DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
2 NAVY ANNEX
WASHINGTON, DC 20380-1775

MCO 4790.21
LPC-2
19 May 05

MARINE CORPS ORDER 4790.21

From: Commandant of the Marine Corps
To: Distribution List

Subj: DEPOT LEVEL SOURCE OF REPAIR (DLSOR) POLICY

Ref: (a) MCO 4790.10B
(b) Title 10 U.S.C.
(c) MCO 4000.56
(d) MCO 4200.33

Encl: (1) DLSOR Decision Process With Instructions
(2) Policy for DoD and Marine Corps Depot Maintenance Public-Private Partnerships

1. Situation. To publish Marine Corps policy on sourcing depot level maintenance repair workload. Enclosure (1) provides the DLSOR process with instructions.

2. Mission. This Order provides policy for determining a DLSOR for ground weapon systems, ground support equipment, and software. The recommendations and decisions cited must ensure Marine Corps-wide compliance with congressional statutes, Department of Defense (DoD) requirements, and current orders while also best serving the needs of the Marine forces.

3. Execution

a. Commander's Intent and Concept of Operations

(1) Commander's Intent. The DLSOR Decision Process will achieve a Marine Corps enterprise depot level maintenance solution that provides effective cost, schedule, and performance for a specific item, considering the operational needs while at the same time complying with congressional statutes.

(2) Concept of Operations. The DLSOR Decision Process allows for the assessment of a variety of potential sources of depot level repair and assures selection of the source which best fits the overall

DISTRIBUTION STATEMENT A: Approved for public release; distribution is unlimited.

Marine Corps enterprise solution for maintenance management. The desirable strategy provides international diversified depot repair capability using both organic and contractor support. This is accomplished by maintaining a strategically located organic multi-commodity capability for constitution and regeneration of the Marine forces. The Marine Corps source decision is submitted to the Enterprise TLCM Corporate Board and the Board will forward the sourcing decision through the existing Joint Depot Maintenance Activity Group (JDMAG) process for Depot Maintenance Interservice (DMI) review and assignment of the Depot Source of Repair (DSOR). The following policies contain elements essential in making a source of repair decision:

(a) Reference (a) establishes policy and provides procedures for determining the source of repair as well as uniformly implementing the Joint Depot Maintenance Program in the DoD. All weapon systems, end items and their components, which require depot level maintenance, or are planned for assignment to a depot level maintenance activity, shall be reviewed per this regulation.

(b) The following sections of reference (b) may impact the DLSOR decision recommendation. As such, each section below can be searched at http://uscode.house.gov\usc.htm for more detailed information to assist in the decision-making process.

1 Section 2460 defines depot level maintenance.

2 Section 2464 outlines the requirement to establish and report the minimum core logistics capabilities required to ensure that contingency operations are not compromised due to a lack of essential organic depot level maintenance support.

3 Section 2466 outlines the limits of depot level maintenance and repair workload performed by contractors. This section is commonly referred to as “50/50” as no more than 50 percent of the funds available in a fiscal year to a military department may be spent on contractor support, except under certain situations as identified in reference (b).

4 Section 2469 provides guidance for the requirement to compete workload previously performed by depot level activities in the DoD.

5 Section 2470 addresses the authority for DoD depot level activities to compete for maintenance and repair workloads of other federal agencies.

6 Section 2474 requires the Military Services to designate depot level maintenance capabilities as Centers of Industrial and Technical Excellence (CITE), authorizes and encourages

public-private partnerships, permits performance of work related to core competencies, permits use of facilities and equipment, and permits sales proceeds from public-private partnerships to be credited to depot accounts.

(c) Reference (c) provides the Marine Corps policy and procedures for determining core capability requirements.

(d) Reference (d) is the policy for the consideration, selection and use of contractor logistics support for Marine Corps ground equipment, ground weapon systems, munitions, and information systems.

b. Subordinate Element Missions

(1) Deputy Commandant, Installations and Logistics (DC, I&L)

(a) Establish and chair the Enterprise Total Life Cycle Management (TLCM) Corporate Board which will be the decision authority for each DLSOR recommendation (enclosure (1) block A2 of figure 1).

(b) Render final decision in the absence of Board consensus.

(c) Submit the Enterprise TLCM Corporate Board DLSOR decision and Joint Logistics Commanders (JLC) forms 27, 28, and 44 to the Maintenance Interservice Support Management Office (MISMO) located at Albany, Georgia.

(2) Commanding General, Marine Corps Systems Command (CG MCSC)

(a) Program managers are responsible for Program Level TLCM and determining a need for a business case analysis with a risk assessment (step 1 and block A1 in figure 1 of enclosure (1)). The DLSOR recommendation will be submitted as early as possible in the acquisition process or prior to exiting the System Development and Demonstration Phase.

(b) Provide membership to the Enterprise TLCM Corporate Board.

(c) Actively pursue Public-Private Partnerships and Performance Based Logistics contracts for Depot Maintenance as a means of achieving the optimal depot level maintenance solutions providing the effective cost, schedule and performance of depot level maintenance over the life cycle of ground weapons systems, ground support equipment and software. Enclosure (2) provides policy on public-private partnerships for depot maintenance.

