



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS AIR FORCE MATERIEL COMMAND
WRIGHT-PATTERSON AIR FORCE BASE OHIO

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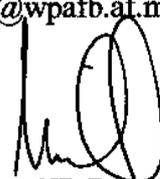
MEMORANDUM FOR SEE DISTRIBUTION

FROM: HQ AFMC/A4
4375 Chidlaw Road, Room A135
Wright-Patterson AFB OH 45433-5001

SUBJECT: AFMC Public-Private Partnership (PPP) Guidance for Depot Maintenance

1. A PPP is one of the preferred sustainment support arrangements pursued by the Air Force, as noted in Air Force Instruction (AFI) 63-107, Chapter 4. As AFI 63-107 updates are currently under a policy freeze due to product support campaign dynamics, the attached AFMC PPP guidance for depot maintenance provides interim AFMC guidance to all AFMC organizations with specific focus upon AFMC industrial facilities. The attached will serve as interim AFMC guidance valid for no more than one year or pending formal guidance, whichever is sooner.

2. Please direct questions regarding PPP guidance for depot maintenance to Mr. Jim Augusta, HQ AFMC/A4AA, DSN 787-7930, email: jim.augusta@wpafb.af.mil and Mr. Michael Then, HQ AFMC/A4AA, DSN 986-1629, email: michael.then2@wpafb.af.mil.



ARTHUR B. MORRILL III
Major General, USAF
Director of Logistics

Attachment:
AFMC PPP Policy for Depot Maintenance

cc:
HQ USAF/A4
SAF/AQ
IE

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AFMC Public-Private Partnership (PPP) Guidance for Depot Maintenance

The purpose of this document is to provide AFMC organizations guidance on Public-Private Partnership(s) (PPP) for depot maintenance. There are many initiatives underway and additional items envisioned in order to expedite the successful execution of PPP. This will serve as interim AFMC guidance valid for no more than one year or pending formal guidance, whichever is sooner.

1.0 Applicability

This guidance applies to all types of PPPs for depot maintenance within AFMC and is applicable to all AFMC organizations. The direction and approval thresholds within this document are consistent with DOD, Air Force, and AFMC requirements.

2.0 Public-Private Partnering Philosophy & Direction

PPPs are a means to further integrate acquisition and sustainment, and enhance overall product support. It is DOD guidance to pursue PPP for depot maintenance in support of DOD workloads and to primarily form those arrangements using the Centers of Industrial and Technical Excellence (CITE) designations. An objective of PPP for depot maintenance is to leverage private sector investment in a center and thereby aid the center in meeting the responsibilities associated with its core competencies. After that, PPP can leverage the best of public and private core competencies, that lead to improved lifetime performance and sustainment of multiple weapon systems for the Air Force. A viable industrial repair base in both sectors is essential in order to ensure the long-term depot maintenance capability necessary to achieve operational objectives. Partnerships help to reduce technology gaps of organic core capability and to infuse new workloads, systems, and technologies into the organic depots. PPPs can contribute to achieving more effective organic maintenance operations and the economical sustainment of organic capabilities.

The benefits of PPP for the warfighter include faster repair cycle times, improved supportability and reliability, cost reductions, and technological advancements. The challenge is to maintain core logistics capability in order to provide superior sustainment and warfighter readiness, while developing an effective public/private business relationship.

2.1 PPP for Depot Maintenance Defined

A PPP for depot maintenance is a written agreement between the government and one or more private industries for the performance of DOD depot level maintenance requirements, or for the use of DOD facilities and equipment. This agreement establishes a collaborative relationship that does not distinguish a primary partner. Partnering opportunities can be addressed at any point on the acquisition/sustainment continuum, though integration at later points will reduce the potential for benefits. Regardless of the integration timeframe, the agreement between the depot and the private partner will be documented.

PPP agreements for depot maintenance support can be as simple as an organic depot direct sale of a good or service to industry, or as complex as an enduring relationship to jointly accomplish a full range of depot maintenance activities. PPP agreements must clearly describe the unique

objectives of the partnership, capture the needs of the partners, determine the resources to be shared, and describe organic depot use of existing depot maintenance policies and procedures to the maximum extent practicable. PPPs typically take the form:

- Public sector repair, overhaul, modification, or production of goods or services for a DOD contractor such as repair of a B-2 hydraulic system actuator or modification to a C-17 airframe.
- DOD contractor use of public sector equipment and/or facilities such as use of facility space to accommodate F119 engine disassembly and assembly.

