PBL plans.

b. The DLA strategy and process for engaging in MILSVC PBL initiatives must be built around the DLA weapon system or troop support system Lead Supply Chains per the Customer Relationship Management (CRM) process. The Defense Supply Center Columbus (DSCC) will be the lead activity for all land and maritime weapon system initiatives, the Defense Supply Center Richmond (DSCR) will be the lead activity for aviation weapon system initiatives, and the Defense Supply Center Philadelphia (DSCP) will be the lead activity for construction and equipment, medical, clothing and textiles, subsistence, and other troop support initiatives.

c. The Lead Supply Chains must evaluate and engage every MILSVC PBL initiative for which DLA could provide support capabilities to help ensure effective integration of system-oriented approaches with commodity-oriented

approaches, optimize support to users, and maximize total logistics system value, in accordance with the processes in this DLAI.

d. The Lead Supply Chains must participate in the PM's or System Program Directors (SPD) product support strategy development and integrated product teams (IPT) related to weapon system or troop support system PBL initiatives. The Lead Supply Chains must make every effort to convince the PM, SPD, Assistant Program Manager for Logistics (APML), or Product Support Integrator (PSI) that DLA should be used as the best-value source of supply.

e. If the MILSVC refuses to consider partnering with DLA, then the issue shall be elevated to the Lead Supply Chain Commander (or Deputy Commander) for resolution with the MILSVC PM, Program Executive Officer (PEO), Inventory Control Point (ICP), or Systems Command (SYSCOM). If this does not resolve the issue, then it shall be elevated to DLA Acquisition Management (J-7), in coordination with DLA Logistics Operation and Readiness (J-3/4). If J-7 and J-3/4 cannot resolve the issue, it should be elevated to the DLA Director for resolution.

(1) New DLA-tailored support initiatives, PBL-type contracts, and other logistics support arrangements necessary for DLA to provide a best value support role in a MILSVC PBL initiative must be supported by a Rough Order of Magnitude (ROM) and/or full BCA and receive approval from the Program Budget Review Group (PBRG) and/or Integrated Acquisition Review Board (I-ARB), when required by DLAI's Initiative Management Process and/or the DLA Acquisition Directive (DLAD) Subpart 7.1, Acquisition Plans, and DLAD Part 90, Supplemental Procedures.

(2) The DLA Lead Supply Chain must coordinate with other DLA Supply Chains and PLFAs when they are impacted.

f. DLA must not agree to the logistic reassignment of materiel managed by DLA just because the MILSVC is planning a CLS or PBL contract. The Department of Defense's (DoD) and DLA's overall policy is for DLA to be the DoD manager for assigned consumable items, in accordance with DoD 4140.26M, Defense Integrated Materiel Management for Consumable Items.

(1) Assignment of Inventory. DLA may assign inventory to a site managed by a contractor under strict, limited conditions. This may be done if requested by the Service and it will be financially beneficial to DLA. The Lead Supply Chain Weapon System Program Manager (WSPM), Weapon System Support Manager (WSSM), or initiative focal point should consult with their Office of Counsel to determine the legality of assigning DLA inventory to a contractor-operated site and under what conditions this may be done.

(2) DLA will continue to manage and receive sales for all DLA materiel assigned to a contractor-operated site.

g. If the PM, SPD, or APML decide to change the support strategy from organic support to contractor support, the supported customer is responsible for using or buying DLA-owned inventory that is unique to a weapon system and that customer's market share of the common requisitions for the weapon system, subsystem, or component or troop system, in accordance with the procedures under [enclosure 4](#). This "draw down" must occur before the contractor begins manufacturing or providing this materiel under the MILSVC's PBL contract. The MILSVC has the ultimate responsibility for drawing down materiel. If they delegate this responsibility to their PBL contractor, the PM is responsible for ensuring that the contracting office outlines this in the PBL contract. DLA must also be reimbursed for contract due-ins that cannot be cancelled.

h. Buy-Back of Inventory. DLA should not agree to provisions in a CLS or PBL contract where DLA would buy back inventory from the contractor that had been previously sold by DLA without prior approval from DLA Office of General Counsel (DG) and HQ DLA. See the Federal Property Management Regulations (FPMR) for additional guidance.