(a) Provide Marine Corps depots capability and capacity data to the program managers.

(b) Assist program managers in obtaining capability and capacity data concerning other DoD depots.

(c) Implement, facilitate and manage the Enterprise TLCM Corporate Board DLSOR decision through the Joint Depot Maintenance Program decision process in accordance with block A3 in figure 1 of enclosure (1).

(d) Perform MISMO functions per reference (a).

(e) Provide membership to the Enterprise TLCM Corporate Board.

(f) Actively pursue Public-Private Partnerships for Depot Maintenance as a means of achieving the optimal depot level maintenance solutions providing the effective cost, schedule and performance of depot level maintenance over the life cycle of ground weapons systems, ground support equipment and software. Enclosure (2) provides policy on public-private partnerships for depot maintenance.

4. Command and Signal

a. Command. This Order is applicable to I&L, MCSC, and LOGCOM.

b. Signal. This Order is effective the date signed.

RICHARD L. KELLY
Deputy Commandant
Installations and Logistics

DISTRIBUTION: PCN 10206547000

Copy to: 7230005 (25)
7256087 (20)
7000260 (2)
7000144,153/8145001 (1)

DLSOR DECISION PROCESS WITH INSTRUCTIONS

ISSUE. The DLSOR decision process is a mandatory activity in logistics support planning for items (and subcomponents) that will require depot level maintenance. The process will take place following development of the Maintenance Concept and the Operational Requirements Document and prior to completion of the Maintenance Plan.

DESCRIPTION. The DLSOR decision process involves four distinct areas of responsibility:

- Program Manager, to gather, evaluate, and submit a business case analysis with risk assessment data and a DLSOR recommendation.
- DC, I&L, to evaluate recommendation and make DLSOR decision.
- Maintenance Interservice Support Management Office (MISMO), determines the type of Depot Maintenance Interservice (DMI) review or study that is applicable and initiates action as appropriate.
- Joint Depot Maintenance Activity Group (JDMAG), to perform any studies and publish DLSOR decision.

Figure 1 below depicts the DLSOR process flow and the following narrative details the activities described therein.

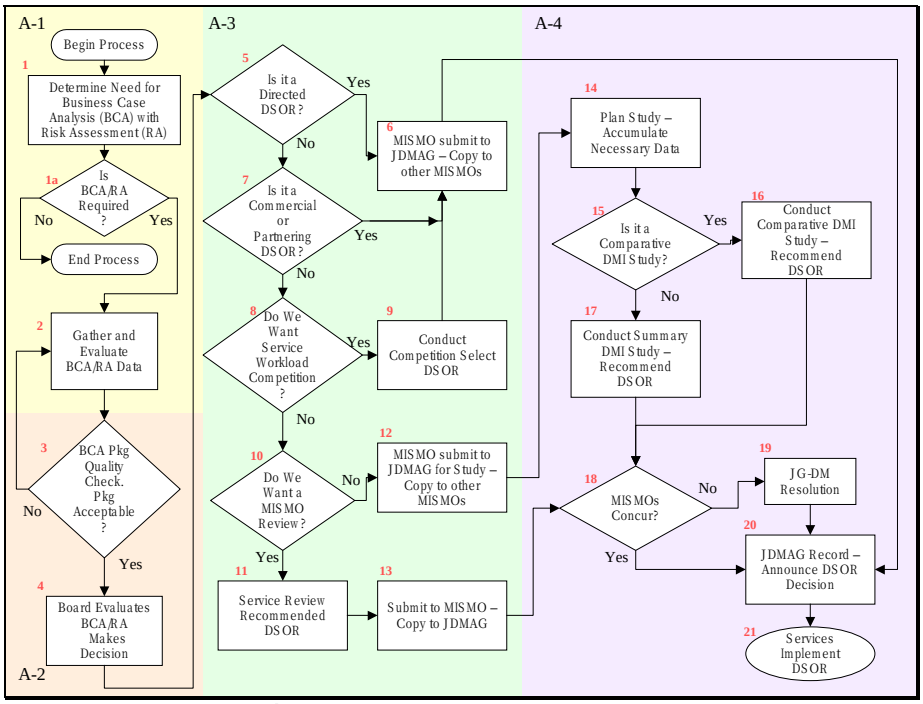

Figure 1. DLSOR Process

ENCLOSURE (1)

BLOCK A1 – LEAD: PROGRAM MANAGERS

STEP 1: DETERMINE NEED FOR A BUSINESS CASE ANALYSIS WITH A RISK ASSESSMENT. The steps within this process are a series of questions to be asked about the weapon system or ground support equipment for which the depot source of repair decision is being considered.

STEP 1a: If the answer to any of the following questions is "Yes," then a business case analysis with a risk assessment is required; go to Step 2. If the answer to question 'a' below is "no," then a business case analysis is not required and this process ends.

Additional guidance is provided below prior to answering the questions:

- If the Marine Corps is not the lead service for the source of repair decision, a copy of the assessment will be obtained from the lead service and submitted to the Enterprise TLCM Corporate Board.