2.2 Actions Not Considered PPP for Depot Maintenance

Programs that separate sustainment between contract sources and the Depot Purchased Equipment Maintenance (DPEM) process have not established a PPP, unless there is a need for communication directly between the contractor and the depot for performance of responsibilities under the workload split. PPPs are not established for the sole purpose of purchasing supplies or services from the private sector. Specific supplies/services provided by the contractor for Air Logistics Center (ALC) use in support of the PPP are negotiated and specified in implementation agreements (IA)/direct sales orders (DSO), as defined in section 4.3 herein. Some innovative relationships are not PPPs pursuant to this guidance, although they could include PPP as part of their structure. These include Corporate Contracts, Virtual Prime Vendor (VPV) Contracts, Industrial Prime Vendor (IPV) Contracts, Augmentee Contracts, Contingency Contracts, Total Systems Support Responsibility (TSSR) Contracts, Service-Level Agreements (SLA), Cooperative Research and Development Agreements (CRADA), and Strategic Supplier Alliances (SSA).

2.3 PPP Interfaced with Logistics Priority

Organic depot maintenance resources have broad logistics commitments. The re-ordering of priorities for repair and overhaul of equipment based on military necessity is but one potential risk factor for the private partner in the partnering relationship. PPP documentation must describe the partnered workload precedence in relation to other organic commitments by referencing the logistics support priority, e.g., Force Activity Designator (FAD). The depot will execute all workloads to these priorities. HQ AFMC/A4 will assist the partnership with obtaining this information.

3.0 PPP Requirements

Per AFI 63-107, the Program Manager is responsible for the execution of PPP guidance and presenting the strategy at an Acquisition Strategy Panel (ASP) or equivalent reviews. PPP strategies must be considered by the Program Manager in the development of the product support concepts, documented in the LCMP and addressed prior to Milestone B.

A Business Case Analysis (BCA) is used as a decision support tool for the Program Manager to determine the best strategy or to determine whether a given strategy, like PPP, is feasible. A properly conducted BCA provides the program manager with the following information:

1. Assesses various support strategies and recommends the optimum strategy
2. Validates decision criteria
3. Satisfies external agency (e.g., GAO, congress, OSD) requirements for validating the decision-making process

A BCA is highly encouraged to evaluate partnership support strategy. The program manager should coordinate with the depot(s) and private partner(s) to develop a BCA that describes and supports the PPP approach. Reference SAF/FM 18 Mar 05 memo "Interim Guidance for Business Case Analysis" for BCA guidance.

4.0 Documentation

PPP documentation must be standard. PPPs initiated after the date of this guidance, or those that do not have an approved partnering agreement in place, will follow the below outline:

1. Strategic Partnering Agreement (SPA)
2. Partnering Agreement (PA)
3. Implementation Agreement(s) (IA) or Direct Sales Order (DSO)

Definitions for each document are provided below and are applicable to the desired relationship.

4.1 Strategic Partnering Agreements

A SPA is not mandatory, but an encouraged document. A SPA is a broad, overarching agreement that describes the weapon system, sets the partnership parameters, and provides organizational commitments necessary to establish more specific PPP relationships. The SPA is completed after candidate depot identification and after core candidate determination. The depot can determine if this document is necessary for a commodity based partnership, pursuant to the approval thresholds in this guidance. SPA objectives and milestones help the implementing public and private staffs understand the overarching intent of the relationship and the expected timelines for its accomplishment. Examples of a SPA are the Memorandum of Understanding (MOU), Letter of Intent (LOI), and Weapon System Partnering Charter (WSPC). The SPA cannot represent the more comprehensive partnering agreement, nor can the partnering entities execute an IA/DSO solely under the authority of an SPA.

4.2 Partnering Agreements

The PA is defined and applied pursuant to section 2.1 of this guidance. The PA can be either weapon system specific or a commodity based arrangement across weapon systems that enhances the industrial base of the CITE. Commodity based arrangements must be depot maintenance related and can include agreements for process improvements, engineering support, or commodity lines that are independent of a specific weapon system. The PA language will state that the ALCs will use existing depot maintenance policies and procedures for the

performance of each partnership to the maximum extent practicable. The circumstances surrounding the workload requirements shape how the organizations involved develop the approach used, including the selection of a partnership type, and how they divide responsibilities for the performance of depot maintenance activities. The type of partnership selected is based on what approach or combination of approaches best serves the objectives of the partnership. Suggested types of PAs are described below:

- A workshare agreement is a combination of organic and private industry facilities and/or employees that share responsibilities for the execution of DOD workload requirements. The buying activity issues a project order(s) to the ALC and a contract to the private partner. The PA is attached or incorporated as part of the prime contract, or is a stand-alone agreement.
- A direct sales agreement (DSA) is an arrangement by which an ALC sells depot level maintenance supplies and/or services directly to a private industry that is accomplishing a DOD contract or subcontract. Industry directly pays the ALC for the work performed.
- A PPP lease is an agreement whereby a private company may use underutilized (non-excess) facilities and/or equipment for the purposes of performing depot-level maintenance. Property can be leased on a rent-paid or in kind basis (at fair market rental charges) if it is to be used for production/repair of commercial workloads. The government may provide rent-free use of property if used for the performance of DOD workload. The lease agreement will identify acceptable conditions for termination, should the government require the facilities/equipment for performance of higher priority workload pursuant to this guidance.
- Teaming usually occurs when the government's competitive solicitation allows for a split-award to public and private entities for accomplishment of one or more deliverables as stipulated in a single government solicitation. The relationship between the participants is usually outlined during the proposal preparation phase and is then formalized as a contractual relationship subsequent to time of award. The arrangement is described as a partnership because of the communication between the ALC and private industry for performance of responsibilities under the workload split.

