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Air Force Deserves Praise For Its Decision to Not In-source and Renew C-17 PBL Sustainment Contract

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For the past three years I have been arguing on this site and elsewhere that the Obama Administration's campaign of insourcing, which is taking work done for the government by the private sector and turning it over to government employees and facilities, was misguided. I believe that insourcing often is unfair to the private companies that lose work, does not save money, results in a net loss of jobs and could, at times, even put national security at risk. Only the private sector, with its experience with global logistics management, unique capacity for innovation and the incentive to reduce costs created by the profit motive, can provide the continual improvements in products and services required both by government and the American people.

I have been particularly concerned about the impact of insourcing at the Department of Defense. A major reason for my concern was that DoD insourcing efforts flew in the face of the demonstrated ability of the private sector defense companies to provide cost effective sustainment for the military. The Pentagon has spent more than a decade putting in place major sustainment activities based on the principles of performance-based logistics (PBL). The genius of the PBL system is that rather than paying for parts and labor hours, the government contracts with the private sector for specific outcomes, such as aircraft availability, for a specified price. The private companies -- actually teams that almost always include public sector depots or air logistics centers -- are incentivized to invent techniques tools and procedures that improve performance while lowering costs. There are dozens of examples of PBL-based sustainment contracts that have saved the Pentagon hundreds of millions of dollars while improving performance. At a time of declining budgets, insourcing successful PBL efforts could prove particularly harmful.

So it is important to acknowledge and even applaud the Air Force's recent decision to continue its long-standing PBL sustainment contract for the C-17. For ten years a team led by the Boeing corporation in partnership with the Warner Robbins Air Logistics Center successfully provided logistics support, aircraft repair and depot maintenance services under the C-17 Global Integrated Sustainment Program (GISP). Last week the Air Force awarded the Boeing team a new ten year PBL-based contract. The new contract will provide

logistics support and sustainment not only for all 211 U.S. C-17s but for those operated by foreign countries including the United Kingdom, Australia, Canada, Qatar, the UAE and NATO. GISP will be able to take advantage of economies of scale and pursue cost savings by operating a single global supply chain.

All too often the insourcing campaign has turned the government and private sector into adversaries. What is particularly noteworthy about the Air Force's C-17 decision is that it recognizes the value of a long-term collaborative relationship between the private and public defense industrial bases. In addition, the Air Force and Boeing worked together to define terms for the new contract that reflected the lessons learned from the earlier GSP contract as well as each sides' evolving requirements.

DoD is committed to making individual insourcing decisions based on the merits of the particular case. This is how it should be. The Air Force's decision on C-17 suggests that there is unique added value in sustainment arrangements that include public-private partnerships, global management of a supply chain and the use of PBL-based goals and metrics.