4. RESPONSIBILITIES. Refer to [enclosure 2](#).

5. PROCEDURES. Refer to [enclosure 3](#). Additional information is located at [enclosure 4](#).

6. EFFECTIVE DATE. March 27, 2003.

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4 Enclosures

Enclosure 1 – References

Enclosure 2 – Responsibilities

Enclosure 3 – Procedures

Enclosure 4 – Additional Information

Enclosure 1

References

1. The Office of the Under Secretary of Defense (OUSD) for Acquisition, Technology and Logistics (AT&L) Memorandum, dated May 20, 2004.
2. Department of Defense Directive (DoDD) 5000.01, The Defense Acquisition System, May 12, 2003 (<http://www.dtic.mil/whs/directives/corres/dir.html>).
3. DoDI 5000.02, Operation of the Defense Acquisition System, December 2, 2008 (<http://www.dtic.mil/whs/directives/corres/ins1.html>).
4. Defense Acquisition University (2005). *Performance Based Logistics: A Program Manager's Product Support Guide*. Defense Acquisition University Press: Fort Belvoir, VA, March.
5. DLA Logistics Life Cycle Integration and Support Process.
6. DLA Initiative Management Process.
7. DLA Acquisition Directive (DLAD) Subpart 7.1, Acquisition Plans.
8. DLA DLAD Part 90, Supplemental Procedure.

Enclosure 2

Responsibilities

1. Execution Roles and Responsibilities.

a. Lead Supply Chains.

(1) The assigned WSPM, WSSM, or initiative focal points and their managers have overall responsibility for the implementation and execution of the PBL.

(2) The WSPM, WSSM, focal point, and their managers will coordinate the implementation and execution with supporting DLA PLFAs, J-74/Supply Chain Integration and Management (J-31), and other HQ DLA partners.

(3) Finalize the support agreement with the MILSVC stakeholders.

(4) Provide monthly status on DLA's performance in providing support to the customer to Lead Supply Chain Command, and J-74/J-31.

(5) Continually update status to the CRM Opportunity Management tool.

(6) Execute tailored support contracts or other procurement initiatives, as required, to support the PBL support strategy.

(7) Coordinate with the MILSVC PM or CO to obtain a DoD Activity Address Code.

(8) Facilitate access to DoD EMALL by working with Defense Logistics Information Services (DLIS) in coordinating registration, access, and training.

(9) Maintain contact with the MILSVC PM, SPD, APML, or PSI.

(10) Develop a strategy to address DLA's future support of depot level reparable and unique consumable items or materiel, to include a cut-off date for DLA support.

(11) Ensure the PM, SPD, or APML address DLA in the exit strategy for PBLs, both if the PBL is canceled before final expiration date and for MILSVC return to organic support after final expiration date.

b. Supporting DLA Supply Chains will:

(1) Identify a focal point to act as a liaison to the Lead Supply Chain's WSPM, WSSM, or DLA focal point.

(2) Provide information and analysis on materiel support posture and identification of long-term contract coverage for affected National Stock Numbers (NSN) that they manage.

(3) Assist the Lead Supply Chain in developing and executing new long-term, tailored support contracts, as applicable.

(4) Provide information and data requested by the Lead Supply Chain in a timely manner.

(5) Support tailored contracts or other procurement initiatives that may cross supply chain lines to include providing cost and price analysis.

(6) Execute any supply chain, system, and/or financial actions required to support the PBL support strategy.

c. J-74 will:

(1) Assist Lead Supply Chains and supporting PLFAs when HQ DLA expertise is requested or required.

(2) Consult and coordinate with multiple HQ DLA offices and PLFAs when coordination of issues that cross command and corporate lines is requested by Lead Supply Chain, in coordination with J-31, when needed.

(3) Help resolve policy issues and problems or barriers encountered by the Lead Supply Chains' WSPMs, WSSMs, or focal points with applicable HQ DLA offices, the MILSVC's HQ, and the Office of the Secretary of Defense.

(4) Represent DLA on DoD and Joint Service and industry workgroups involved in developing and revising DoD and MILSVC policy, procedures, and guidance related to TLCSM and PBLs.

(5) Chair or co-chair DLA working groups and IPTs, when necessary, to develop new or revised policy, procedures, guidance, tools, and information system requirements related to DLA engagement of MILSVC PBLs.

(6) Consolidate and publish basic lessons learned and DLA guidelines for PBL engagement.

(7) Coordinate PLFA briefs to J-7 managers and leaders, including updates to the I-ARB.

d. J-31/Customer Support Office (CSO) will:

(1) Serve as DLA customer focal point for all customer PBL engagement initiatives.

(2) Assign a PBL AO to assist Lead Supply Chains and supporting PLFA focal points when HQ DLA corporate supply chain and CRM expertise is required to ensure optimum PBL solutions are attained.

