



SPACE AND MISSILE SYSTEMS CENTER  
LEADING MILITARY SPACE DEVELOPMENT INTO THE 21ST CENTURY



Air Force Program Executive Officer  
for Space (AFPEO/SP)

**DEPOT PARTNERING GUIDE**

1 November 2012 v2

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## Foreword

A Public-Private Partnership (PPP) is one of the preferred sustainment arrangements pursued by the Air Force, as noted in AFI 63-101, *Acquisition and Sustainment Life Cycle Management*. The purpose of a PPP is to leverage the optimal capabilities of both the public and private sectors to reduce costs and provide the warfighter with more responsive product support.

Goals of partnering are: more responsive product support, improved facility utilization, reduced cost of ownership, more efficient business processes, and improved AF 50-50/Core posture. To reinforce these goals and the implementation of partnering in particular, the Air Force Program Element Officer for Space (AFPEO/SP) signed a PPP intent memo to industry 2 Feb 2012, which was coordinated with SMC/PI, PK, FM, JA and DS. This memo describes the desire to increase Direct Sales PPP within the space community over the next few years.

Currently, AFSPC has not formally implemented any partnership arrangements, while the DoD as a whole already has over 400 partnerships in place. Due to a lack of Space-specific guidance, SMC/SL has worked in conjunction with the three AF organic depots (OO-ALC, OC-ALC and WR-ALC) and HQ AFMC/A8 to create this PPP guide.

AFPEO/SP stands behind this effort to increase partnering and has charged SMC/SL to implement this strategy on our Space programs immediately. This first iteration of the guide was released on April 2012. A revised and updated version will be released in Oct 2012. As a living document, SMC/SL will update the guide as needed.

Please note that this document is intended as a guide to assist programs in developing and implementing partnering on space acquisitions. Each Program Office is responsible for tailoring program specific language for each acquisition. In the event of a conflict between a specific RFP and this guide, RFP requirements will always control. SMC/SL will continue to provide hands-on assistance, as needed, in developing partnering strategies, solicitation documentation, selection criteria, etc.

SMC Points of Contact for Partnering:

SMC/SLA ([SMC.SLA.Workflow@us.af.mil](mailto:SMC.SLA.Workflow@us.af.mil))

SMC/SLX ([SMC.SLG.Workflow@us.af.mil](mailto:SMC.SLG.Workflow@us.af.mil))



**DEPARTMENT OF THE AIR FORCE**  
HEADQUARTERS SPACE AND MISSILE SYSTEMS CENTER (AFSPC)  
LOS ANGELES AIR FORCE BASE, CALIFORNIA

MEMORANDUM FOR INDUSTRY

FEB 01 2012

FROM: AFPEO/SP  
483 North Aviation Blvd.  
El Segundo, CA 90245

SUBJECT: Intent to Increase Public-Private Partnerships (PPP) Per Title 10 U.S.C. Section 2474

1. As space system industry partners, I am seeking your cooperation and participation with space system Government program offices in finding and refining win-win-win models for implementing depot partnerships. The primary objective and measure of success is increased organic depot repair of Air Force managed space systems' Command and Control (C2) and ground segments, while ensuring high mission assurance and maintaining or reducing costs.
2. The depot source of repair mix for space systems has traditionally leaned heavily toward contractor sources. While this has resulted in excellent support, I need to increase organic depot repair touch labor for space systems' C2 and ground sensor/user equipment segments as part of the Air Force requirement to comply with 10 U.S.C. Section 2466 (50-50 compliance). Note that space segment (satellite) software and on-orbit satellite support tasks are not currently required to comply.
3. We intent to pursue Public-Private Partnerships (PPP), as authorized by 10 U.S.C. Section 2474, between our industry product support providers and Air Force organic depots. A cooperative and co-located team approach is key to success. We'd like to encourage Direct Sales Partnering and Implementation Agreements between prime support contractors and organic depots. When possible, contractor and organic depot work performed under a Direct Sale Agreement should be executed at a Government facility. If Government facilities are not available then the contractor's facility may be used for co-located performance. The co-location model facilitates growth of organic core capabilities, lowers total cost through integrated development and test efforts, and improves program execution and mission assurance.
4. My POC for the Space System Depot Maintenance Initiative is Mr. Louis Johnson, Director, SMC Space Logistics (SMC/SL), DSN 834-2001, commercial (719) 556-2001, louis.johnson.2@us.af.mil.

