

PUBLIC-PRIVATE PARTNERING INITIATIVE

**PEOSYSCOM Conference
December 5, 2003**



**Aerospace Industries Association
National Defense Industrial Association
National Center for Advanced Technology**



The Questions

1. Definition of a partnership?
2. Definition of “Best Value”?
3. What are enablers and impediments for a successful partnership?
4. What are the attributes of successful partnerships, and what performance metrics are important?
5. In the next 5 years, what impact will innovative partnerships have on
 - DoD financial policies and budgeting?
 - DoD infrastructure requirements?
 - DoD contracting and legal?
6. Any personal “Lessons Learned”?

Definition of a Partnership

- **Complimentary core competencies / capabilities**
- **Mutual outcome expectations**
- **Common metrics / incentives**
- **Shared risk / reward**
- **Consensus building through TRUST**

Best Value (PPP)

- **Best value vs. cheapest price**
- **Meet customer expectations at a “reasonable” price**
- **Good value for DoD, good return for Industry**
- **Must decrease TOC over time**
- **Increase risk may drive higher profit**

Enablers & Impediments

ENABLERS:

- Performance-based contracting
- Emphasize RTOC
- Upper management support
- Shared value, mutual benefit & TRUST
- Work splits via core competencies

IMPEDIMENTS:

- Cultural resistance
- DoD policies / laws / accounting practices
- Lack of mutual TRUST
- Risk aversion
- Congressional politics?
- No national strategy
- In-the-box thinking
- Lack of aggressive long-term contracting

Attributes of a Successful PPP

- Common goals
- Metrics for cost, schedule & quality
- RTOC
- Customer Satisfaction
- Improved cycle-time
- Utilization of capacity

5 Year Impact on DoD Financial Policies / Budgeting, Infrastructure & Contracting / Legal

- Must accommodate PPP in financial policy & budgeting**
- Must move to Performance-based Contracting via long-term contracting**
- DoD must implement cost accounting systems**
- Color-of-money & multi-year contracting**
- A drastic decrease in DoD infrastructure**
- Several laws / public policies need to be changed / eliminated (CORE, 50/50)**
- Congress must be educated on the business arrangements necessary to meet the needs of the Nation in the 21st Century**

5 Year Impact on DoD Financial Policies / Budgeting, Infrastructure & Contracting / Legal *(Continued)*

- **Must redefine the roles of Government and Industry**
- **DoD rules on competition need to be addressed**
- **Long-term contracting to drive investment for lowering demand & log footprint**
- **Streamline /accelerate “time-to-contract” process**
- **Reduce Government & Industry bureaucracy**

Lessons Learned From Recent PPP Initiatives

94 Documented Lessons Learned

- **Communication**
- **Constraints**
- **Management**
- **Resources**
- **Tools**
- **Settings Goals**
- **Trust & Culture**

Summary

- Successful PPPs will be a combination of Best Commercial Practices & DoD capabilities
- Risk aversion & mutual trust needs work
- Long Term PPP vs. Competition?
- Need a PPP National Strategy
- Bottom Line:
 - Need performance, innovation & cultural change

Must Get Out Of The Box

Recommendations

Form DoD & Industry Working Groups to:

- Evaluate areas of consensus and identify actionable tasks that if successfully implemented will offer a Win-Win solution for supporting the war fighter and elicit “Grass Roots” support at all levels to make PPPs more attractive to both DoD and Industry.
- Review areas of divergence and identify opportunities to bridge the gaps between DoD and Industry priorities / perspectives.

Backup Slides

Background

- Growing Interest in Combining Best Commercial Practices with the Extensive Capabilities Within DoD
- Joint AIA / NDIA Effort to Identify Industry / DoD Consensus and Areas of Divergence for Expanding PPP
- Scope included Stakeholders from DoD and Industry
- Results Obtained through Written Surveys and Formal Interviews with Senior Executives
- Goals:
 - To Gain DoD Support for Reducing Legal and Cultural Barriers that Impede Development of PPPs
 - To Promote Mutual Understanding of Business and Operational PPP Drivers

Methodology

- Focused on Understanding DoD and Industry Perspectives of What is Good and Bad about PPPs
- Survey Responses received from 17 DoD Agencies / Commands and 23 Defense Contactors (results included both individual and organization-level stakeholders)
- Conducted 23 Executive-level Interviews
- Collated and Synthesized Data into Thematic Categories
- Segmented Themes into Areas of Consensus and Divergence
- Developed “Go Forward” Recommendations

Methodology

Definitions

Consensus - Items that DoD and Industry agree are equally important. These items should be easily translated into actionable tasks that can be implemented to improve PPPs with little or no resistance from the DoD or Industry.

Divergence - Items that either DoD or Industry thinks are important but the other party places less importance on the item. The action is for a high level work group or committee to formulate methods of bridging the two parties on the importance of the item.

Go-Forward Strategy for AIA and NDIA

Recommend the Following Actions:

- Finalize the Initiative Summary including Development of a White Paper and Associated Background Material
- Presidents of AIA and NDIA jointly sign a Letter to USD (AT&L) transmitting the Results of the Study