- A directed depot source of repair is an exception to the DLSOR process; therefore, a business case analysis is not required. However, a letter will be prepared, citing the reference, and forwarded to the Board for situational awareness.

- If the source of repair is Commercial Off the Shelf (COTS) components, a business case analysis is not required and a letter will be prepared, to include pertinent backup data, and forwarded to the Enterprise TLCM Corporate Board for approval. Go to step 4.

- Performance Based Logistics (PBL) is the Department of Defense's preferred approach for product support for total systems, sub-systems and major components. The only exception to using PBL is if a business case analysis shows that PBL is not the best course of action. As such, 'one' business case analysis is required to support both the PBL maintenance concept and the DLSOR decision process.

- In the case of the Urgent Needs Statement items, the Program Manager (PM) will pursue the quickest acquisition strategy; however, the depot maintenance sourcing recommendations are still required to be submitted to the Enterprise TLCM Corporate Board as soon as the information is available.

- A common sense approach can also be used in determining depot sourcing decisions such as ammunition. However, if an item requires depot level maintenance, then the PMs are required to submit either a business case analysis or a letter with justification to the Enterprise TLCM Corporate Board that identifies a DLSOR recommendation.

a. Does this system, subsystem, or component require depot level maintenance? All weapon systems, end items, systems, subsystems, equipment, or components, whether single-service or jointly managed, which require depot level maintenance and meet any of the following criteria shall be submitted through the DLSOR process:

(1) New acquisition, including modification to fielded systems, subsystems, or components regardless of the investment required.

(2) Existing depot repair programs planned for transition from contract to organic support or from organic to contractor support, regardless of the investment required or the value of the program.

(3) Existing interservice depot repair program relationships planned for termination, regardless of reason, investment/cost required, or the value of the program.

(4) Existing depot repair programs for which a planned expansion of capability requires an additional capital expenditure of $250,000 or more.

b. Is this item (including subcomponents) a potential replacement for an item on the Joint Chiefs of Staff (JCS) Requirements List? Refer to MCO 4000.56x for further details.

c. Is this item considered to be low density? A low-density item is defined as a regulated/controlled item requiring special management attention due to extremely small quantities, complexity or high operational availability requirements. Low-density items are: end items, insurance items, secondary reparables, or criticality code 1 repair parts.

d. Is this item undergoing a major modification (via Product Improvement Program or Service Life Extension Program)?

STEP 2: GATHER/EVALUATE/SUBMIT BUSINESS CASE ANALYSIS WITH RISK ASSESSMENT DATA/RECOMMENDATION. This is the most significant stage of the decision process. There are several steps. The selection of the DLSOR most advantageous to the Marine Corps will depend on the collection of meaningful data and careful analysis of that data.

MARCORSYSCOM Program Managers are responsible for the life cycle support of assigned weapon systems and have several tools available to assist in decisions affecting equipment maintenance and sustainment. Program Managers use the Logistics Management Information process to determine maintenance procedures and the associated Integrated Logistics Support. A Failure Mode Effects and Criticality Analysis is performed to identify failure modes, criticality of the failure mode, and possible preventative maintenance activities. Level of Repair Analysis and Reliability Centered Maintenance Analysis are then performed to determine if and at what maintenance level preventative and corrective maintenance will be performed. This is the Program Manager’s Maintenance Plan. The plan will play a significant role in the recommendation. At this point, or during Milestone B, the Program Managers will submit a letter to the Enterprise TLCM Corporate Board outlining a preliminary source of repair recommendation. This will allow the Board to perform an enterprise level cursory review early enough in the acquisition cycle without concern of increasing the logistics footprint if sourcing changes are necessary.

There are additional steps after the development of the Maintenance Plan to assure the optimal mix of available capabilities on which to base the source of repair recommendation. The steps are as follows:

a. Determine the number of potential sources of maintenance support. Using a FEDBIZOPPS Sources Sought Announcement (or similar method) obtain and list the names and addresses of potential sources, both commercial and organic, who repair the same or similar equipment. In the announcement, cite the Marine Corps' desire to develop long-term partnerships with private industry and other public agencies.

b. The next step is to determine the actual work required to provide depot level maintenance support to the item. This is broken out into two areas: capability and capacity. Capability is the availability of resources such as facilities, tools, test equipment, drawings, technical publications, trained personnel, engineering support, and spare parts required to carry out maintenance. Capacity is the combination of space, facilities, and

resources (both human and equipment) to accommodate the amount of workload required to support both peacetime and surge. Capacity is expressed in actual direct labor hours that a shop or depot can effectively utilize annually on a single shift, 40 hour week basis,

while producing the product mix that a shop or depot is designed to accommodate. A repair source may have the required capability but not the required capacity. Partnering offers an opportunity to bolster an otherwise superior source with the addition of a partner to pick up the lacking element.

(1) In order to determine the capability required of a source to provide maintenance support, develop a work breakdown structure (WBS) citing the primary tasks, skills and equipment required for the item. Figure 2 illustrates a sample WBS.