  
ELLEN M. PAWLIKOWSKI  
Lieutenant General, USAF  
Air Force Program Executive Officer for Space

# Introduction to Public-Private Partnering (PPP)

The basic definition of Public-Private Partnering (PPP) is “a cooperative arrangement between an organic product support provider and one or more private sector entities to perform defense-related work, utilize DoD facilities and equipment, or both”. While partnering has been a normal practice across other segments of the DoD including the Air Force, we are just beginning to implement PPP on space acquisitions. This guide is intended to provide guidance, advice, samples and templates to assist programs in successfully implementing partnering on space system program acquisitions and contracting efforts.

## When to Partner

The decision to partner can be a complex one and is unlikely to be made based on a single advantage or disadvantage. If the answer to any of the following questions is yes, then partnering should be considered as part of the overall acquisition strategy:

- Are the requirements susceptible to change because they are constantly evolving?
- Is the approach incremental?
- Does the maintenance concept involve the PSI/OEM?
- Is technology insertion in the repair process or the product likely?
- Is there potential for efficiencies in the delivery of the equipment or service?
- Will the solution need to be developed throughout the project?
- Are there strong mutual dependencies in which joint management would be beneficial?
- Are project risks particularly difficult to predict or quantify? Is the best approach for the parties to work together on risk identification, assessment, and management?
- Is there a sole source of supply or is competition relatively weak?
- Are there key restructuring or rationalization issues to be addressed?
- Does the PM need to develop a sustainment concept that satisfies both core and performance-based requirements?

## Partnering Strategy

The key to a successful partnership is to have clearly defined requirements (from the government) and expectations (for both government and contractor). We start with ensuring the acquisition strategy includes partnering where applicable. While not all acquisitions may be suitable for partnering efforts, any contract that will include depot level type work must be evaluated for partnering efforts. The Depot Source of Repair (DSOR) process includes the Source of Repair Analysis (SORA), which will determine what depot repair workload will be allocated to organic (government) or contractor activities. For details on the DSOR process and the SORA, please see SMCI 20-103 *Space Depot Maintenance Policy*. The DSOR/SORA decision must be included in the Acquisition Strategy and will determine what partnering efforts will be included in the program acquisition. However, even programs already on contract may be considered for partnering efforts under certain conditions (need to decrease O&M cost, more responsive 50/50 requirements, support strategy changes, etc.).

***Per AFPEO/SP direction, the preferred type of PPP is Direct Sale Partnering.*** For a description of the various partnering types, please see Section 4 of this guide, DoD Public-Private Partnering Overview.

### **RFP Development (PWS, Sections L & M)**

When developing the Request for Proposal (RFP), several key areas must be addressed. Depending on your contract, requirements might be captured in a Government Statement of Work (GSOW), Contractor Statement of Work (CSOW) or Performance Work Statement (PWS). For simplicity this guide will use the term PWS to indicate where partnering requirements are captured.

The PWS should reflect requirements out of the Acquisition Strategy, SORA and other key program plans. Partnering efforts should be clearly defined and require the contractor to include a plan for partnering in the proposal. This could be a Depot Partnering Plan in contractor format, a Strategic Partnering Agreement (SPA), or formal Partnering Agreement (PA). Templates for these plans are included in Section 7 this guide. Section L (instructions to offerors) and Section M (evaluation factors/criteria) should refer back to the PWS requirement and clearly define what the contractor is expected to provide in the proposal (section L) and how the proposal will be evaluated (section M). Samples of space program PWS, sections L and M are included in Section 6 of this guide; each area will need to be tailored to reflect your specific program requirements.

### **H Clause - Special Contract Requirements**

An H Clause is included in contracts involving partnering to ensure that directed government workloads do not impact the contractor's cost/schedule/performance and thus affect their ability to perform to contract requirements. Example: the government depots are subject to "surge" requirements which could cause their efforts/manpower to be diverted to support wartime requirements leaving them unable to perform workload assigned through partnering. This is a scenario unique to the government and not experienced with other "sub-vendor" relationships. This "Partnering With Air Logistics Centers (ALCs)" clause provides an indemnity for the contractor: "Notwithstanding any clause or provision in this contract, including but not limited to the "Excusable Delays" and "Termination/Default" clauses, the Government agrees not to hold the Contractor responsible, directly or indirectly, for the delay, non-performance, or other non-compliance of any work required under this contract to the extent such delay, non-performance, or non-compliance is attributable to the action or inaction of an ALC performing an Implementation Agreement (IA) related to the Contractor's performance obligations under this contract."

### **50/50 Requirements Reporting DID (DI-MGMT-81749)**

Public-Private Partnerships are limited in application to depot level maintenance activities. A requirement of Depot level maintenance activities is an annual report to congress of the funds expended for those AF 50/50 mandates. As such, it is important to be able to separate and track the workload/cost of depot work directed back to the government. Dollars spent for work performed by a government depot under a partnering agreement help balance the depot workload dollars.