(3) Conduct periodic visits to all MILSVC major commands or PEOs, to create an awareness of DLA supply chain competencies and cultivate top down support customer relationships.

(4) Appoint a voting representative to DLA PBL Board to attend scheduled video teleconferences (VTC), corporate board meetings, and provide engagement status via down load of information from CRM opportunity management tool to J-7, as requested.

(5) Work with the DLA Training Center and J-74 to ensure DoD/Military Service Schools educating Military Service PMs, SPDs, APMLs, PMO, System Program offices (SPO) staffs, acquisition logistics personnel, and product support and sustainment personnel cover DLA capabilities and initiatives to improve support to weapon systems or troop support systems and the warfighter.

e. J-31/CSO Military Service Team PBL AOs will:

(1) Alert Lead Supply Chain, DDC, DLIS, and J-74 about new or planned PBL initiatives.

(2) Provide guidance to National Account Managers and Customer Account Managers to enable them to support the J-31 PBL AOs as they assist Lead Supply Chain, CSRs, and J-74 in resolving policy issues and problems or barriers with the MILSVC-HQ.

(3) Represent J-3/4 in customer interactions with regard to PBL customer engagement during strategic supply chain support planning and execution and implementation of individualized support plans.

f. DLA CSRs will:

(1) Alert the Lead Supply Chain, J-31/CSO respective PBL AO, and J-74 about new or planned PBL initiatives that could impact DLA by entering initiative into the CRM database. Provide specific customer focal point information to include name, position, telephone numbers, and email address to ensure J-31 PBL AO and Lead Supply Chain have direct contact information.

(2) Provide onsite representation and attend meetings on PBL initiatives, when requested by, and in coordination with, the Lead Supply Chain WSPM, WSSM, or focal point. Provide comprehensive notes from meetings attended to appropriate J-31 PBL AO

and Lead Supply Chain designated focal point by entering updates into the CRM database and sending email notices.

(3) Assist Lead Supply Chain WSPMs, WSSMs, and CSO PBL AO with introductions to MILSVC PMs, SPDs, DPMs, APMLs, SSMs, Logistics Managers, and Depot Maintenance Managers at their locations that are involved in planning PBL initiatives

g. DLIS will:

(1) Provide assistance to Lead Supply Chain and HQ DLA, MILSVC, or Joint Service PM or SPD, and CLS or PBL contractors in performing provisioning screening and cataloging actions for assigning and maintaining NSNs within the Federal Logistics Information System (FLIS).

(2) Manage the systems portion of the DoD EMALL, to include registration, access, and training of Government and CLS or PBL contractor personnel.

(3) Operate and assist use of the Item Unique Identification Registry (IUID) and Central Contractor Registry (CCR).

(4) Provide DLA, MILSVC, and CLS or PBL contractors with a centralized review, challenge, and update of demilitarization codes.

(5) Provide access, training, and assistance to DLIS logistics information products such as FEDLOG/WEBFLIS, Military Engineering Data Asset Locator System, DoD Hazardous Material Information Resource System, and the AV Program.

(6) Provide support to PBL IPTs, as needed.

h. DDC will:

(1) Develop innovative distribution support processes geared to weapon system or troop support system and program support, when required, to execute the PBL support strategy.

(2) Provide metrics that substantiate improved distribution support for stocked NSNs involved in the PBL support strategy.

(3) Use dedicated truck efficiencies, customized packaging, automated manifesting, radio frequency identification, unique item identification, and/or premium service to ensure time definite deliveries in support of the execution of the PBL support strategy.

(4) Support Lead Supply Chain and J-74 in efforts to develop contractual language that governs special distribution and/or transportation agreements in support of PBL initiatives.

i. DRMS will:

(1) Coordinate with Lead Supply Chain and HQ DLA on disposal and demilitarization criteria for NSNs applicable to PBL initiatives.

(2) Provide advisory services to the Supply Chains regarding the types of materiel that would warrant oversight under the demilitarization, DoD Trade Security Control Programs, and Federal regulations regarding disposal of hazardous property.

(2) Provide input to the Supply Chains on issues involving excess materiel being held in future support of Foreign Military Sales (FMS) customers.

j. DLA Central (DLA-C), DLA Europe (DLA-E), and DLA Pacific (DLA-P). The PBL support agreements will extend throughout the DoD MILSVC community. With end items being positioned worldwide, the DLA-C, DLA-E, and DLA-P communities may serve as DLA overseas hosts to potential PBL bidders, and specific MILSVC program customers.