4.3 Implementation Agreements or Direct Sales Orders

The IA or DSO is a subset of the PA and addresses details for each depot maintenance requirement, e.g. a schedule of depot provided goods/services, negotiated price arrangements, payment, and other information needed for depot execution of the workload. These documents are executed in accordance with the provisions set forth in the PA. Additionally, the ALC can develop and implement other business instruments that further define the work efforts and establish the means of executing the PPP.

For this level of documentation and as applicable to the agreements, suggested provisions are:

- Structure the IA language in order to authorize the ALC to begin work at a specified time, e.g. for teardown, test & evaluation (TT&E) or repair, after funding is made available.
- Document the flow of assets through the repair process to ensure visibility.
- Develop a data exchange process between the contractor and the depot. Specifications for this exchange are dependent upon and determined by the partnership.
- Negotiate funding execution and budgeting.
- Determine contractor data requirements and necessary ALC actions for support of customer driven performance metrics under PBL, if applicable.
- Incorporate the Defense Logistics Agency (DLA) as appropriate.
- Describe ALC use of existing depot maintenance policies and procedures that may be unique to the workload and not previously covered in the PA.
- Describe private partner dispute resolution procedures (if not explained within the PA).
- Explain workload precedence in relation to other depot commitments by referencing the logistics support priority, e.g., Force Activity Designator (FAD).

4.4 Approval Authority

AFMC/CC must approve the PA for programs pursuing PPP for depot maintenance if the aggregate value is expected to be \$25 million or greater. The aggregate value is an assessment by the partnership of the expected value of all IAs or DSOs. The ALC Commander approves PAs for the sale of supplies/services that will be consumed by DOD end-users if the aggregate value is less than \$25 million. The ALC Commander can delegate this approval to the Maintenance Wing Commander, though the ALC/XP still must coordinate. HQ AFMC/A4 can require headquarters approval for continuance of any partnership, as assessed on a case-by-case basis. If the partnership is approved at the ALC, each initial IA/DSO must be approved by the respective ALC Command Section or the Maintenance Wing Commander. The approval authority for subsequent IAs/DSOs can be delegated to the Division Chief responsible for its performance. A PA does not require a procuring contracting officer (PCO) signature for its execution. Obligation of ALC resources for respective partnership efforts occurs when the PA is approved by the designated authority. The Secretary of the Air Force must approve PAs if any part of the supplies/services will be consumed by other than DOD end-users, regardless of dollar value. SAF/IA must approve PPPs that support consumption by a foreign private sector.

5.0 Roles & Responsibilities

As depot level maintenance partnership methodologies evolve, adjustments to these roles and responsibilities may be necessary.

5.1 HQ AFMC/A4 will:

- Develop, disseminate, and amend AFMC guidance for all aspects of PPP for depot maintenance, e.g., strategic planning, depot activation, and execution.
- Interface with HQ USAF in order to integrate PPP for depot maintenance guidance with applicable AF instructions to include AFI 63-107 AFI 63-101, and in turn, update AFMCI 21-101.
- Maintain a repository of lessons learned, solicitation provisions and/or sample acquisition strategy documents that may be used to facilitate PPP implementation.
- Serve as OPR for collecting information regarding PPPs for reporting to DOD, Air Force, other Services, GAO, etc.
- Develop a website for posting of PPP guidance, sample partnership agreements, and other information that may be used to facilitate future implementation.
- Interface with other Services, and industry as appropriate, in order to share PPP experiences and concepts.
- Address PPP interface with the DPEM and Program Objective Memorandum (POM) processes.

5.3 HQ AFMC/PK will:

- Assist in the development of contracting clauses and/or procurement procedures (to include solicitation/contract provisions, pricing methodologies, and evaluation criteria) to implement PPPs.
- Augment HQ AFMC/A4 with contracting and pricing expertise as needed to propose, negotiate, implement, standardize, and administer PPP agreements, and address the interrelationship of PPP with FAR based contracting and the Competition in Contracting Act.
- Maintain a repository of lessons learned and sample solicitation/contract provisions that may be used to facilitate future PPP implementation.