“The 50/50 Requirements Report Data Item Description (DID) will be used to obtain the essential information required by Title 10 United States Code Section 2466, also known as the 50/50 law, as amended by the National Defense Authorization Acts of FY98.”

“The National Defense Authorization Act of FY98 limits the Air Force to not more than 50 percent of the funds managed by the Air Force be used to contract non-Federal Government personnel for depot level maintenance activities. The National Defense Authorization Act for FY02 creates an exclusion for non-Federal Government personnel performing depot maintenance at a Center of Industrial and Technical Excellence (CITE) if the personnel are provided by private industry pursuant to a public-private partnership, as outlined in Title 10 USC Section 2474. Consequently, the law requires the depot maintenance organic/contract partnership ratio be reported to Congress. As the Product Support Integrator (PSI), the contractor supports the government in compiling this data to comply with the law. This DID contains the format and content preparation instructions for the data product generated by the specific task requirement delineated in the contract.”

While originally an aircraft centric DID, we have provided some basic tailoring of the DID to be more applicable to space acquisitions. As with any other requirement, this DID must be tailored for each program specific application. Sample DID tailoring is included in this guide in Section 6.

### **Partnering Plans**

Partnering plans and agreements are required to ensure full understanding of expectations, requirements, schedules and key principles of partnerships. Partnering plan descriptions and sample contents/templates are included in this guide in Section 7.

The Depot Partnering Plan (DPP) is prepared by the contractor, coordinated with the candidate depot, and submitted with their proposal in response to the Government’s Request for Proposal (RFP). The DPP describes how the contractor will engage in partnering with the candidate organic depot(s) for sustainment software and hardware.

The Strategic Partnership Agreement (SPA), developed between the Organic Depot and the Contractor, is a broad overarching agreement that describes the weapon system, sets the initial partnership parameters and provides organizational commitments to establish the specifics of the partnering relationship.

The Partnering Agreement (PA) establishes organizational interactions, assumptions and processes which the parties agree to follow during partnership; it also contains mandatory and sample articles and language.

The Implementation Agreement (IA) is an agreement between the Contractor and the Organic Depot concerning the specific manner in which work will be identified, initiated, estimated, administered, and performed within the specific work area.

### **Business Case Analysis (BCA)**

The BCA analyzes the strategic benefits of a partnership between the contractor and the organic depot to repair hardware or software associated with the specific system. A BCA is a structured methodology and document that aids decision making by identifying and comparing alternatives by examining the mission and business impacts (both financial and non-financial), risks, and sensitivities. The BCA concludes with a recommendation and associated specific actions and implementation plan to achieve stated organizational objectives and desired outcomes. The goal of the BCA is to identify the product support strategy that achieves the optimal balance between warfighter capabilities and affordability.

### **Best Practices**

Since partnering is still new for space acquisitions, we are compiling a list of best practices (and lessons learned) to continue improving our ability to successfully implement partnering arrangements. Each acquisition is an opportunity to further refine our strategies, RFP language, and other techniques to ensure success. Below are some example Best Practices:

1. Include a copy of this guide, signed SORA and other program documents/plans in a Bidders' Library. This will assist the contractors in understanding partnering requirements and program specific partnering strategies.
2. During Industry Days, include Partnering as an agenda topic. Invite Depot(s) (OO-ALC, etc.), AFMC and others with partnering expertise to discuss partnering implementation and address contractor concerns. Contact SMC/SLA for assistance in facilitating.
3. Direct Sales partnership is the preferred method for space.
4. During source selection, ensure that the partnering requirements in the PWS are adequately described in contractor proposals and fairly evaluated. Recommend assigning a Subject Matter Expert (SME) or Advisor (SMC/SL, AFMC/Depots or AFSPC/A4) to assist in proposal evaluations for the partnering requirements.

### **Use of the PPP Guide**

This guide is intended to provide guidance and assistance in successfully implementing partnering on space system program acquisitions. As noted above, sample language and templates are provided but require tailoring for each program acquisition. In addition, we

have included a Frequently Asked Questions (FAQs) section to address some common issues/concerns; this will continue to be updated as the guide is revised in the future.

The SMC partnering POCs at SMC/SL are available to assist you in developing your partnering strategy, draft RFP language and tailoring of the required clauses, DIDs, plans, etc.

**SMC Points of Contact for Partnering:**

SMC/SLA ([SMC.SLA.Workflow@us.af.mil](mailto:SMC.SLA.Workflow@us.af.mil))

SMC/SLX ([SMC.SLG.Workflow@us.af.mil](mailto:SMC.SLG.Workflow@us.af.mil))

# DoD Public-Private Partnering Overview

(Source: Excerpted from the OSD Public-Private Partnering For Sustainment Guide - 1 Feb 2012.