2. General DLA Roles and Responsibilities.

a. DG will provide legal advice to HQ DLA elements and support to DLA field Offices of Counsel working CLS or PBL legal issues. PLFAs will seek legal advice on specific issues arising from their involvement with DLA engagement of a MILSVC PBL initiative from their servicing Office of Counsel.

b. Applicable policy offices in J-7 and J-3 will provide assistance to the Lead Supply Chain, supporting DLA field activities, and J-74, in interpreting policy guidance and resolving policy issues arising from engagement of the MILSVCs' PBL initiatives and subsequent DLA-tailored support contracts. Policy offices in J-7 and J-3 will review, develop, and issue new or revised policy to facilitate DLA engagement of MILSVC PBL initiatives, as needed.

c. DLA Office of Operations Research and Resource Analysis (DORRA) will develop models, analyze data, provide reports, and assist in developing BCAs required by the Lead Supply Chain, supporting DLA field activities, and J-7 in engaging MILSVC PBL initiatives and in implementing subsequent DLA-tailored support contracts. HQ DLA, the Lead Supply Chains, and the supporting field activities should use DORRA services prudently and program for planned use of DORRA services in the PBR.

d. All HQ DLA, Lead Supply Chains, and supporting field activity personnel that engage the MILSVCs' PBL initiatives will keep abreast of developments in DLA's

Enterprise Business System and CRM. Also coordinate any efforts to establish PBAs with J-74/J-31.

3. Tracking and Reporting.

a. The Lead Centers will provide J-74 a quarterly report on their PBL engagement strategies, to include specific information on PBL prospects, in process, under consideration, active, unsuccessful, and where no actions have been taken. This report will include metrics.

b. The DLA's success in engaging the MILSVCs' initiatives to secure a best-value support role will be assessed during periodic HQ-led visits to and VTCs with the Lead Supply Chains. The HQ PBL representatives will provide the DLA Director with status updates. The HQ representatives and/or Supply Chain representatives will target customer opportunities and conduct outreach visits to customer sites, as appropriate.

c. The Lead Centers will provide J-74 annual BCA updates on their PBL engagements with the MILSVCs where DLA provides upfront funding and for DLA awarded PBLs. The due dates are from the date the PBL was awarded.

4. Financial Issues.

a. DLA Financial Operations (J-8) and DLA Business Integration Division, Logistics Requirements Branch (J-332) will assist the Lead Supply Chain, supporting DLA field activities, and J-7 in addressing and resolving financial issues raised during engagement of MILSVC PBL initiatives and subsequent DLA-tailored support contracts.

b. The Lead Supply Chains need to consider and program for the resources needed to cover engagement of MILSVC PBL initiatives. Inputs should be made to the PBR and Monthly Performance Plans.

c. The Lead Supply Chain should ensure that during IPT meetings and discussions with the customer that all financial issues are presented to the appropriate J-8 financial personnel at both the field and HQ levels. The J-8 financial personnel will review the data to determine the PBL contract's impact on DLA business.

(1) During PBL discussions with customers and at IPT meetings, the selling prices will not be negotiated, as the standard unit price (SUP) for DLA items will be the standard "going in" position. When the Lead Supply Chains representative has obtained the initial customer requirements and proceeds with analysis of support proposals they will coordinate with appropriate J-8 and HQ personnel prior to proposing other than SUP cost and pricing. In cases where a proposed support option reflects other than SUP, J-8 will outline the applicable price or cost recovery rate (CRR) that will be associated with the products or services requested for that PBL customer. At present, the cost recovery rate categories used in the calculation of selling prices to the customers do not include a rate specifically for PBLs. If possible, there should not be major changes in

the price of the item or service provided in the PBL. The J-8 personnel with support from the Lead Supply Chain will determine appropriate price adjustments to be made to these items.

(2) The differences in the CRR for items on DVD, PV, or VPV contracts and for items coming out of DLA stocks in the DLA distribution depots should be explained to the PM, SPD, or APML, and the MILSVC PBL contractors by J-8 or Lead Supply Chain personnel authorized to discuss CRR with external contacts.

