DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
RESEARCH DEVELOPMENT AND ACQUISITION
103 ARMY PENTAGON
WASHINGTON DC 20310-0103

REPLY TO
ATTENTION OF

SARD-PS

JUL 2 3 1998

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Performance-Based Service Contracting (PBSC) Implementation

Reference the following:

a. Acting DASA(P) memorandum of May 23, 1997, subject as above.

b. Acting DASA(P) memorandum of August 27, 1997, subject as above.

c. OFPP memorandum of February 27, 1998, entitled, PBSC Pilot Project.

d. Acting DASA(P) memorandum of March 23, 1998, entitled, PBSC Pilot Project.

e. Acting DASA(P) memorandum of March, 27, 1998, entitled, PBSC Review Check List.

In our various memorandums we have asked you to share PBSC methods, solicitation and lessons learned. The responses we've received as a result of these requests have been less than adequate. To date, we've received very few lessons learned and only two Statements of Work (SOWs). Our intent, when asking for samples of good PBSC SOWs and lessons learned, is to develop a library of reference material to be used by contracting organizations throughout the Army. Accordingly, I request that you provide us copies of your Command's PBSC lessons learned and sample SOWs by September 15, 1998. Of special interest are those SOWs which are generic or applicable to multiple locations. Since SOWs can be quite lengthy, these documents should be provided via e-mail.

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The Deputy Under Secretary of Defense (Acquisition Reform) has requested that the Services report on all PBSC "conversions" valued at $100,000 or more. Conversions are defined as those PBSC contracts which had a non-PBSC effort as a precursor. This does not apply to "new start" PBSC efforts or "continuations" from prior PBSC efforts. The format for reporting these PBSC conversions is at attachment 1 and the "customer satisfaction survey" is at attachment 2. Note that this customer satisfaction survey has been previously provided to you. Data on these new conversions for the first three quarters of FY 98 are due August 5, 1998. Future data on these conversions are due quarterly, with information addressing the 4th quarter FY 98 due October 9, 1998. The PBSC Conversion Plan Status Report for the first nine months of FY 98 is at Attachment 3.

As I have previously indicated, when fully and properly applied, PBSC enables us to simultaneously obtain significantly improved contract performance at reduced prices. These results are particularly noteworthy when non-PBSC cost type efforts are converted to fixed price type PBSC efforts. This program also dovetails nicely with our goal of managing for results, not process. Evidence is accumulating however that application of only selected aspects of the total PBSC methodology is not likely to be nearly as fruitful, and may even diminish the value of services provided. Accordingly, you are encouraged to use total PBSC methods whenever possible.

I request that you continue to review and classify all newly awarded service contracts with a total estimated value of $250,000 or greater and provide me the results of your analysis.

POC for this action is Robert Friedrich, SARD-PS, (703) 681-7577, fax –7580, DSN 761-, e-mail friedrir@sarda.army.mil.

J Craig Walsh col. U.S. ARMY

Kenneth J. Oscar
for / Deputy Assistant Secretary of the Army
(Procurement)

DISTRIBUTION:
PRINCIPAL ASSISTANTS RESPONSIBLE FOR CONTRACTING
Headquarters, U.S. Army Materiel Command, ATTN: AMCRDA-AC (PARC), 5001 Eisenhower Avenue, Alexandria, VA 22333-0001
Defense Supply Service – Washington, 5200 Army Pentagon, Washington, D.C. 20310-5200
Headquarters, Forces Command, ATTN: AFLG-PR, 1777 Hardee Avenue S.W., Fort McPherson, GA 30330-1062
Third United States Army/U.S. Army Forces Central Command, 1301 Anderson Way S.W., Fort McPherson, GA 30330-1064
U.S. Army Medical Command, ATTN: MCAA, 2107 17th Street, Building 4197, Suite A, Fort Sam Houston, TX 78234-5015
U.S. Army Intelligence & Security Command, ATTN: IAPC, Fort Belvoir, VA 22060-5246
U.S. Army Medical Research and Materiel Command, ATTN: MCMR-AAZ-A, 820 Chandler Street, Fort Detrick, MD 21702-5014
U.S. Army Military District of Washington, ATTN: ANPC, 103 Third Avenue, Fort Lesley J. McNair, Washington, D.C. 20319-5058
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U.S. Army Training and Doctrine Command, DCSBOS, ATTN: ATBO-0000A, Building 5, Room F308, 5 North Gate Road, Fort Monroe, VA 23651-5000
U.S. Army Corps of Engineers, ATTN: CEPR-ZA, 20 Massachusetts Avenue, N.W., Washington, DC 20314-1000
National Guard Bureau, ATTN: NGB-AQ, Skyline Building Six, Suite 401A, 5109 Leesburg Pike, Falls Church, VA 22041-3201
U.S. Army Contracting Command, Europe, ATTN: AEAPR-PA (PARC), Unit 28331, APO AE 09266
Headquarters, Eighth United States Army, ATTN: FKAQ/EAAQ, Unit 15237, APO AP 96205-0010
U.S. Army, Pacific, ATTN: APAM, Fort Shafter, HI 96858-5100
U.S. Army South, ATTN: SOCS-CO, Unit 7101, APO AA 34004-5000