[Open this link for full document](#))

## Partnering Defined

In the arena of integrated product support, a public-private partnership is defined by DoD as a cooperative arrangement between an organic product support provider and one or more private sector entities to perform defense-related work, utilize DoD facilities and equipment, or both. Other government organizations, such as program offices, inventory control points, and sustainment commands, may be parties to such agreements.

There is a key distinction between partnerships and defense contracts. All partnerships are implemented within the framework and business arrangements established by a contract between the DoD and a private-sector entity (e.g., an original equipment manufacturer [OEM], small business, or other third-party logistics provider [3PL]). Defense contracts specify the work tasks, articles, services, and outcomes to be provided by the private-sector entity. They are generally one-sided in their directive requirements—from the government to the contractor. Partnerships enable a more collaborative relationship in which parties from both public and private-sectors are able to leverage and maximize the use of their resources in ways that were not specified in their underlying contracts. Resources may include goods, services, infrastructure, products, or processes employed to more efficiently and effectively accomplish product support. Examples range from allowing contractors to utilize depot maintenance facilities, to workshare agreements in which joint organic-contractor teams join forces on a common workload, to contractor purchase of government-provided products and services. The parties may be separately funded by defense contracts or work orders. Depending on the type of cooperative arrangement, the partnership may entail payment between the partners for goods and services produced, when authorized by law.

By policy, products and services produced by organic product support activities for partnerships will be defense-related.

Defense partnerships that involve the sale of goods or services are a product of collaboration between elements of the defense sustainment industrial base. In that sense, they are designed to facilitate the function of depot maintenance and other product support elements as they sustain the operating forces.

## Basic Types of Public-Private Partnerships

There are three basic types of public-private partnerships in use within the defense sustainment community. Two are specifically authorized by law, while the third does not require legal authority. The bulk of the current authorities for partnerships are focused on depot maintenance. The three basic types and their related legal authorities are as follows:

- *Direct Sale* (sales of articles and services) – An arrangement, currently authorized primarily for depot maintenance activities designated as centers of industrial and technical excellence (CITEs), arsenals and ammunition plants, and other working capital–funded industrial facilities under specified circumstances, whereby military and commercial entities enter into a contractual relationship for the sale of depot maintenance articles or services to an outside (non-government) entity, usually a contractor.
  - A direct sale agreement begins with a government contract that funds a commercial activity. In turn, after development of a commercial relationship with an appropriate implementing agreement, the contractor pays an organic depot maintenance activity (or other industrially funded activity as authorized) for goods and services provided to the contractor. Depending on the legal authority applied, the funds may be paid to the U.S. Treasury or directly to the depot’s working capital fund. The contractor may also supply materiel to the depots in support of the partnership. The purchase of articles or services by the commercial entity establishes a quasi-subcontract relationship for the depot, which ensures (as authorized by law) the depot can be held accountable for willful misconduct, gross negligence, or the failure of the government to comply with cost, schedule, or performance requirements in the contract agreement.
  - Primary legal authorities for direct sales agreements are 10 United States Code (U.S.C.) 2474 and 4544, both of which authorize the payment from non-government entities to working capital funds for articles and services produced by the working capital funded activity.
  - Additional authority for “sale of articles and services” is in 10 U.S.C. 2208(j), 2563, 4543, 4544, and 7300, and in 22 U.S.C. 2770 for specified circumstances.
  
- *Workshare* – A partnership in which a government buying activity, in collaboration with a contractor and an organic product support activity (predominantly depot maintenance activities to date), determines the best mix of work, capitalizing on each partner’s capabilities. The workload is then shared between the contractor and the organic activity. The contractor is funded through a contract, and the organic activity is funded through a project or work order (in the case of depot maintenance). The partnering agreement between the contractor and organic activity focuses on the roles and responsibilities of each partner. The partners work jointly to accomplish the overall requirement. Funding is not exchanged between the partners under a workshare agreement; therefore, workshares do not require specific legal authority.
  
- *Lease* – An arrangement that allows a private-sector entity to have access to, and beneficial use of, facilities or equipment that is real or personal government property. Facilities and equipment may be made available for lease, so long as the arrangement does not preclude the government activity from performing its mission. The goal is to make government-owned facilities more efficient through better utilization.

- Lease payments may be made as monetary payments from the contractor to the government activity, or as full-value “in-kind” consideration (e.g., provision of property maintenance, protection, alternation, repair, improvement, restoration; construction of new facilities; provision of facilities; and provision or payment of utility services).
- 10 U.S.C. 2474, 2667 and 4544 are the primary authorities for the lease of non-excess real property. Section 4544 does not require a CITE designation.