(3) The MILSVCs have approached DLA Lead Supply Chains and HQ DLA in the past on some of their PBL initiatives with a proposal for DLA to discount unique inventory. The DLA policy is to always charge the SUP when selling materiel to the MILSVC and contractors under PBL arrangements. As a last resort and/or when in the best interests of DLA and the warfighter, DLA could consider stratifying the unique inventory and possibly discounting some of the NSNs or materiel. This would require DLA to seek a waiver to the DoD FMR 7000.14-R from the OUSD (Comptroller) (OUSD(C)) through J-8. The Lead Supply Chain WSSM or focal point must include J-7, J-8, and J-331 in negotiations with the MILSVC PM, SPD, DPM, APML, or SSM prior to considering or requesting a waiver to discount DLA-managed unique inventory. The FMR provides further guidance on discount pricing and pricing for additional services for customers willing to pay.

Enclosure 3

Procedures

1. DLA Customer Outreach and Education.

a. DLA managers and executives should address DLA capabilities to improve support to weapon systems or troop support systems in various forums. Some of the forums include but are not limited to:

- (1) Joint Logistics Board (JLB) meetings
- (2) Defense Logistics Board (DLB) meetings
- (3) DoD PEO/SYSCOM commanders' conferences
- (4) DoD PM workshops
- (5) DLA/MILSVC days
- (6) DLA's customer-supplier conferences
- (7) HQ DLA corporate events
- (8) Visits to MILSVC SYSCOMS, Materiel Commands, PMs, SPDs, PEOs, ICPs
- (9) DoD acquisition and logistics conferences and expos

2. DLA Customer Knowledge.

a. HQ DLA and field activities should support sending their personnel who engage MILSVC PBL initiatives to the Defense Acquisition University's Defense Acquisition Workforce Improvement Act (DAWIA) Life Cycle Logistics Career Field courses to obtain fundamentals of PBLs and life cycle logistics support for systems.

b. All DLA personnel who meet with MILSVC customers and Program Management Offices (PMO) or SPOs in the course of their jobs are potential sources of information regarding planned and potential MILSVC initiatives.

c. In accordance with DoD 5000-series policy, the MILSVC should invite DLA to participate early and throughout sustainment in the logistics life cycle planning process for MILSVC initiatives.

d. Lead Supply Chains may offer for both consumable and depot level repairables DLA-awarded tailored support contracts and logistics support arrangements to the MILSVC's operating sites and PMOs or SPOs, and at that time find out about a MILSVC

PBL initiative. This could lead to partnering with the MILSVC on a joint MILSVC-DLA contract or tailored logistics support arrangement.

e. HQ DLA and Lead Supply Chains' Centralized Engagement Focal Points. It is important to identify MILSVC PBL initiatives so that DLA can make an informed decision on the level of DLA participation. Individuals learning about actual or potential MILSVC initiatives should contact J-74/J-31 and utilize the CRM Opportunity tool for documentation and tracking of (at a minimum) contact name, their organization, role in organization, and the time frame for decisionmaking. J-74 will then alert the Lead Supply Chain and supporting field activities.

f. The Lead Supply Chain will establish a centralized PBL focal point that will arrange for assignment of the WSSM or other initiative focal point. The PBL focal point will be responsible, with J-74, for arranging a periodic J-7/J-3 assessment visit or VTC with the Lead Supply Chains' commanders or deputies and senior staff. The PBL focal point will also be responsible for information gathering and recommendation formulation. To facilitate the flow of information and interface support to the weapon system or troop support system, the Lead Supply Chain WSPM, WSSM, initiative engagement focal point, CRM cell, and supporting supply centers, DDC, J-74, J-31 CSO service teams, DLIS (if necessary) and Defense Reutilization and Marketing Services (DRMS) (if necessary) will establish points of contact (POC) for specific initiatives.

3. Information Gathering and Analysis.

a. DLA may not have the resources to engage every MILSVC PBL initiative. Therefore, the Lead Supply Chain should gather and analyze pertinent information about the impacted weapon system, develop a support profile, and/or develop a mini- or ROM BCA, in a timely manner, to determine if it is in DLA's interest to aggressively pursue an initiative. The other DLA field activities, J-74, and J-31, and DORRA will assist the Lead Supply Chain upon request. The following elements will be considered:

(1) For currently fielded or deployed weapon systems or troop support systems supported by DLA, assess the current DLA support posture and business volume to include:

- (a) Demands and sales
- (b) Material availability
- (c) Unfilled orders
- (d) Current logistics response time and/or customer wait time
- (e) Weapon system or troop support system's readiness
- (f) Inventory on hand and due-in purchase orders and purchase requisitions

(g) Surge and sustainment/warstopper initiatives in place

(h) Customer profile for the initiative: customers (multi-Service, customer site(s), FMS) and whether the CLS/PBL plan includes worldwide support

(i) Identification of existing DLA LTC, direct vendor delivery (DVD), CC, VPV, PV, Integrated PV (IPV), SSA, and SCA contracts

(j) Assessment of market share and the impact on DLA's volume buying power

(k) Identification of major suppliers (sole source and competitive items)

(l) Impact on distribution network

(m) DLA's continued support to worldwide customer(s)

(2) For new weapon systems or troop support systems still in development or production, assess the following:

(a) Assigned or planned PM

(b) Plans for support via CLS, PBL, or product support reengineering contracts

(c) Planned density and location(s) of weapon system or troop support systems

(d) Estimated production and delivery dates

(e) Estimated consumable parts on system

(f) Size and magnitude of dollars for program.

