SEC. ____. DISTRIBUTION SUPPORT AND SERVICES FOR WEAPON SYSTEMS CONTRACTORS.

(a) AUTHORITY.— The Secretary of Defense may make available storage and distribution services support to a contractor in support of the performance by the contractor of a contract for the production, modification, maintenance, or repair of a weapon system that is entered into by an official of the Department of Defense.

(b) SUPPORT CONTRACTS.—Any storage and distribution services to be provided under this section to a contractor in support of the performance of a contract described in subsection (a) shall be provided under a separate contract that is entered into by the Director of the Defense Logistics Agency with that contractor. The requirements of section 2208(h) of title 10, United States Code, and the regulations prescribed pursuant to such section shall apply to the contract between the Director of the Defense Logistics Agency and the contractor.

(c) SCOPE OF SUPPORT AND SERVICES.—The storage and distribution support services that may be provided under this section in support of the performance of a contract described in subsection (a) are storage and distribution of materiel and repair parts necessary for the performance of that contract.

(d) REGULATIONS.—Before exercising the authority under this section, the Secretary of Defense shall prescribe in regulations such requirements, conditions, and restrictions as the Secretary determines appropriate to ensure that storage and distribution services are provided under this section only when it is in the best interests of the United States to do so. The regulations shall include, at a minimum, the following:

(1) A requirement for the solicitation of offers for a contract described in subsection (a), for which storage and distribution services are to be made available under this section, to include—

(A) a statement that the storage and distribution services are to be made available under the authority of this section to any contractor awarded the contract, but only on a basis that does not require acceptance of the support and services; and

(B) a description of the range of the storage and distribution services that are to be made available to the contractor.

(2) A requirement for the rates charged a contractor for storage and distribution services provided to a contractor under this section to reflect the full cost to the United States of the resources used in providing the support and services, including the costs of resources used, but not paid for, by the Department of Defense.

(3) With respect to a contract described in subsection (a) that is being performed for a department or agency outside the Department of Defense, a prohibition, in accordance with applicable contracting procedures, on the imposition of any charge on that department or agency for any effort of Department of Defense personnel or the contractor to correct deficiencies in the performance of such contract.

(4) A prohibition on the imposition of any charge on a contractor for any effort of the contractor to correct a deficiency in the performance of storage and distribution services provided to the contractor under this section.

(e) RELATIONSHIP TO TREATY OBLIGATIONS.—The Secretary shall ensure that the exercise of authority under this section does not conflict with any obligation of the United States under any treaty or other international agreement.

Section-by-Section Analysis

This proposal would establish policy to allowing weapon system support contractors to integrate DLA storage and distribution capability into their supply chain in support of the weapon system. Service components should consider utilization of existing DoD storage, distribution, and transportation when developing requirements for Performance Based Logistics programs. This proposal is needed because the Defense Logistics Agency, which primarily operates under the authority of title 10, United States Code, section 2208, cannot provide services to entities such as government contractors without a separate statutory authorization. This proposal provides that authorization.

Performance Based Logistics contracts are established to improve performance of Department of Defense weapons systems, but the contracts often use commercial sources for the storage and distribution of materiel supporting the contract. In many cases an existing Defense Logistics Agency Storage and Distribution Center is available to support the contractor's supply chain, so that Performance Based Logistics contractor use of commercial supply and distribution sources potentially increases Department of Defense logistics costs by creating redundant storage and distribution capabilities and incorporating the costs associated with these in their contract prices to the government.

This proposal addresses the problems of redundant storage and distribution capabilities and increased logistics costs by allowing the integration of material used to support weapon systems into existing government facilities.

This proposal would allow the Department and the Military Services to address the described problem. As an example, Lockheed Martin and Pratt and Whitney recently approached DLA to partner on sustainment support for the Joint Strike Fighter. Both Product Support Integrators seek to leverage existing DLA capability to reduce Joint Strike Fighter program cost. This proposal would allow implementation of such advantageous partnerships.

Budget Implications: The resources reflected in the table below are funded within the FY 2017 President's Budget. NOTE: Dollars cited are for a proposed partnership between DLA Distribution and Pratt & Whitney in support of Joint Strike Fighter engine program. The expense is 100 percent reimbursable to DLA and the Defense-wide Working Capital Fund. Additional commercial partnerships under this proposal would utilize a similar business plan. A 1 percent increase was projected for each out-year of performance.

RESOURCE REQUIREMENTS ($ THOUSANDS)								
	FY 2017	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**Appropriation From**	**Budget Activity**	**Dash-1 Line Item**
Defense Logistics Agency (DLA)	3,661	3,698	3,735	3,772	3,810	Defense-Wide Working Capital Fund 493005D	20	ES08

Changes to Existing Law: This section would not edit the text of any existing law.