## **When to Partner**

The decision to partner can be a complex one and is unlikely to be made based on a single advantage or disadvantage. If the answer to any of the following questions is yes, then partnering should be considered as part of the overall acquisition strategy:

- Are the requirements susceptible to change because they are constantly evolving?
- Is the approach incremental?
- Does the maintenance concept involve the PSI/OEM?
- Is technology insertion in the repair process or the product likely?
- Is there potential for efficiencies in the delivery of the equipment or service?
- Will the solution need to be developed throughout the project?
- Are there strong mutual dependencies in which joint management would be beneficial?
- Are project risks particularly difficult to predict or quantify? Is the best approach for the parties to work together on risk identification, assessment, and management?
- Is there a sole source of supply or is competition relatively weak?
- Are there key restructuring or rationalization issues to be addressed?
- Does the PM need to develop a sustainment concept that satisfies both core and performance-based requirements?

# Partnering Frequently Asked Questions (FAQs)

## 1. Can Public-Private Partnerships be employed as a requirement within the competitive RFP process, and if so how?

- Yes, PPP is most often implemented in competitive environment
  - Recommend including partnering guide in Bidder's Library
  - Recommend addressing partnering as Industry Day agenda topic
- Requirement for a Depot Partnership is expressed in RFP via Depot Partnering H-Clause, PWS, Sections L&M, & 50/50 DID
- The organic depot will create a standardized quote for planned work for each offeror to include in their contractor formatted Depot Partnering Plan in response to RFP; must show evidence of coordination with depot
- Partnering Agreements (PAs) and Implementation Agreements (IAs) are then produced and signed as called out in PWS (for example: NLT 90-Days after award)
- PA is scope agreement between contractor and the organic depot that points back to contract H-Clause; IA addresses specific work, schedule and performance metrics

## 2. Is signed Partnering Agreement (PA) / Implementation Agreement (IA) required to be submitted as part of offeror's proposal?

- No. PA & IA will only be signed with successful offeror
- RFP Section L shall direct offeror to submit contractor formatted Depot Partnering Plan, coordinated by organic depot leadership, that addresses how they will meet Depot Partnering requirement of PWS, to include ramp up to 30% Organic Depot NLT x-years after award and commitment for signed PA & IA after Award (e.g. NLT 90-days)
- Offeror's Depot Partnering Plan shall include detailed quote from organic depot for planned work to be performed that meshes with proposed ramp up schedule

## 3. Why is Direct Sales PPP the preferred approach?

- The AFPEO/SP has mentioned the need for space to walk before you run, and the direct sales partnership approach moves us towards that goal.

## 4. Can ALC/XP or Mx Wing personnel participate in a Source Selection as an Advisor or Evaluator?

- Yes, if ALC personnel sign an NDA with SPO and do not participate in or communicate with government personnel working as part of a proposal team supporting offerors
- SMC Partnering POCs (SMC/SLA and SMC/SLX) are available to assist as Subject Matter Experts (SMEs) on Source Selections

- AFSPC/A4 also available to assist as Advisor on Source Selections

**5. Is Depot Partnering (DP) H-Clause recommended for use in RFPs and contracts requiring Depot Partnering and what is its purpose?**

- Yes. DP H-Clause is recommended for all sole source and competitive acquisition/contracting actions that include DP requirement
- AFMC-devised Depot Partnering H-Clause facilitates/establishes guidance for DPs and is referred to in PA and IA
- Identifies provisions of contractor's indemnification against organic depot non-performance, but also spells out contractor's responsibility to exercise good faith management of organic depot
- Government SPO is protected against erroneous contractor claims of issues being the fault of organic depot by specific work tasks, delivery schedules and performance metrics included in IA; this audit trail ensures clarity of responsibility and fault for each required task
- Contractor is responsible to monitor performance of organic depot and take timely corrective actions
- Could add provision to H-Clause to notifying SPO when contractor must correct deficiencies and bill extra for deliverables from organic depot

**6. How is an offeror's proposed Depot Partnering approach evaluated in source selection, and how does PM/PSM direct a target % for organic depot Mx?**

- Offeror's Depot Partnering proposal will be evaluated IAW RFP Section M criteria on Pass/Fail basis to ensure PWS and Section L Instructions have been met
- Proposed effort must be a reasonable amount of meaningful work
- Depot Partnering Plan submitted w/proposal, coordinated with organic depot
- Offeror's understanding of depot partnering requirement is assessed along with associated risk of offeror's approach
- Past performance in standing up and executing Public-Private Depot Partnerships may also be evaluated, but not required
- Minimum organic depot percentage is required in PWS and Sections L and M; setting a higher "goal" on top of minimum requirement is allowable, but since pass/fail, then no benefit to offeror for exceeding minimum requirement
- Even if intent is to award without discussions, Evaluation Notices for a deficiency in Depot Partnering requirement are to be allowed if offeror fails initially to adequately address this requirement; may drive discussions
- Typically, DP approach does not drive "who" is awarded effort, but must ensure they have met partnering requirements from PWS and Sections L and M