(g) Significance of weapon system or troop support system to combat capability and power

(h) Identify availability of Statement of Work (SOW), Statement of Objective, or PBL contract

(i) FMS involvement, if any

(j) If a weapon system or troop support system will be replaced by this new system, determine the system(s) being considered for replacement, and develop a support profile to estimate future DLA business that may be lost if DLA does not engage.

(k) Common subsystems DLA is supporting to parlay a strong case for DLA support of the subsystems for the new weapon system.

(l) Availability and benefits of DDC's transportation network

b. The Lead Supply Chain should perform an assessment to estimate the support solution needed for the engagement, i.e., tailored DLA support or traditional DLA support. As part of the mini- or ROM BCA, the Lead Supply Chain will consider the contract length and any additional dollars of investment needed to engage the MILSVC initiative with the likely DLA support solution(s) required.

c. Tools to assist in engagement of MILSVC PBL initiatives. The Inventory and Sales Profile tool was developed by DORRA for J-74. This tool is very useful when initially gathering information on a MILSVC PBL initiative for a legacy weapon system already supported by DLA, in conducting the mini-BCA, and in preparing for the initial meeting with the MILSVC PM, SPD, or APML. Data is updated quarterly and includes summary data on the number of NSNs managed, inventory dollars, dollar value of contracts and purchase requisitions due in, dollar value of sales for the last 12 to 24 months, and the number of requisitions for the last 12 to 24 months, broken down by unique and common items and by supply center for all WSDCs supported by DLA.

4. Initial Engagement Decision.

a. The Lead Supply Chain will complete the ROM profile and/or mini- or ROM BCA within a reasonable time frame from the date it is notified of a MILSVC initiative. Normally, not more than 30 days should pass before the Lead Supply Chain reviews the information gathered, in accordance with paragraph 3, above, assigns a WSPM, WSSM, or focal point. The information gathered in paragraph 3, above, the initial support proposal, and the costs/benefits outlined in the mini- or ROM BCA, will be used to determine how the Lead Supply Chain WSPM, WSSM, or focal point should engage the MILSVC PM, SPD, or APML. Estimated sales that DLA can retain or capture due to successful engagement and support solutions should be included in the benefits of the mini- or ROM BCA.

b. Minimal DLA engagement of MILSVC PM, SPD, DPM, APML, or SSM.

(1) If the initiative is likely to have no current or future impact on DLA, has no requirement for DLA support capabilities, or the mini- or ROM BCA shows few benefits compared to the costs associated with DLA participation, then the Lead Supply Chain must determine if there is a need to engage at all. Notification and documentation of this determination should be forwarded to J-74.

(2) If the initiative has some impact on DLA's current and/or future business, includes requirements that can be satisfied by DLA support capabilities, and the mini- or ROM BCA shows some benefits compared to the costs associated with DLA

participation, then the Lead Supply Chain should engage the PM, SPD, DPM, APML, or SSM, via email, telephone, or VTC. At a minimum, the Lead Supply Chain WSPM, WSSM, or focal point will address the following with the PM, SPD, or APML.

(a) For weapon systems or troop support systems that DLA has been supporting, the PM, SPD, or APML should buy out DLA's unique inventory or provide the contractor with Military Standard Requisitioning and Issue Procedures or DoD EMALL authority and require the contractor to order DLA-managed unique parts or materiel until the assets in the DLA inventory and pipeline are depleted.

(b) The PM, SPD, or APML should include a clause in the contract, in accordance with FAR Subpart 51.1, Contractor Use of Government Supply Sources, and specifically authorize the contractor to use DLA Supply Chains as the sources of supply for parts or materiel. This will enable the MILSVC and CLS or PBL contractor to take advantage of DLA's nationally-leveraged buying power, especially for common items or materiel used across weapon systems or troop support systems.

