

OFFICE OF THE SECRETARY OF DEFENSE

Report to Congress
on

DISTRIBUTION OF DoD
DEPOT MAINTENANCE WORKLOADS

FISCAL YEARS 2012 THROUGH 2014



JULY 2013

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(Logistics & Materiel Readiness)

The estimated cost of this report for the Department of Defense is approximately \$479,000 in Fiscal Years 2012 - 2013. This includes \$78,000 in expenses and \$402,000 in DoD labor.

Cost estimate generated on June 18, 2013 RefID: 7-B061899

INTRODUCTION

Section 2466(d)(1) of title 10, U.S.C., requires that the Secretary of Defense submit, not later than 90 days after the date on which the budget of the President for a fiscal year is submitted to Congress, a report identifying, for each of the armed forces (other than the Coast Guard) and each Defense Agency, the percentage of funds referred to in section 2466(a) of title 10, USC, that was expended during the preceding fiscal year and are projected to be expended during the current fiscal year and the ensuing fiscal year for performance of depot-level maintenance and repair workloads by the public and private sectors.

The following conventions were used in the preparation of this report:

- Limited to military materiel
- Applies to all depot maintenance support requirements, regardless of the source or sponsor of the program
- Applies to all funding sources and all customers budgeted or managed by the Military Department or Defense Agency
- Funds made available are for depot maintenance and repair obligations for FY 2012 and projected obligations for FYs 2013 and 2014
- Reporting is made from the Principal's perspective (i.e., the component that manages the funding for or owns the equipment that is being repaired or maintained)
- Includes all locations performing depot-level maintenance and repair (i.e., all maintenance and repair tasks designated or coded as depot-level that are performed in field or other non-depot locations)
- Includes interim contractor support and contractor logistics support (or any similar contractor support) to the extent that such support is for performance of depot-level maintenance and repair
- Depot-level maintenance and repair work performed by employees of the Department of Defense is reported regardless of the location where the work is performed
- Depot-level maintenance and repair work contracted for performance by non-Federal Government personnel is reported regardless of the location where the work is performed
- *Acquisition* of modifications and upgrades is excluded; however, *installation* of excluded modifications and upgrades is included when the installation is considered a depot-level service

Additionally, section 2474(f) of title 10, U.S.C., excludes certain expenditures from the percentage limitations in section 2466(a). The exclusion applies to the performance of depot-level maintenance and repair workload by non-Federal Government personnel at a Center of Industrial and Technical Excellence pursuant to a public-private partnership. Section 2466(d)(2) requires that the report required under section 2466(d)(1) include as a separate item any expenditure covered by section 2474(f) that was made during the fiscal year covered by the report and shall specify the amount and nature of each expenditure.

The following applies to determination of the exclusion:

- The depot maintenance activity on which the workload is performed must have been designated a Center of Industrial and Technical Excellence**
- The workload must be pursuant to a public-private partnership for depot maintenance**
- The workload must be performed by personnel provided by private industry or other entities outside the Department of Defense at a Center of Industrial and Technical Excellence**

Pertinent sections of title 10, U.S.C., are included on the last page of this report.

REPORT

The information on distribution of depot-level maintenance and repair workloads by the public and private sectors for the Military Departments and Defense Agencies is provided at attached table.

The first portrayal entitled “Military Department/Defense Agency” is the portrayal applicable to compliance with the section 2466(a), 50-percent limitation on the funds made available to a Military Department or Defense Agency that can be used to contract for performance by non-Federal Government personnel.

The second portrayal entitled “Armed Forces” is applicable to the section 2466(d)(1), requirement for reporting for each of the Armed Forces (other than the Coast Guard) in that it provides the required breakout for the Department of the Navy (to include the Marine Corps).

The third portrayal entitled “Other Defense Organizations” provides information for organizations not meeting the sections 101(a)(4), (8), and (11) of title 10, U.S.C., definitions of Armed Forces, Military Department, or Defense Agency and, therefore, not subject to the 50-percent limitation.

Non-Federal work that is not excluded by section 2474(f), from the 50-percent limitation on the funds made available to a Military Department or Defense Agency that can be used to contract for performance by non-Federal Government personnel is identified on the attached Table as “Non-exempt.” Non-Federal work that is excluded by section 2474(f) from the 50-percent limitation is identified on the attached Table as “Exempt.” Since U.S. Special Operations Command is neither a Military Department nor a Defense Agency, the section 2474(f) exclusion does not apply.

All three Military Departments report compliance with the 50-percent limitation for FY 2012 and are projecting compliance for FY 2013 and FY 2014.