Work Breakdown and PCC/CWC Labor Rate Integration								
Level 2	Level 3	Level 4	Level 5	Level 6	PCC			
1.01.01	Hull/Frame					Hours	Rate	Labor Cost
	1.01.01.01	Hatches/Ramp			Roll Up	337.1		$20,680.77
			Disassem/Assem/ Art inspec		720	35.2	$57.77	$2,033.50
			Sheet Metal		740	0.3	$62.52	$18.76
			Welding		740	2	$62.52	$125.04
			Machine		740	5	$62.52	$312.60
			Clean/Steam/Blast		740	7.5	$62.52	$468.90
			Paint		740	5.5	$62.52	$343.86
	1.01.01.02	Misc Hull Comp						
			Bolted-on & Stowage					
				Disassem/Assem/ Art inspec	720	13.3	$57.77	$768.34
				Sheet Metal	740	15	$62.52	$937.80
				Welding	740	15.5	$62.52	$969.06
				Machine	740	8.5	$62.52	$531.42
				Clean/Steam/Blast	740	8	$62.52	$500.16
				Anodizing	720	0.2	$57.77	$20,682.77
				Paint	740	15	$62.52	$937.80
	1.01.01.03	Plenum						
			Disassem/Assem/ Arti inspec		720	28.4	$57.77	$1,640.67
			Hydraulic		720	2	$57.77	$115.54
			Sheet Metal		740	0.5	$62.52	$31.26
			Welding		740	5	$62.52	$312.60
			Machine		740	9	$62.52	$562.68
			Clean/Steam/Blast		740	2.1	$62.52	$131.29
			Paint		740	2	$62.52	$125.04
	1.01.01.04	Hull						
			ceipting from UDLP		720	4	$57.77	$231.08
			Sheet Metal		740	0.1	$62.52	$6.25
			Welding		740	38	$62.52	$2,375.76
PCC	Labor Rate		Machine/Tapping					
-20	$57.7				720	0	$57.77	$0.00
-40	$62.5				740	50	$62.52	$3,126.00
-50	$63.8				740	25	$62.52	$1,563.00
620	$40.0				740	40	$62.52	$2,500.80

Every PCC has its own rate

Material is billed as actual

Production Control Includes: General PC CenterDirect LaborAdministrative Labor RateProductionSurcharge

Figure 2. Sample Work Breakdown Structure (WBS)

(2) Determine capacity[1] for both peacetime and surge. A 1.3 surge factor is used against peacetime averages. As an example, if the annual peacetime average for Medium Tactical Vehicle Replacements (MTVR) is 30, then the surge is 39.

c. Each of the sources listed in step 2a, must be surveyed to obtain quantitative and qualitative information concerning the facilities, equipment, and skills each source has available and how capability[2] translates to supporting the workload[3] requirements as identified in step 2b(1), above.

(1) Each source must respond, listing the capabilities they have to satisfy the requirement or the cost to acquire said capabilities. Again, the emphasis is on quantitative and qualitative data. If a partnership is being considered, it is not necessary that the potential source has all the capabilities, but the quality of the capabilities is a factor.

(2) The capacity of each source must be obtained for peacetime and surge.

(3) Information regarding the source's past performance is invaluable. Each source should provide recent and relevant performance data on previous depot level maintenance support, including indicators such as: quality, timeliness, schedule, cost, operational effectiveness, and suitability. Pertinent litigation issues should also be included.

(4) What is the potential value of our workload in the marketplace compared to the total demand? Is this work considered significant to the service provider as far as volume or number of units involved? What is the potential value of this workload to the service provider for the life cycle of the equipment?

(5) What is the contingency plan if the contractor or organic source fails to meet Marine Corps requirement?

d. When all the pertinent data has been assembled, a business case analysis with a risk assessment is conducted.

---

[1] Capacity: The combination of space, facilities, and resources (both human and equipment) to accommodate the amount of workload required to support both peacetime and surge.
[2] Capability: The ability to perform and availability of resources such as facilities, tools, test equipment, drawings, technical publications, trained personnel, engineering support, and spare parts required to carry out maintenance.
[3] Workload: An amount of depot maintenance work, usually specified in direct labor hours. It relates to specific weapon systems, equipment, components, or programs and to specific services, facilities, and commodities.

e. Upon completion of the business case analysis and risk assessment, the recommendation will be prepared using the following minimum criteria:

- Number of potential sources:
  - From a market survey/capability analysis, list the name and addresses of potential sources that repair same/like type equipment.
- Capability:
  - Summarize the workload requirements.
  - Summarize the facilities, equipment, skills, and technical data these sources have available and how their capability directly translates to supporting the workload.
  - Evaluate the possible partnerships to mix superior capabilities of both organic and private industry.
- Surge Rate:
  - How does the maintenance requirement of this item increase in the event of a contingency?
  - Pre-deployment, deployment, sustainment, and constitution must be considered.
    - May be determined from an engineering estimate, historical data or usage data if available.
  - Additional information may be available from the planners at PP&O, MCCDC, and MARCORLOGCOM Maintenance Directorate, or using an industry average utilization rate.
- Capacity:
  - What is the capacity or throughput of these commercial sources to accomplish the required workload?
  - In peacetime
  - Surge/constitution
  - Can a capacity issue be remedied by partnering?