(c) Under the Section 365 authority the PM, SPD, or APML may include a clause in the contract authorizing the contractor to use DDC for product distribution when this approach is deemed to provide the best value and has been approved under DLA's internal process for Section 365 initiatives. This kind of proposed support must be reviewed on a case-by-case basis by the Supply Chain and the DLA activity to perform the service (i.e., DLIS, DDC, or DRMS). This will enable the MILSVC and CLS or PBL contractor to take advantage of DDC's worldwide distribution system, negotiated shipping rates, and scheduled delivery service such as dedicated truck service.

(3) Significant engagement of MILSVC PM, SPD, DPM, APML, or SSM.

(a) If the initiative is likely to have significant impact on DLA's current or future business, has applicability to DLA support capabilities, and/or the mini- or ROM BCA shows that the benefits outweigh the costs associated with DLA participation, then the Lead Supply Chain should meet with the PM, SPD, or APML to find out more details about support plans, and to explain DLA's integrated, end-to-end supply chain management processes and logistics support and services competencies and capabilities.

(4) If the MILSVC's initiative is serving as a pilot or precedent-setting effort, then the Lead Supply Chain should significantly engage the PM, SPD, or APML regardless of the scope or magnitude of the initiative and its impact on DLA and the results of the mini- or ROM BCA.

5. Initial Meeting with the MILSVC PM, SPD, DPM, APML or SSM.

a. When the Lead Supply Chain determines engagement is needed, in accordance with paragraph 4, above, it should contact the PM, SPD, or APML and arrange a meeting. The senior DLA representative attending the meeting will normally depend on the rank or grade of the MILSVC representative, the scope or magnitude of the program,

and the potential impact on DLA. Consideration should be given to inviting the other Supply Chains, DDC, DLIS, J-74, and the appropriate J-31/PBL Action Officer (AO) to participate.

b. The Lead Supply Chain will determine what the PM's, SPD's, or APML's objectives and desired outcomes are for the PBL. These objectives and desired outcomes may include increasing materiel availability, improving materiel reliability, reducing ownership cost, and/or reducing mean down time.

c. The Lead Supply Chain will ensure that DLA's integrated, end-to-end supply chain management, logistics support and services, competencies and capabilities, and innovative methods of support are understood. The Lead Supply Chain should emphasize that DLA can bring innovative tools to bear and/or may be able to tailor support to the program to help achieve objectives and desired outcomes.

6. Engagement Decision after Initial Meeting with MILSVC PM, SPD, DPM, APML, or SSM.

a. The Lead Supply Chain will evaluate DLA's options after the initial meeting. The Lead Supply Chain will determine if the PM, SPD, or APML is receptive to DLA participation in the PBL and emphasize that DLA would like to partner with the Services and/or PBL contractor to help the PM or SPD achieve their objectives. The Lead Supply Chain will offer to provide a more detailed support proposal to the MILSVC PM, SPD, DPM, APML, or SSM for further consideration.

b. If the PM, SPD, or APML is not receptive to DLA participation in the PBL and the Lead Supply Chain believes that DLA has best value capabilities that should be used.

c. Enter results of initial engagement meeting into the CRM Opportunity tool.

7. DLA Proposal Development for MILSVC Weapon System or Troop Support System PBL Initiatives.

a. The Lead Supply Chain, in conjunction/coordination with other applicable DLA field activities, will review existing DLA support solutions to see if they can meet or be modified to meet the PM's, SPD's, or APML's objectives and desired outcomes. Existing DLA support solutions include the following:

(1) LTCs with DVD and/or stock

(2) CCs

(3) PVs

(4) IPVs

- (5) Depot stock
- (6) Vendor-managed inventory
- (7) Strategic material sourcing, SSA, and SCA-associated LTCs
- (8) Kitting
- (9) Dedicated truck service
- (10) Premium service
- (11) Existing tailored support arrangements
- (12) End-to-end distribution management
- (13) Asset visibility (AV)
- (14) Consolidation for OCONUS packaging
- (15) Consolidation for Outside the Continental United States (OCONUS) shipments
- (16) Distribution consultation
- (17) Source of supply to PSI and/or to 3rd party logistics provider
- (18) Sale of services to contractors
- (19) Existing DLA PBL contracts
- (20) Support for surge and sustainment

b. If existing solutions can meet the PM's or SPD's objectives and desired outcomes, the Lead Supply Chain should coordinate with other field activities to develop a proposal on how these solutions will be implemented. The Lead Supply Chain should obtain advice or feedback from J-74/J-31 or the DLA PBRG prior to presenting the proposal to the MILSVC PM, SPD, or APML, if applicable. Any requirement for PBRG review and approval is governed by DLAI Initiative Management Process. If DLA has a planned or awarded long-term contract for support of the applicable weapon system, subsystem, component, or troop system, the Lead Supply Chain should explore with the PM, SPD, APML, or MILSVC whether or not they would like to include the MILSVC-managed items on DLA's contract.

