SUBJECT: Public-Private Partnerships for Depot-Level Maintenance

(c) Sections 2474, 2464, 2466, 2460, 2470, and 2563 of title 10, United States Code

1. PURPOSE

This Instruction implements policy, assigns responsibilities, and prescribes procedures under References (a) and (b) and section 2474 of Reference (c) for depot-level maintenance public-private partnerships.

2. APPLICABILITY AND SCOPE

2.1. This Instruction applies to the Office of the Secretary of Defense, the Military Departments, and the Defense Logistics Agency (DLA).

2.2. Depot-level maintenance partnerships may be a component of broader partnering agreements between the private sector and the Government. This Instruction applies only to the depot-level maintenance aspects of such partnerships.

3. DEFINITIONS

3.1. A public-private partnership for depot-level maintenance under section 2474 of Reference (c) is a cooperative arrangement between an organic depot-level maintenance activity and one or more private sector entities to perform DoD or Defense-related work and/or to utilize DoD depot facilities and equipment. Other government organizations, such as program offices,
inventory control points, and materiel/systems/logistics commands, may be parties to such agreements.

3.2. Additional definitions for this Instruction are in Enclosure 1.

4. POLICY

Public-private partnerships for depot-level maintenance shall be employed whenever cost effective in providing improved support to the warfighter, and to maximize the utilization of the government’s facilities, equipment, and personnel at DoD depot-level maintenance activities. Performance-Based Logistics implementation strategies shall consider public-private partnerships to satisfy the core capabilities requirements of section 2464 of Reference (c) and the limitations on the performance of depot-level maintenance and materiel requirements contained in section 2466 of Reference (c).

5. RESPONSIBILITIES

5.1. The Deputy Under Secretary of Defense for Logistics and Materiel Readiness, under the Under Secretary of Defense for Acquisition, Technology, and Logistics shall:

5.1.1. Maintain this Instruction and provide policy guidance to the Military Departments with respect to depot-level maintenance public-private partnerships.

5.1.2. Monitor and review the performance of depot-level maintenance public-private partnerships throughout the Department of Defense.

5.2. The Secretaries of the Military Departments shall:

5.2.1. Designate depot-level maintenance activities as Centers of Industrial and Technical Excellence (CITEs) in the recognized core competencies of the respective activities in accordance with section 2474 of Reference (c).

5.2.2. Authorize and encourage each CITE to enter into public-private partnerships comprising its own employees, private industry, and/or other entities outside the Department of Defense to perform work within its depot-level maintenance core competencies, and/or allow private industry to lease or otherwise use under utilized or unutilized facilities and equipment at the CITE.

5.2.3. Ensure that, in establishing public-private partnerships involving DoD depot-level maintenance activities, such partnerships comply with applicable statutory and regulatory requirements.

5.2.4. Implement policies and procedures consistent with this Instruction within their respective organizations.
6. **PROCEDURES**

6.1. Depot-level maintenance public-private partnerships shall be formed around a depot-level maintenance activity’s identified core competencies. Such public-private partnerships should contribute to the implementation of best business practices and improvement of operations while sustaining core depot-level maintenance and repair competencies as defined in Enclosure 1.

6.2. Depot-level maintenance capabilities (section 2460 of Reference (c)) that contribute to core competencies, and may be employed in all forms of partnerships, include, but are not limited to:

   6.2.1. **Manufacturing** – including fabrication of parts, assembly of components, and final assembly and painting of end-use items.

   6.2.2. **Repair** – including diagnostics, refurbishment, overhaul, and rebuild.

   6.2.3. **Technical Services** – including testing and analysis, repair process design, and in-service engineering.

6.3. Depot-level maintenance public-private partnerships can include, but are not limited to:

   6.3.1. Production of defense-related goods and services by government employees using public sector facilities and equipment for a private sector entity.

   6.3.2. Use by private sector entities of public sector equipment and facilities to produce goods and services for either government or commercial customers.

   6.3.3. Collaborative arrangements, using both government and private sector employees performing distinct workload segments at public sector facilities to accomplish DoD or Defense-related work.

6.4. The purchase of articles or services (including contracting for labor services to be performed at an organic maintenance facility) by a depot-level maintenance activity from a private sector source are factors of production, and as such, they do not constitute depot-level maintenance public-private partnerships.

6.5. The decision to enter into a partnership must be supported by a business case analysis considering costs, benefits, and best use of public and private sector capabilities that demonstrates that it is in the best interest of the government.
6.6. Sales of goods or services by depot-level maintenance activities and/or the use of public sector facilities or equipment must be based on specific statutory or regulatory authority. Partnership arrangements must identify the statutory or regulatory authority(ies) for the specific undertaking.