CF:
Acting Assistant Secretary of the Army (RDA)
SARD-PR
AUSD(AP&P)
OFPP

PROPOSED CONTRACT CONVERSION		CURRENT CONTRACT		PROPOSED CONTRACT CONVERSION								
Department, Activity, Requirement and new Contract/Contract Requirement Number (Only contracts >or = $100,000)	POC Name POC Phone POC Fax POC Email	Type (CPFF, CPAF, FFP, FPI, etc.)	Term (in months)	Type (CPFF, CPAF, FFP, FPI, etc.) & Competitive (C) or sole source (S)	Term (in months)	QA Plan (Y) or (N)	Whether large (L) or small (S) business	Price/Value or Estimated Price/Value (Only contracts > or = $100,000)	Performance Incentives (Y) or (N)	Customer Satisfaction Rating (1,lowest, 5, high) If follow-on, show current (top) & predecessor (bottom) PSSC rating	Current Status To include: 1. Est'd $ & % savings over prev non-PSSC effort 2. Est'd PALT days & % savings over prev non-PSSC (PALT = for spot document in award) 3. If current scope is same as previous effort, if not, how do they differ (between est & bogeed) 4. Number of [illegible] 5. If est'd award date is tracking, if not, why	Estimated or Actual Award Date

Attachment No. 1

Customer Satisfaction Contract Survey Criteria

	Performance Requirements				
	Substandard		Meets		Exceeds
Quality of services performed	1	2	3	4	5
Quantity of services performed	1	2	3	4	5
Timeliness of services performed	1	2	3	4	5
Cost effectiveness of services performed	1	2	3	4	5
Overall rating	1	2	3	4	5

Note: Contracts should be in place for one year in order to ensure a sound basis for evaluation.

Attachment No. 2

Department of Defense
Performance-Based Services Contracting (PBSC) Conversion Plan Status Report
(Period Reported: [redacted] months of FY 1998)

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PROPOSED CONTRACT CONVERSION		CURRENT CONTRACT		PROPOSED CONTRACT CONVERSION								
Department, Activity, Requirement and new Contract/Contract Requirement Number (Only contracts >or = $100,000)	POC Name POC Phone POC Fax POC Email	Type (CPFF, CPAF, FFP, FPI, etc.)	Term (in months)	Type (CPFF, CPAF, FFP, FPI, etc.) & competitive (C) or sole source (S)	Term (in months)	QA Plan (Y) or (N)	Weather large (L) or small (S) business	Price/Value or Estimated Price/Value (Only contracts > or = $100,000)	Performance Incentives (Y) or (N)	Customer Satisfaction Rating (1 low - 6, high) If follow-on, show current (top) & predecessor (bottom) PBSC rating	Current Status To include: 1. Est'd $ & % savings over prev non-PBSC effort 2. Est'd PALT days & % savings over prev non-PBSC (PALT = the input document to award) 3. If current usage is same as previous effort, if not, how do they differ (address not 3 impact) 4. Number of attempts/bidders 5. If est'd award date is tracking, if not, why	Estimated or Actual Award Date

Attachment No. 3