**Distribution of DoD Depot Maintenance Workloads
For Fiscal Years 2012 Through 2014**

Military Department/ Defense Agency	Workload Distribution/Reporting Category	2012	2013	2014
Dept of Navy	Total Funds	13,906.8	12,083.4	11,847.3
	Federal Work	7,215.3	6,803.4	6,957.0
	Non-Federal Work Non-exempt	6,687.3	5,276.9	4,889.0
	Non-Federal Work Exempt	4.2	3.1	1.3
	Public Portion	51.9%	56.3%	58.7%
	Private Portion Non-exempt	48.1%	43.7%	41.3%
	Private Portion Exempt	0.0%	0.0%	0.0%
<u>Expenditures Excluded as CITE Partnering under 10 U.S.C. 2474(f)</u>				<u>Amount Exempted in FY 2012</u>
SPAWARCEN - calibration of air traffic control equipment				4.2
Dept of Army	Total Funds	7,427.3	6,598.1	5,263.6
	Federal Work	4,284.2	3,810.0	3,242.1
	Non-Federal Work Non-exempt	3,143.3	2,788.1	2,021.6
	Non-Federal Work Exempt	0.0	0.0	0.0
	Public Portion	57.7%	57.7%	61.6%
	Private Portion Non-exempt	42.3%	42.3%	38.4%
	Private Portion Exempt	0.0%	0.0%	0.0%
<u>Expenditures Excluded as CITE Partnering under 10 U.S.C. 2474(f)</u>				<u>Amount Exempted in FY 2012</u>
None				0.0
Dept of Air Force	Total Funds	12,178.0	11,700.3	12,825.7
	Federal Work	6,193.7	6,207.8	6,651.1
	Non-Federal Work Non-exempt	5,764.5	5,393.8	6,033.5
	Non-Federal Work Exempt	219.8	98.7	141.1
	Public Portion	51.8%	53.5%	52.4%
	Private Portion Non-exempt	48.2%	46.5%	47.6%
	Private Portion Exempt	1.8%	0.8%	1.1%
<u>Expenditures Excluded as CITE Partnering under 10 U.S.C. 2474(f)</u>				<u>Amount Exempted in FY 2012</u>
OC-ALC F119 Engine - Special technologies engine component repair				6.2
WR-ALC LANTIRN - Phase I - Component Repair				11.6
B-1 Software - Software Maintenance				139.4
B-2 Software - Software Maintenance				62.6
Total				219.8

**Distribution of DoD Depot Maintenance Workloads
For Fiscal Years 2012 Through 2014 (cont.)**

Armed Forces	Workload Distribution/ Reporting Category	2012	2013	2014
Navy	Total Funds	13,250.1	11,646.8	11,061.5
	Federal Work	6,715.7	6,404.4	6,277.4
	Non-Federal Work Non-exempt	6,530.2	5,239.3	4,782.8
	Non-Federal Work Exempt	4.2	3.1	1.3
	Public Portion	50.7%	55.0%	56.7%
	Private Portion Non-exempt	49.3%	45.0%	43.2%
	Private Portion Exempt	0.0%	0.0%	0.0%
USMC	Total Funds	656.7	436.6	785.8
	Federal Work	499.6	399.0	679.6
	Non-Federal Work Non-exempt	157.1	37.6	106.2
	Non-Federal Work Exempt	0.0	0.0	0.0
	Public Portion	76.1%	91.4%	86.5%
	Private Portion Non-exempt	23.9%	8.6%	13.5%
	Private Portion Exempt	0.0%	0.0%	0.0%
Other Defense Organizations				
USSOCOM	Total Funds	585.3	549.0	606.7
	Federal Work	56.3	47.7	52.5
	Non-Federal Work	529.0	501.4	554.3
	Public Portion	9.6%	8.7%	8.7%
	Private Portion	90.4%	91.3%	91.4%

Notes:

\$Dollars in millions; numbers may not add due to rounding

USMC = U.S. Marine Corps

USSOCOM = U.S. Special Operations Command does not meet the 10 U.S.C. 101(a)(4), (8) and (11) definitions of armed forces, military department, or defense agency and is not subject to the 50 percent limitation; however, this data is included for consistency with past reports.

Title 10, section 2466¹. LIMITATIONS ON THE PERFORMANCE OF DEPOT-LEVEL MAINTENANCE OF MATERIEL-

(a) **PERCENTAGE LIMITATION.** - Not more than 50 percent of the funds made available in a fiscal year to a military department or a Defense Agency for depot-level maintenance and repair workload may be used to contract for the performance by non-Federal Government personnel of such workload for the military department or the Defense Agency. Any such funds that are not used for such a contract shall be used for the performance of depot-level maintenance and repair workload by employees of the Department of Defense.

(b) **WAIVER OF LIMITATION.** - The Secretary of Defense may waive the limitation in subsection (a) for a fiscal year if—

(1) the Secretary determines that the waiver is necessary for reasons of national security; and

(2) the Secretary submits to Congress a notification of the waiver together with the reasons for the waiver.

(c) **PROHIBITION ON DELEGATION OF WAIVER AUTHORITY.** - The authority to grant a waiver under subsection (b) may not be delegated.

(d) **Annual Report².**—

(1) Not later than 90 days after the date on which the budget of the President for a fiscal year is submitted to Congress pursuant to section 1105 of title 31, the Secretary of Defense shall submit to Congress a report identifying, for each of the armed forces (other than the Coast Guard) and each Defense Agency, the percentage of the funds referred to in subsection (a) that was expended during the preceding fiscal year, and are projected to be expended during the current fiscal year and the ensuing fiscal year, for performance of depot level maintenance and repair workloads by the public and private sectors.

(2) Each report required under paragraph (1) shall include as a separate item any expenditure covered by section 2474(f) of this title that was made during the fiscal year covered by the report and shall specify the amount and nature of each such expenditure.

Title 10, subsection 2474(f)³. EXCLUSION OF CERTAIN EXPENDITURES FROM PERCENTAGE LIMITATION- Amounts expended for the performance of a depot-level maintenance and repair workload by non-Federal Government personnel at a Center of Industrial and Technical Excellence under any contract shall not be counted for purposes of applying the percentage limitation in section 2466(a) of this title if the personnel are provided by private industry or other entities outside the Department of Defense pursuant to a public-private partnership.

¹ As amended by P.L. 108-375, section 321.

² As amended by P.L. 111-84, section 329.

³ As amended by P.L. 109-364, section 331.