6.7. For partnerships involving the provision of goods and/or services by government employees, the organic workforce must be engaged in work that is DoD or Defense-related. Defense-related work includes any work that demonstrably contributes to sustaining a CITE’s depot-level maintenance core competencies and can comprise:

6.7.1. Manufacture or repair of components or subcomponents within a larger Defense contract.

6.7.2. Competitively awarded contracts in support of other Federal agencies as authorized by section 2470 of Reference (c).

6.7.3. Work to support authorized customers of the DoD wholesale supply system in accordance with DoD 4140.1-R (Reference (d)).

6.8. Organic depot-level maintenance capabilities (e.g., facilities, equipment) may be made available to the private sector to the extent that the resources are not required for DoD production requirements and the arrangement will have no adverse impact on the organic activity. Facilities and equipment may be made available on a variety of terms, including use on a non-interference or full-time basis.

6.9. Equipment or facilities of a CITE may be made available for use by a private-sector entity only if the private-sector entity agrees to the requirements defined in section 2474(e) of Reference (c).

6.10. Activities participating in partnerships will separately track and report financial results by establishing and maintaining separate cost accounting job orders or cost/revenue pools and operating results, consistent with DoD 7000.14-R (Reference (e)).

6.10.1. When authorized by law, reimbursements from private sector entities related to public-private partnerships shall, in accordance with the authorizing statute, accrue directly to the activity involved in the partnership or providing the support.

6.10.2. When authorized by law, compensation for the use of government property may take the form of rental payments, adjustment to prices in related Defense contracts, or full-value in-kind consideration.

6.11. A depot-level maintenance activity may not increase its capacity solely to support a partnership unless such increases are necessary to support DoD requirements or are otherwise beneficial to the Department of Defense. Organic facility construction and alterations may take partnership arrangements into consideration if the arrangements will provide best value or
improve support to the war fighter. Where possible, partnerships should be structured in ways that encourage and justify private sector capital investment at the organic activity.

6.12. DLA distribution depots co-located with depot-level maintenance activities, and DLA/Military Department logistics activities managing materiel provided to depot-level maintenance activities, may be impacted by a depot-level maintenance public-private partnership. Accordingly, these activities shall be invited to participate in the planning for depot-level maintenance partnerships, as appropriate.

7. EFFECTIVE DATE

This Instruction is effective immediately.

Kenneth J. Krieg
Under Secretary of Defense for Acquisition, Technology, and Logistics

Enclosure - 1
E1. Definitions
E1. ENCLOSURE 1

DEFINITIONS

E2.1. Depot-level maintenance (also known as depot maintenance). The processes of materiel maintenance or repair involving the overhaul, upgrading, rebuilding, testing, inspection, and reclamation (as necessary) of weapon systems, equipment end items, parts, components, assemblies, and subassemblies. Depot-level maintenance also includes all aspects of software maintenance, the installation of parts or components for modifications, and technical assistance to intermediate maintenance organizations, operational units, and other activities.

E2.2. Depot-level maintenance activity. A specific DoD-owned and DoD-operated facility established, equipped, and staffed to carry out depot-level maintenance. DoD depot-level maintenance activities accomplish a wide range of depot-level maintenance processes including overhaul, conversion, activation, inactivation, renovation, analytical rework, repair, modifications and upgrades, inspection, manufacturing, reclamation, storage, software support, calibration, and technical assistance. Field-level maintenance sites authorized to accomplish a specific depot-level repair or a narrow range of such repairs or maintenance are not depot-level maintenance activities.

E2.3. Core competencies. Those core logistics-related depot-level maintenance capabilities that serve as the Department’s necessary ready and controlled source of technical ability, expertise, and resources as required by section 2464 of Reference (c). Core competencies are the set of depot-level maintenance capabilities necessary to enable the Armed Forces to fulfill the strategic and contingency plans prepared by the Joint Chiefs of Staff and for which the Military Departments believe the Department of Defense should be a recognized leader in the national technology and industrial base. Core competencies ensure that DoD depot-level maintenance activities are prepared to and actually do execute depot-level maintenance in an effective, efficient, and timely manner.

E2.4. Performance-Based Logistics (PBL). The preferred DoD product support strategy to improve weapons system readiness by procuring performance, which capitalizes on integrated logistics chains and public-private partnerships. PBL is an integrated acquisition and logistics process for buying weapon system capability that delineates outcome performance goals of weapon systems, ensures that responsibilities are assigned, provides incentives for attaining these goals, and facilitates the overall life-cycle management of system reliability, supportability, and total ownership costs. Depot-level maintenance may be a part of life-cycle management requirements.