



FACTSHEET 001 – HISTORY of PBC AND MAJOR DEFENCE PROJECTS

Introduction

The concept of relating performance to payment in contracts is not new. For example, in the Defence aerospace context, performance payments were used by the US Signals Corps in 1907/1908 when seeking the provision of a ‘heavier than air flying machine’. The performance to payment scale as proposed by the US Signals Corps in seeking this aircraft is shown in Figure 1.

SIGNAL CORPS SPECIFICATION, NO. 486.

ADVERTISEMENT AND SPECIFICATION FOR A HEAVIER-THAN-AIR FLYING MACHINE.

4. The flying machine should be designed to have a speed of at least forty miles per hour in still air, but bidders must submit quotations in their proposals for cost depending upon the speed attained during the trial flight, according to the following scale:

- 40 miles per hour, 100 per cent.
- 39 miles per hour, 90 per cent.
- 38 miles per hour, 80 per cent.
- 37 miles per hour, 70 per cent.
- 36 miles per hour, 60 per cent.
- Less than 36 miles per hour rejected.
- 41 miles per hour, 110 per cent.
- 42 miles per hour, 120 per cent.
- 43 miles per hour, 130 per cent.
- 44 miles per hour, 140 per cent.

5. The speed accomplished during the trial flight will be determined by taking an average of the time over a measured course of more than five miles, against and with the wind. The time will be taken by a flying start, passing the starting point at full speed at both ends of the course. This test subject to such additional details as the Chief Signal Officer of the Army may prescribe at the time.

Figure 1: Excerpt from Requirement (Advertisement and Specification) for the Provision of a Heavier-Than-Air-Flying Machine to the United States Signal Corps dated 1907/1908

Much of the history of PBC can be traced to the United States of America (USA), and specifically the United States Navy (USN) within the United States Department of Defence (US DoD). The initial emphasis here was on contracting the long-term support of a single item of technical equipment such as aircraft tyres. The intent was to contract the outcome rather than the process, and then monitor and pay for the delivery of this outcome. It was expected, and indeed was observed, that this form of contracting would drive the Contractor to optimise the supply chain of these individual components. This form of Contracting, referred to as Performance Based Logistics (PBL), is prevalent throughout the United States Department of Defense (US DoD). The technique of contracting for an outcomes rather than a process has spread to other US Government Agencies at both the Federal and State level in various forms and scope.



Considerable resources on PBL can be found via US Government websites; specifically Performance Based Contracting Desk Reference of the United States Department of Health and Human Services and the [United States] Defence Acquisition University (DAU) Performance Based Logistics Toolkit

The concept of PBC/PBL is also used by the United Kingdom Ministry of Defence (UK MoD) and is referred to as Contracting for Availability, or Contracting for Capability. These contracts support a range of technical (e.g. aircraft, ship and vehicle) and non-technical (e.g. base support including food, accommodation, transportation, cleaning, etc) services.

Similarly, in Australia the concept of PBC/PBL is used throughout the Australian Department of Defence (AS DoD) in medium and long-term support contracts via the Capability Acquisition and Sustainment Group (CASG). Unlike the US DoD, the AS DoD use the PBC approach to not only support individual pieces of technical equipment, but also whole aircraft, ship and vehicle fleets, maintenance activities, individual services such as engineering support services, etc. More information on the Australian Department of Defence approach can be found via the Aerospace Systems Division PBC Handbook via http://www.defence.gov.au/casg/Multimedia/asd_pbc_v2-9-5979.pdf.

While the intent of these styles of contracts is similar, the various national Defence sector refer to them differently including:

- Performance Based Contracting (PBC)
- Contractor Logistics Support (CLS)
- Contracting for Availability
- Contracting for Capability
- Performance-based life-cycle product support

Moreover, the Australian commercial sector is also utilising the concept of PBC/PBL in commercial transportation contracts, public transport contracts, maintenance contracts of power generation facilities, etc. These include:

- Mining
- Commercial Shipping
- Public Transport
- Road Maintenance
- Power Generation
- Health Services



Major Defence Performance Based Projects

Aerospace Systems Division (ASD)	<ul style="list-style-type: none">• Numerous platform level PBCs including:<ul style="list-style-type: none">○ Eurocopter Tiger/MRH-90 Helicopters○ KC-45 (A330) Multi-Role Tanker Transport (MRTT)○ F404/F414 Engine Contract
Land Systems Division (LSD)	<ul style="list-style-type: none">• Numerous platform level PBCs including:<ul style="list-style-type: none">○ M1A1/ASLAV ISSC
Maritime Systems Division (MSD)	<ul style="list-style-type: none">• Numerous platform level PBCs including:<ul style="list-style-type: none">○ Mine Hunter Coastal○ Armidale Patrol Boat○ Hydrographic In-Service Support Contract○ Collins Class Submarine Maintenance Contract○ ANZAC General Maintenance Contract
Electronics System Division (ESD)	<ul style="list-style-type: none">• Numerous platform level PBCs including:<ul style="list-style-type: none">○ Harold E. Holt Support Contract
USA	<ul style="list-style-type: none">• F-22 Follow-on Agile Sustainment for the Raptor (FASTeR)• C-17 Globemaster III Sustainment Partnership (GSP)• Phalanx Close-In Weapons System (CIWS)• V-22 Osprey
UK	<ul style="list-style-type: none">• Availability Transformation: Tornado Aircraft Contract (ATTAC)• Merlin EH1901 helicopter• Nimrod MRA4 aircraft• MK2/MK2a Chinook Heavy Transport Helicopters• Mine Protected Vehicles (MPV)• H-450 Unmanned Air System (UAS)



Canada	<ul style="list-style-type: none">• Numerous platform level PBCs including:<ul style="list-style-type: none">○ C-17 Globemaster III Sustainment Partnership (GSP)○ C130J Through Life Support (TLS) Contract○ Chinook Heavy Transport Helicopters
New Zealand	<ul style="list-style-type: none">• Some PBCs including:<ul style="list-style-type: none">○ Clothing contract○ Garrison Support contract (i.e. military base meals, accommodation, security)
Republic of Singapore	<ul style="list-style-type: none">• Conducting training to commence implementation of numerous component and platform level PBCs including:<ul style="list-style-type: none">○ F-16 spares contract○ C130 In-Service Support Contract (ISSC)