c. If the existing solution approach does not appear to satisfy the support requirement, or if the PM, SPD, APML, or MILSVC focal point does not want to pursue

this, then the DLA Lead Supply Chain, in conjunction with other applicable field activities, will develop a proposal for a new tailored support initiative(s).

d. If neither existing nor new solutions can meet the PM's or SPD's objectives and desired outcomes, the Lead Supply Chain will coordinate with other field activities, and the MILSVC PM's, SPD's, or APML's focal point to determine whether including DLA-managed items on the MILSVC's PBL contract makes good business sense. DLA shall retain management of DLA items.

8. Follow-on Meetings with the MILSVC PM, SPD, DPM, APML, or SSM.

a. If the proposal is for implementation of existing solutions or new tailored support contracts the Lead Supply Chain will present the proposal to the MILSVC PM or SPD. Emphasis should be placed on how implementation of DLA solutions will meet customer objectives and desired outcomes.

b. If the PM, SPD, or APML is not receptive to DLA participation in the PBL and the Lead Supply Chain believes that DLA has best value capabilities that should be used, see section 3.1.2.2 for additional guidance.

c. If the MILSVC PM, SPD, or APML accepts the DLA proposal, then the Lead Supply Chain will take the lead in executing existing solutions and/or new tailored support contracts, in conjunction with the other applicable field activities.

9. Execution of DLA Support Proposal.

a. Responsibilities. The Lead Supply Chain will be the DLA lead for executing approved support proposals. The DLA PBL strategy will be executed, in accordance with the milestones outlined in the support concept. All impacted DLA activities will execute their portion of the proposal and keep the Lead Supply Chain informed as to the status, per enclosure 2, paragraph 1.

b. When executing or implementing the support proposal, adhere to legal and regulatory constraints and PBL business policy and guidelines in [enclosure 4](#).

Enclosure 4

Additional Information

1. The following documents can be found at:
 - a. PBL Business Rules for Identifying the Lead DLA Supply Chain Owner for Services
 - b. PBL Guidance for Negotiating and Executing Performance Metrics
 - c. PBL Guidance for Negotiating and Executing Draw Down
 - d. Enterprise Coordination
 - e. PBL Guidance for Measuring PBL Progress
 - f. Life Cycle Sustainment Outcome Metrics
 - g. Life Cycle Management Framework Memo
 - h. Customer Relationship Management (CRM) Release 1 Concept of Operations
 - i. DUSD(L&MR) Contractor Furnished Material (CFM) Policy
 - j. Army Materiel Command CFM
 - k. Section 365 Signed Authority
 - l. Section 365 Policy
 - m. A Program Manager's Product Support Guide
2. Subpart 7.5 of the Federal Acquisition Regulation (FAR) and subpart 207.5 of the Defense FAR Supplement (DFARS) provide guidance with regard to inherently governmental functions, which must be performed by Government personnel and cannot be included in contract performance requirements.
 - a. Defense Reform Initiative Directive # 20 and the Federal Activities Inventory Reform Act (Public Law 105-270) both require DoD to conduct an inventory of Government positions indicating whether they must be performed by Government personnel (core functions) or could be considered for private sector performance.
 - b. Core functions are frequently, but not always, inherently governmental functions.

3. Office of Management and Budget (OMB) Circular A-76. A CLS initiative requires two analyses concerning OMB Circular A-76: one by the MILSVC and one by DLA as to whether activities being contracted are subject to A-76. These may be assessed separately or together.

a. Related guidance: DoDI 1100.22, Guidance for Determining Workforce Mix; DoDI 4100.33, Commercial Activities Program; and several DoD-specific statutes, which may prohibit/restrict outsourcing a specific function or mandate notice to Congress.

b. DLA Commercial Activities A-76 Competition Guidebook; and, <http://www.dla.mil/a-76/>.

c. These references also provide information on how and when to conduct cost comparisons.

4. Discounting of DLA's unique inventory may be in the best interests of DLA and the customer, but this requires a waiver under the DoD Financial Management Regulation (FMR), 7000.14-R. See enclosure 2, paragraph 4 for additional guidance.