- o Ratio of DPG/JCS scenario requirements to inventory in accordance with reference (c).
  - o What is the ratio of the numbers of units required to support the DPG/JCS scenario requirement to the total inventory?
- o Potential sources' recent and relevant past performance for depot level repair?
  - o Measured by such indicators as quality, timeliness, schedule, operational effectiveness, suitability, and pertinent litigation issues.
- o What is the potential value of our workload in the market place compared to total demand?
- o Is this workload considered significant to the contractor as far as volume or number of units involved?
  - o What is the potential value of this workload to a contractor for the end item's life cycle?
- o What is your recommendation to ensure a ready and controlled source of depot level maintenance for the entire life cycle of this item?
- o What is your organic contingency plan in the event of contractor default?

The completed package will include the following:

- o An executive summary of the overall recommendation.
  - o Specific source of repair desired:
    - ▪ Partnership (best mix of organic and commercial capabilities).
    - ▪ Marine Corps organic.
    - ▪ Other service organic.
    - ▪ Commercial.
- o Source of repair is predetermined by legislative action or DoD decision (supporting documentation is required).

- Marine Corps has no preference for a specific source and desires:
  - A competition.
  - A JDMAG study.
- Supporting arguments for the recommended source of repair.
- A copy of the original workload, capability and capacity requirements; e.g., the WBS.
- A copy of the raw data gathered from the potential sources.
- A description of the analysis procedures used and the results of the analysis.
- Estimated costs relating to providing maintenance support; i.e., facilities, Test, Measuring and Diagnostic Equipment, training, etc.
- The contingency plan.
- Completed JLC forms 27, 28, and 44.

f. Submit the completed recommendation package to the Enterprise TLCM Corporate Board as soon as possible in the acquisition process prior to exiting the system development and demonstration phase. Go to step 3.

BLOCK A2 - LEAD: DC, I&L

STEP 3: PACKAGE ACCEPTABILITY. The business case analysis and risk assessment package is received by the DC, I&L and reviewed for completeness and data quality. Packages determined to be incomplete or inadequate for the Board's purpose of recommendation consideration will be returned to the program manager for additional data. Return to step 2. Packages meeting the data requirements will be forwarded to the Board for recommendation consideration and decision. Go to step 4.

STEP 4: BOARD EVALUATES RECOMMENDATION AND MAKES DECISION. The Enterprise TLCM Corporate Board will meet on an as needed basis to consider business case analysis/risk assessment recommendations. The Board will review submitted recommendations with consideration given to Title 10, U.S.C. requirements, 50/50, core capability requirements, mission, and other factors external to the program managers concern. While the program manager is primarily concerned with cost, schedule, and performance issues surrounding their unique item, the Board is concerned at a corporate level with determining best value for the

Marine Corps concerning all weapon systems, ground support equipment, and software while adhering to legislative requirements. Best value is defined as the best mission needs solution within constraints at acceptable risk over the projected life span of the system. Best value is not the lowest acquisition cost. Subject matter experts may be called on to clarify points of discussion. The Board will make a decision on the recommendation. The Board's decision, be it organic, commercial, partnership, or a study request is passed to the Maintenance Interservice Support Management Officer. DC I&L is the resolution authority in the absence of a consensus from the Enterprise TLCM Corporate Board.

The results will be forwarded to DC, I&L (LPC-2) and remaining stakeholders. Go to step 5.

BLOCK A3: - LEAD: MARCORLOGCOM MISMO

STEP 5: IS IT A DIRECTED DSOR? This review accommodates DSOR assignments, to either contract or organic sources, resulting from decisions made at a level of authority higher than the introducing service logistics commander that preclude any alternative assignment. Examples include DoD programs, State Department agreements, or decisions resulting from public law. A specific example is Air Force One; Congress has specified the source of repair for the President's plane. Such workloads shall be identified and appropriate documentation submitted to the JDMAG for recording and announcement of the Joint Service decision. If it is a directed DSOR, go to step 6. If not, go to step 7.

STEP 6: MISMO SUBMIT TO JDMAG – COPY TO OTHER MISMOS. The MISMO submits a letter to JDMAG directing the source of repair with a copy to other MISMOs. Go to step 19.

STEP 7: DO WE WANT SERVICE WORKLOAD COMPETITION? The requiring service elects to execute a public-private or a public-public competition via formal contracting solicitation process, which results in a DSOR assignment. Interested services may nominate one candidate depot. The Cost Comparability Handbook is used to level the playing field among public and private bidders. If we elect competition, go to step 8. If not, go to step 9.

STEP 8: CONDUCT COMPETITION – SELECT DSOR. The results of this competition shall be submitted to the JDMAG, with appropriate documentation. Return to Step 6.

