

Increase Use of Performance-Based Logistics

SAVINGS IN MILLIONS OF DOLLARS

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2020	2016-2025
\$9,000	\$10,362	\$11,930	\$13,736	\$15,816	\$18,210	\$20,966	\$24,139	\$27,793	\$32,000	\$60,844	\$183,952

Heritage Recommendation:

The Department of Defense should increase the use of the performance-based logistics method in weapon systems maintenance and sustainment. This proposal saves \$9 billion in 2016, and \$184.0 billion over 10 years.

Rationale:

To operate a weapon system, the DOD must pay for the full life-cycle cost of the equipment, which includes the development and procurement of the system, as well as the far more costly maintenance and sustainment of the weapon system. In fact, the DOD spends about \$90 billion on maintenance and sustainment of weapon systems each year.²⁴

Performance-based logistics (PBL) is a proven method used for sustainment work that enhances the military capability and availability of weapon systems at a lower cost. Rather than measuring stovepipe metrics, such as number of aircraft repaired or the quantity of repair parts acquired, the PBL approach uses metrics that measure whether the system is meeting the capability requirements for the warfighters. In other words, the PBL method emphasizes the readiness of the platform as the desired outcome.

The benefits of PBL have been known in the Pentagon for a while, and are even listed as the preferred practice in the DOD's acquisition regulations. A DOD report has also verified that PBL practices, when implemented correctly, lead to both cost savings and improved system performance.²⁵ That being said, PBL is not appropriate for all systems and should be judiciously applied. Furthermore, there are existing barriers and cultural biases against PBL that would make a universal application unfeasible. For those reasons, cost savings for the effort vary from \$9 billion a year to \$32 billion a year.²⁶

Additional Reading:

- Baker Spring, "Performance-Based Logistics: Making the Military More Efficient," Heritage Foundation *Backgrounder* No. 2411, May 6, 2010, <http://www.Heritage.org/research/reports/2010/05/performance-based-logistics-making-the-military-more-efficient>.
- Mackenzie Eaglen and Julia Pollack, "How to Save Money, Reform Processes, and Increase Efficiency in the Defense Department," Heritage Foundation *Backgrounder* No. 2507, January 10, 2011, <http://www.Heritage.org/research/reports/2011/01/how-to-save-money-reform-processes-and-increase-efficiency-in-the-defense-department>.

Calculations:

Savings are expressed as budget authority and were calculated based on a range of estimated savings from the reports: John Boyce and Allan Banghart, "Performance Based Logistics and Project Proof Point," *Defense AT&L: Product Support Issue* (March–April 2012), http://www.dau.mil/pubscats/ATL%20Docs/Mar_Apr_2012/Boyce_Banghart.pdf, and Aerospace Industries Association, "Modernizing Defense Logistics," June 25, 2009, https://www.aia-aerospace.org/assets/paper_v1_0_6_25_09_rr.pdf. The estimates of cost savings range from a notably conservative or low level of \$9 billion per year to \$32 billion per year. Heritage conservatively assumes that the DOD would initially realize the lowest range of these savings, at \$9 billion per year, with that figure growing to \$32 billion over the 10 year period (growing at an annual rate of 15.1 percent).