**7. How does ALC support multiple offerors' proposal efforts in a competitive environment?**

- An organic depot Maintenance Wing (MXW) bidding team may be established for each offeror to support large workloads (C-17, F-22, etc.)
- For smaller Space System Depot Workloads a single organic depot MXW team is established that supports multiple offerors, providing each offeror equal access and planning/pricing support for planned workloads as detailed in contractor formatted Depot Partnering Plan
- Organic depot team members sign Non-Disclosure Agreements (NDA) and Proprietary Information Agreement (PIA) with each offeror to ensure protection of each offeror's data and proposed approach
- If ALC personnel advise the SSET then a legal firewall will be established between these advisors and bidder team personnel, and SSET Advisors will sign NDA with SPO

**8. What recourse is available if offeror does not propose a depot partnership as required in the RFP, and what recourse is available if the winning contractor does not implement the depot partnership as proposed?**

- Offerors who do not address PWS requirements and do not propose as required by Section L will be found unresponsive/deficient. An Evaluation Notice (EN) will be issued during Source Selection, subject to discussions.
- A deficiency will be issued if the contractor fails to comply with RFP requirements.
- If the contractor does not implement the Depot Partnership as proposed and included in the contract, they are deficient on performance.
- Will affect CPARS rating
- May impact award fees, reimbursement, progress payments

**9. What recourse is available to Prime Contractor if organic depot does not perform as required within a Direct Sales Partnership (DSP) Implementation Agreement (IA)?**

- The IA includes products, schedule and performance metrics the organic depot must meet
- Contractor may bill government SPO to correct lack of performance of organic depot as specified in IA, as prescribed in contract H-Clause
- Contractor is responsible to support and manage organic depot's efforts, including risk management in implementation of partnership
- Contractor is responsible for total performance and delivery of all contractual requirements

**10. How should Public-Private Partnering be incentivized in contracts?**

- Depot partnering activities should contribute to contractor's overall efforts relating to cost reduction and performance of sustainment tasks
- Cost reduction, while maintaining and improving performance, should be the primary focus of all incentive management plans implemented for AFPEO/SP programs

**11. What is required reporting frequency for 50/50 DID (DI-MGMT-81749)?**

- Minimum requirement: Annually - previous FY 50/50 and FYDP Projections
- Monthly or quarterly accounting of how much contractor is paying to organic vs. overall depot Mx expenditures is required to track how contractor is performing toward their percentage goal of organic depot Mx; can be captured via monthly cost report as agreed to by SPO and contractor
- Purpose of DID is to receive report from contractor on total funds expended on depot Mx and how much of total was used for contractor labor vs. how much for organic depot labor
- If Army and/or Navy funded Depot Repair requirements are included on contract, then these services' depot costs must be broken out separate in CDRL delivery to meet 50/50 reporting requirements

**12. Is a Business Case Analysis (BCA) required for depot maintenance sourcing decisions for systems that have been determined to be Core as determined by AFMC as required by Title 10 section 2464?**

- BCA required to determine how much commercial capability
- It documents requirement for Core capability stand-up
- The Depot Mx Activation Working Group (DMAWG) uses Cost/Benefit Analysis (CBA) format provided by AFMC to support Depot Maintenance Activation Plan (DMAP)
- BCA required for ACAT I/II product support trades (AFI 63-101); applies to new ACAT I/II; PSM responsible for BCA w/ PM support
- BCA for ACAT I/II should begin in TD Phase and address product support, PBL decisions, and depot sourcing decisions
- BCAs encouraged to support product support decisions for all programs, should be validated every 5-years (AFI 63-101 and AFI 65-509)

# Performance Work Statement (PWS)

(Source: SMCI-20-103, Systems Depot Maintenance Policy, dated 15 Feb 2011)

The following areas should be addressed in the Government Statement of Work (GSOW), Contractor Statement of Work (CSOW) or Performance Work Statement (PWS):

- (a) Develop a depot strategy that includes Direct Sales Partnering with the government depot(s) to ensure affordable long-term sustainment of ABC as well as compliance with all Title 10 requirements (Section 2464, 2466 and 2474). Final depot strategy will be approved through the Depot Source of Repair (DSOR) process.
- (b) Provide a transition plan for depot sustainment of the weapon system to include meaningful depot involvement in software maintenance capabilities.
- (c) Ensure Government access to all software and hardware artifacts, including those with limited data rights, for anomaly resolution, studies, issuance of technical repair data, information and safety assurance, and sustainment of system.
- (d) Develop a Depot Partnering Plan (DPP) to document requirements, schedules, relationship with organic depot. The DPP will be coordinated with the proposed organic depot and shall include:
  - a. Depot Workload
  - b. Depot Investment
  - c. A Commitment to Establishing a Partnering Agreement
  - d. Other Factors (as tailored for each program's requirements)