STEP 9: DO WE WANT A MISMO REVIEW? This method is used for unique workloads, modifications to existing workloads, or small dollar investments. The MISMO review is the simplest form of DMI review and accommodates the need for a quick decision. The introducing service

MISMO documents the reasons for the MISMO review and why there is no benefit for JDMAG to conduct a DMI study. This option is used when the Marine Corps has a proposed source of repair; this proposed source of repair may be organic, commercial, or a partnership combining both public and private sources. The alternative to a MISMO review is a JDMAG DMI Study. If a MISMO review is desired, go to step 10. If not, go to step 11.

STEP 10: SERVICE REVIEW RECOMMENDED DSOR. It is determined that our best course of action is to request a review by all service MISMOs. This would eliminate the cost and delay of a study. Go to step 12.

STEP 11: MISMO SUBMIT TO JDMAG FOR STUDY – COPY TO OTHER MISMOS. The introducing service submits introductory JLC forms to JDMAG for formal DMI Study. The level of the study (summary or comparative) depends on size and complexity of the weapon system and number of using services. The introducing MISMO may include special requirements in the documentation. For example, the MISMO may stipulate that the Marine Corps intends to retain the depot level capability in the Maintenance Centers to support the expeditionary logistics mission of direct support to the operating forces. The mission utilizes the logistics strategy of maintaining multi-commodity support on each coast. The MISMO submits a copy to other MISMOs. Go to step 13.

STEP 12: MISMO SUBMIT TO OTHER MISMOS – COPY TO JDMAG. The MISMO submits a request for review to other MISMOs with a copy to JDMAG. Go to step 17.

BLOCK A4 - LEAD: JOINT DEPOT MAINTENANCE ACTIVITY GROUP (JDMAG)

STEP 13: PLAN STUDY – ACCUMULATE NECESSARY DATA. In accordance with its internal processes, the JDMAG will review introductory data and plan the DMI study. During study planning, JDMAG determines if the introduction warrants a summary or comparative study and requests the technical and program information necessary to conduct the level of study indicated. Also during study planning, JDMAG requests candidate depot nominations, as appropriate, from the Services. Go to Step 14.

STEP 14: IS IT A COMPARATIVE STUDY? The comparative study is used when there is significant investment, significant workload, multiple users, or multiple service candidate depots for workload assignments. If a comparative study is to be completed, go to step 15. If the answer is no, the alternative is a summary study, go to step 16.

STEP 15: CONDUCT COMPARATIVE DMI STUDY – RECOMMEND DSOR. The comparative study methodology provides a basis for comparison of recurring repair costs and nonrecurring organic depot facility, equipment, and training costs to establish a capability. When the study is completed, go to step 17.

STEP 16: CONDUCT SUMMARY DMI STUDY – RECOMMEND DSOR. The summary study is used for small investment, low-volume workload items or those items where there is an obvious depot assignment based on known capabilities or other considerations. Planned depot support by commercial sources is also reviewed under the summary study process. When the study is completed, go to step 17.

STEP 17: MISMOS CONCUR? The DSOR recommendation is provided to the MISMOs for concurrence. If the MISMOs concur, go to step 19. If the MISMOs do not concur, go to step 18.

STEP 18: JG-DM RESOLUTION. In the cases where concurrences from all Service MISMOs cannot be obtained on a DSOR recommendation and additional coordination by JDMAG does not result in agreement, JDMAG will refer the study to the Joint Group - Depot Maintenance (JG-DM) for resolution. Upon resolution by the JG-DM, go to step 19.

STEP 19: JDMAG RECORD – ANNOUNCE DSOR DECISION. JDMAG will record and announce the DSOR assignment decision. Go to step 20.

STEP 20: SERVICES IMPLEMENT DSOR. The Service(s) will implement the DSOR assignment decision.

Policy for DoD and Marine Corps Depot Maintenance Public-Private Partnerships

Policy

It is DoD policy to use public-private partnerships for depot maintenance. In particular, the Military Departments shall shape partnership agreements to support DoD and Defense-related workloads. Partnerships can improve the utilization of DoD facilities, equipment, and personnel. Partnerships can bring a wide variety of additional benefits to the parties involved in the agreement, and also foster improved support to the war fighter.

Each Military Department shall designate its depot maintenance activities as Centers of Industrial and Technical Excellence (CITEs) in the recognized core competencies of the respective activities. Depot maintenance public-private partnerships shall be formed principally around these identified core competencies. In establishing public-private partnerships involving DoD depot maintenance activities, the Military Departments shall ensure their partnerships comply with applicable statutory and regulatory requirements. Sales of goods or services, and/or leases of facilities or equipment must be based on specific statutory authority. Additionally:

Organic depot maintenance capabilities (e.g., facilities, equipment, etc.) may be employed in all forms of partnerships. However, an organic depot maintenance activity will not compete with the commercial sector in the sale of articles and services that are not DoD or Defense-related unless specifically authorized by law. Defense-related work includes:

- Sales under foreign military sales agreements
- Direct sales to friendly countries
- Manufacture or repair of components or subcomponents within a larger Defense contract
- Work to support other authorized customers of the DoD wholesale supply system
- Joint DoD/commercial requirements (to the extent that commercial requirements do not impact DoD production)
- Competitively-awarded contracts in support of other Federal agencies as authorized by 10 U.S.C. 2470
- Work that advances the objectives of a CITE in its core competencies as authorized by 10 U.S.C. 2474(b)

This restriction on the type of work to be performed does not apply to leases of organic depot maintenance capabilities exclusive of labor (e.g., facilities, equipment, etc.).