5.4 HQ AFMC/JA will:

- Provide legal counsel to HQ AFMC/A4 on PPP issues and assist with interpreting legislative requirements associated with PPPs.

5.5 HQ AFMC/FM will:

- Provide financial counsel to HQ AFMC/A4 and assist with interpreting fiscal guidance requirements associated with PPPs.
- Provide guidance and coordinate on ALC instructions relative to pricing, rates, customer reimbursement codes, and contractor investments in equipment for PPP for depot maintenance.
- Assist HQ AFMC/A4 in developing guidance to capture dollars, workload, and customer requirements in order to permit the ALCs to develop and maintain a stable direct labor capability.
- Ensure ALC financial systems meet cost accounting requirements necessary for support of PPP for depot maintenance.

5.6 ALC Maintenance Wing will:

- Assess organic capabilities and seek appropriate partnerships that add, enhance, and/or improve efficiencies of core capabilities in accordance with the Technology Repair Center/Center of Industrial and Technical Excellence designations. Identify opportunities for potential private sector use of public sector equipment /facilities that are currently or projected to be under-utilized. In conjunction with ALC/XP, use FEDbizOPS, industry days, or other means to present mutually beneficial opportunities to potential private sector partners.
- If required, support the program office and ALC/XP as necessary for successful development and analysis of the BCA for programs pursuing depot maintenance PPP.
- Perform depot level repair/overhaul in accordance with the PA/IA/DSO and as directed by the most recent version of the depot level technical data provided. ALC Maintenance Wing is not responsible for technical data accuracy, but is responsible to elevate known technical data errors to the technical content manager.
- Negotiate with industry and program offices on terms/conditions, pricing strategies, clauses, and all other areas needed to establish depot maintenance PPP agreements.
- Develop and disseminate Maintenance Wing instructions relative to pricing, implementation, and execution of PPPs for depot level maintenance activities.
- Maintain depot maintenance records of PPP efforts (to include work hours (direct product standard hours) involved, cost performance, delivery performance, lessons learned, etc.) for use in responding to data requests from DOD, Air Force, GAO, etc.

- Interface directly with the ALC/XP for situations that may require HQ AFMC guidance review or development.
- For contractor capital investments in DMAG equipment and depending upon the agreement negotiated, insert a provision in the PA that states the depot will retain the assets as government property if the contract and the PA are terminated. The depot will recapitalize these items through the capital purchase program (CPP).

5.7 ALC/XP will:

- Notify HQ AFMC/A4 of all partnerships, established, terminated, and/or under development, during the annual data call.
- Serve as local entry point for industry on matters related to PPPs and refer industry to the appropriate offices based on programmatic or other subject matter interest.
- If required, support the program office and ALC Maintenance Wing as necessary for successful development and analysis of the BCA for programs pursuing depot maintenance PPP.
- Serve as local focal point for PPP guidance and on matters that require coordination with higher headquarters.
- Serve as ALC representative on specific programs, or new PPP initiatives, when there is no other assigned ALC Office of Primary Responsibility (OPR).
- Serve as local OPR for collecting information regarding PPPs for reporting to DOD, Air Force, AFMC, GAO, etc.
- Develop an ALC PPP website for posting of guidance, lessons learned, sample partnership agreements, and other information that may be used to facilitate future PPP implementation.
- Advise the ALC workforce and industry as necessary to interpret PPP guidance and/or ALC strategies relative to the establishment of innovative depot maintenance partnerships.
- Maintain records to ensure that the aggregate value of PPP workloads and/or adjustments do not exceed the approval thresholds of the basic PPP documents.
- Elevate to HQ AFMC/A4 for resolution any situation resulting from development/implementation of the PPP that may be outside the scope of any AFI or public law.

5.8 ALC/PK will:

- Augment ALC/XP with contracting and pricing expertise as needed to propose, negotiate, implement, standardize, and administer PPP agreements.

5.9 ALC/JA will:

- Provide legal counsel to ALC Maintenance Wing and ALC/XP and assist with interpreting legislative requirements associated with PPPs.

5.10 ALC/FM will:

- Provide financial counsel to ALC Maintenance Wing and ALC/XP and assist with interpreting fiscal guidance requirements associated with PPPs.
- Create ALC instructions relative to pricing, rates, customer reimbursement codes, and contractor investments in equipment for PPP for depot maintenance, and submit these to HQ AFMC/FM for approval.
- Assist HQ AFMC/FM in developing guidance to capture dollars, workload, and customer requirements in order to permit the ALCs to develop and maintain a stable direct labor capability.
- Ensure depot financial systems meet cost accounting requirements necessary for support of PPP for depot maintenance.

6.0 Applicable definitions, statutes and templates are available at the AFMC Public-Private Partnership Community of Practice (CoP) within the Air Force Knowledge Now website.