## **Below is sample language for space ground system sustainment contracts.**

**Example Program A: excerpted from a Production and Sustainment contract effort with COTS hardware, COTS software, developed software**

### **A: Sample Language for PWS / GSOW for *STRW-MAN AAA***

3.2.1.1.3.5. The Contractor shall negotiate and implement a Direct Sales Partnering Agreement (PA) and an Implementation Agreement (IA) for a Direct Sales Public-Private Partnership within *90-180 days* (tailor based on program needs) of the beginning of contract performance. The Contractor shall transition 5% of software sustainment work to a Government depot, according to details described in the IA, within the first year of the *STRW-MAN* period of performance. The Contractor shall transition 20% of software sustainment work to the Government depot, according to details described in the IA, by the end of the *STRW-MAN* period of performance. As defined in the IA, the Contractor shall provide the Government depot personnel with access

to the system data, documentation, software (e.g., source code, databases, and scripts), hardware, and test facilities required to perform the work described in the PA and IA. The Contractor shall report actual obligations and the estimated out-year budget for the Public-Private Partnership (CDRL A035).

**Example Program B: excerpted from a Software Sustainment contract effort**

**B: Sample Language for PWS / GSOW for *STRW-MAN BBB***

*B3.4* Provide Depot Level Software Maintenance. Depot-Level is synonymous with Level 2.

3.4.1 Originate approximately 500 software problem reports annually utilizing the Government-furnished ABC database to process Problem Reports and track technical solutions.

Performance Standards

Std: IAW TO 00-35D-54.

Deliverables

A000 N/A

3.4.2 Upon assignment at the 2 SOPS Problem Report Board (PRB), analyze approximately 250 software problem reports annually.

Performance Standards

Std: SMC-S-012, Software Development for Space Systems

Deliverables

A000 N/A

3.4.3 Design, develop, and modify software to satisfy requirements, prevent performance degradation, prevent or correct system failures, provide for system growth, or improve overall system capabilities and effectiveness, as identified by PRs. This task supports the expected number of releases and software fixes annually as outlined in Task 3.4.5.

Performance Standards

Std: SMC-S-012, Software Development for Space Systems

Deliverables

A016 Software Release Package

3.4.4 Test software releases/modifications to ensure changes will not degrade the integrity of the system. This task supports the expected number of releases and software fixes annually as outlined in Task 3.4.5.

Performance Standards

Std: SMC-S-012, Software Development for Space Systems

Deliverables

A000 N/A

3.4.5 Deliver approximately 10 total software releases for *AEP, GSS, PTE, and GIN* per contract year. These releases would support normal sustainment releases, launch support, anomaly resolution and operational outages.

Performance Standards

Std: Approximately 100 SCR fixes in CY13

Std: Approximately 80 SCR fixes in CY14

Std: Approximately 70 SCR fixes in CY15

Std: Approximately 60 SCR fixes in CY16

- Std: Approximately 50 SCR fixes in CY17
- Std: Approximately 40 SCR fixes in CY18
- Std: SMC-S-012, Software Development for Space Systems

Deliverables

A016 Software Release Package

3.4.6 Maintain the Government-furnished *ClearQuest* database to process Problem Reports (PR), Software Change Requests (SCR), Schedule Change Request (SchCR), AF Form 1067s, Document Change Request (DCR), Document Change Orders (DCO), Software Releases, Impact Assessment Requirements (IAR) and Plan of Action & Milestones (POA&M).

Performance Standards

- Std: *ClearQuest* system must be accessible to end users 160 hours weekly.
- Std: Unscheduled outages addressed within 2 hours of notification

Deliverables

A000 N/A

3.4.7 Provide software engineering support for approximately 6 EDLM/UDLM annually.

Performance Standards

- Std: Begin working EDLM immediately upon notification until system is restored to operations. The contractor shall be on the first available TMO flight.
- Std: Begin working UDLM upon notification or the next business day if the notification is after normal duty hours until system is restored to operations. The contractor shall travel to remote sites, if necessary.
- Std: Successfully identify and correct deficiencies until site passes Readiness Tests and is returned to operational status.

Deliverables

A000 N/A

3.4.8 Provide Level 2 support on-site at the AMCS in support of 2 SOPS mission ops transfer activities. In contractor format, provide daily status, lessons learned, actions taken and final summary report via e-mail notification to assigned government representative or mailbox.