Organic depot maintenance activities entering into public-private partnerships will ensure, when authorized by law, and consistent with the DoD Financial Management Regulation (DoD 7000.14-R), that related reimbursements from the private sector accrue directly to the activity involved in the partnership or providing the support. 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. Further, in entering into a partnership, the public sector partner shall ensure that the Government is properly indemnified against liability stemming from the partnership.

In general, an organic depot may not increase its organic capacity solely to support a partnership. This limitation does not apply to increases that are necessary to support DoD requirements. However, 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. In particular, this may involve multi-year arrangements.

Applicability

This policy applies to organic (DoD in-house) depot maintenance activities (see definition attached) of the Department of Defense.

Objectives

Public-private partnerships can contribute to more effective DoD maintenance operations, the introduction of innovative processes or technology, and the economical sustainment of organic capabilities. Where possible, partnerships should be structured in ways that encourage and justify private sector capital investments at CITE activities. The decision to enter into a partnership must be supported by a business case analysis demonstrating that it is in the best interest of the government. Objectives of depot maintenance public-private partnerships include:

- Providing more responsive, timely, and reliable product support to the war fighter
- Sustaining parts availability to maintain workflow, reduce repair cycle times, and enhance readiness
- Sustaining core capability
- Reducing the cost of DoD products and services
- Reducing or eliminating the DoD cost of ownership in areas such as operations and maintenance, and environmental remediation
- Improving the use of available organic capacity

- Leveraging private sector investments, such as facilities and equipment, to contribute to re-capitalization of depot maintenance activities
- Enhancing the industrial base to improve and sustain manufacturing and repair capabilities both organically and within the private sector
- Introducing improved business processes and updated technology to DoD depot maintenance operations and products
- Promoting suitable private sector ventures at selected DoD depot activities
- Fostering cooperation between DoD and private industry

All of these objectives must have as a principal focus improved support to depot maintenance customers (the war fighters) and/or enhanced operation and readiness of DoD weapon systems and equipment.

Partnerships Defined

A public-private partnership for depot maintenance is an agreement between an organic depot maintenance activity and one or more private industry or other entities to perform work or utilize facilities and equipment. Program offices, inventory control points, and materiel/systems/logistics commands may also be parties to such agreements or be designated to act on behalf of organic depot maintenance activities.

In general, depot maintenance public-private partnering arrangements include (but are not restricted to) one or more of the following forms:

- Use of public sector facilities, equipment, and employees to perform work or produce goods for the private sector under certain defined circumstances;
- Private sector use of public sector equipment and facilities to perform work for the public sector; and
- Work-sharing agreements, using both public and private sector facilities and/or employees.

Basis for Partnerships

Partnership arrangements must identify the statutory or regulatory authority for the specific undertaking, e.g., if there is a sale or lease involved.

Among the various authorities, an important basis for establishing depot maintenance public-private partnerships is found in 10 U.S.C. 2474, which outlines provisions for designating DoD depot maintenance activities as CITEs in their core competencies. In designating CITEs, the Secretaries of the Military Departments shall

also encourage each Center to enter into public-private partnerships comprising its own employees, private industry, or other entities to perform work within its core competencies, and allow private industry to lease or use under utilized or unutilized facilities and equipment at the CITE. Such public-private partnerships should contribute to the implementation of best business practices and improvement of operations in their core competencies.

Other sections of title 10, such as 10 U.S.C. 2563 and 10 U.S.C. 2208, and regulatory guidance, including the Federal Acquisition Regulation, are applicable to depot maintenance public-private partnerships. There are a number of forms such partnerships can take. In establishing depot maintenance public-private partnerships, whatever the form, the Military Departments shall ensure compliance with all applicable statutory provisions and regulatory guidance. A summary of statutory and regulatory provisions that are frequently cited to implement partnerships is attached.

The scope of work to be supported with a partnership can range from simple facility leases of DoD property to in-depth product support. The workforce can be totally separate, or engaged in a more complex workshare with process-specific workload sharing, or fully integrated in a single production facility. Partnerships can range from joint public-private undertakings, to private sector participation in some aspect of DoD depot maintenance production, to direct sales of articles or services to the private sector, or to leasing of DoD facilities or equipment. Public-private partnerships have flexible characteristics; each partnership should reflect the unique objectives that are the basis of the partnership as well as the particular needs of the partners and the resources to be shared. The key element in each of these arrangements is the utilization of some aspect of organic depot maintenance capability to support the partnership.

Relationship to Other Logistics Considerations

Depot maintenance partnerships can be an effective tool to implement Performance-Based Logistics (PBL) arrangements. PBL implementation strategies will consider partnering with CITEs to satisfy the requirements of 10 U.S.C. 2464 and 10 U.S.C. 2466. Incorporation of detailed performance metrics, and financial and other incentives into such partnering agreements should be used to establish successful long-term PBL partnership arrangements.

Depot maintenance partnerships may be a component of broader partnering agreements between the private sector and the Government.

This policy is intended to apply to the depot maintenance aspects of such partnerships.

Defense Logistics Agency (DLA) distribution depots co-located with depot maintenance activities and DLA/Military Department logistics activities managing materiel provided to depot maintenance activities may be impacted by a depot maintenance public-private partnership. These supporting elements need to be invited to participate in the planning for depot maintenance partnerships as appropriate.

Attachments:
1. Public-Private Partnering Definitions
2. Summary of Legal and Regulatory Authorities

Attachment 1

Public-private Partnering Definitions

Capability: The ability to perform and availability of resources such as facilities, tools, test equipment, drawings technical publications, trained personnel, engineering support, and spare parts required to carry out maintenance.

Capacity: The space, facilities, and resources (both human and equipment) to accommodate the amount of workload required to support both peacetime and surge.

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. 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 DoD 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.

Depot-level maintenance (also known as depot maintenance): The processes of materiel maintenance or repair involving the overhaul, upgrading, or rebuilding of end items, parts, assemblies, or subassemblies, and the testing and reclamation of such equipment as necessary (regardless of the source of funds for the maintenance or repair and irrespective of the location at which the maintenance is performed). Depot maintenance includes all aspects of software maintenance as well as interim contractor support or contractor logistics support (or any similar contract support), to the extent that such support is for the performance of the maintenance or repair outlined above. Depot maintenance includes the installation of parts for modifications; it does not include the procurement of major modifications or upgrades to improve weapon system performance or the parts for safety modifications. Depot maintenance also does not include nuclear aircraft carrier refueling.

Depot-level maintenance activity: A specific DoD-owned and -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.

Organic: Internal DoD (Marine Corps and other Services) depot maintenance facilities, capabilities, and workloads.

Performance-Based Logistics (PBL): 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.

Public-Private Partnership: A public-private partnership for depot maintenance is an agreement between an organic depot maintenance activity (or its agent) and one or more private industry or other entities to perform work or utilize facilities and equipment. Program offices, inventory control points, and materiel/systems/logistics commands may also be parties to such agreements or be designated to act on behalf of organic depot maintenance activities.

Teaming: An arrangement whereby an organic activity and a commercial entity enter into a contractual relationship to accomplish one or more deliverables stipulated in a contract. The relationship between the participants is usually initially outlined in a teaming agreement during proposal preparation and then formalized as a contractor/subcontractor relationship subsequent to contract award.

Workload: An amount of depot maintenance work, usually specified in direct labor hours. It relates to specific weapon systems, equipment, components, or programs and to specific services, facilities, and commodities.

Workshare: An arrangement whereby a combination of organic and commercial facilities and/or employees are used to execute the requiring activity’s work package; the requiring activity issues a work order to the organic participant and a contract to the private sector participant. The relationship between the participants to accomplish the work package is usually coordinated with a Memorandum of Understanding or Memorandum of Agreement.

Attachment 2

Statutory and Regulatory Provisions Relevant to
Depot Maintenance Partnerships

(Not an exhaustive list of such provisions, nor a complete summary of the content of each provision descriptions focus only on primary aspects of each that apply or are relevant to depot maintenance)

Authority	**Thumbnail Description – Not Exhaustive**
10 U.S.C. 2208(j)	Permits depot financed through working capital funds to *sell articles and services* outside DoD if the purchaser is fulfilling a DoD contract and the contract is awarded pursuant to a public-private competition.
10 U.S.C. 2469a	Requires competitive contracting (and authorizes public-private competition and teaming) when outsourcing workloads formerly performed at depots that have been closed or realigned *(BRAC).*
10 U.S.C. 2474	Requires the Military Departments to designate depot maintenance activities as Centers of Industrial and Technical Excellence *(CITEs),* authorizes and encourages public-private partnerships, permits performance of work related to core competencies, permits use of facilities and equipment, and permits *sales proceeds* from public-private partnerships to be credited to depot accounts.
10 U.S.C. 2563 (formerly 10 U.S.C. 2553)	Authorizes *sale of articles or services* outside DoD (excluding those authorized under 10 U.S.C. 4543) under specified conditions.
10 U.S.C. 2667	Allows *leasing* of non-excess facilities and equipment.
10 U.S.C. 4543	Authorizes *Army* industrial facilities that manufacture cannons, gun mounts, etc., to *sell articles or services* outside DoD under specified conditions.
10 U.S.C. 7300	Authorizes *Naval* shipyard *sales of articles or services* to private shipyards for fulfillment of contracts for nuclear ships.
22 U.S.C. 2754	Allows *sales or lease of articles or services to friendly countries* under specified conditions.
22 U.S.C. 2770	Allows *sales of articles and services* to a U.S. company for incorporation into end items to be sold to a friendly foreign country or international organization under specific conditions.
FAR 45.3	Provision of *government-furnished material, facilities and equipment* to contractors.