Performance Standards

- Std: Approximately 4 times per year, 5-7 days per event, when 2 SOPS transfers operations to the AMCS
- Std: Daily status sent via e-mail by 1600MST and final summary sent via e-mail within 3 calendar days of MOX termination.

Deliverables

A000 N/A

## Section L

(Source: SMCI-20-103, Systems Depot Maintenance Policy, 15 Feb 2011)

The following areas should be addressed in Section L. Language should be tailored for each program.

### **L-XXX Instructions to Bidders for STRW-MAN ABC Public-Private Partnering Plan Public-Private Partnering (PPP)**

In accordance with the “Special Clause, Contractor Utilization of Public-Private Partnering – H-XXX”, it is the government’s intent to maximize PPP for ABC. PPP will be implemented and evaluated in the overall best value analysis. Further information regarding PPP may also be obtained on the following website:

<http://www.acq.osd.mil/log/mrmp/index.htm>.

The offeror shall develop a Depot Partnering Plan (DPP) that describes the STRW-MAN ABC depot level maintenance partnering strategy. Implementation of a Direct Sales Partnership shall be proposed. The partnering strategy should consider a phased approach, if needed, to ramp up depot activities, and should provide methods for developing or transitioning hardware required for sustainment (e.g. software and hardware test sets/stations). For example: the depot level partnering strategy will utilize candidate organic depot number 1 for software depot level maintenance and candidate organic depot number 2 for hardware depot level maintenance, however a single depot may be able to perform all required functions. Organic depot capabilities that are available to the contractor through partnering include:

Manufacturing: fabrication of parts, assembly of components, final assembly, and painting of end items.

Repair: diagnostics, refurbishment, overhaul, and rebuild.

Technical Services: testing and analysis, repair process design, and in-service engineering.

Software Support: all aspects of software development.

Facilities: whole facilities (covered by hazardous materials licenses) including requisite equipment, laboratories, ranges and facilities for testing materials, equipment, software and other items.

Workforce: Single or mixed workforce (e.g., all depot level government or a mix of depot level government and contractor personnel).

**Partnering plan requirements:**

Bidders shall submit a Depot Partnering Plan explaining how they will engage in partnering with candidate organic depot number 1 for sustainment of ABC software and candidate organic depot number 2 for ABC hardware. Elements of the plan shall include:

I. Depot Proposal:

a. Depot Workload:

1. The quantity of repair workload planned for candidate organic depot number 1\* (software) and candidate organic depot number 2\* (hardware).
2. The Strategic Partnership Agreement signed and a Partnering Agreement drafted.
3. Workload transition plan to include time-phased implementation from supplier to depot for applicable inputs (e.g.; equipment, training, depot level repair data, and sustainment of software & hardware).
4. Workload support plan to include Engineering support, technical repair data and material.

b. Depot Investment:

This may include plans to invest capital, support equipment, facilities, technical on-site support or training into Candidate Organic Depot Number 1 and Candidate Organic Depot Number 2.

c. A Commitment to Establishing a Partnering Agreement:

The Bidder shall provide a written summary demonstrating a clear understanding of PPP laws, documentation, and requirements. A signed partnering agreement is not required for proposals; timeline for requirement of signed partnering agreement is detailed in PWS, typically 90-180 days (based on program needs) following the award of this contract.

d. Other Factors:

1. Any other factors that involve partnering (tailored per program requirements).
2. Use of innovative ideas to establish a long-term partnership with the assigned government depots for the sustainment of ABC software and hardware.

**Below is sample language for space contracts.**

**Example Program A: excerpted from a Production and Sustainment contract effort with COTS hardware, COTS software, developed software**

**A: Sample Language for Section L for *STRW-MAN AAA***

The offeror shall provide, for evaluation, a Depot Partnering Plan to establish the necessary agreements and infrastructure to begin a Direct Sales Public-Private Partnership with *XX-ALC* within the first *180 days* of the *STRW-MAN AAA* period of performance. The Plan shall include

a ramp-up schedule, using the requirements in *GSOW Section 3.2.1.1.3.5 (paragraph 2)*. The effort performed by XX-ALC shall be limited to the effort encompassed in *GSOW Section 3.2.1.2*, inclusive of subsections, but does not have to include all subsections.

**Example Program B: excerpted from a Software Sustainment contract effort**

**B: Sample Language for Section L for *STRW-MAN BBB***

(e) Subfactor 5: Public-Private Partnering Plan

The Offeror shall:

- Describe the STRW-MANN BBB depot level maintenance partnering strategy to ensure uninterrupted support from day one of the new contract
- Implementation of the partnership shall be proposed using Title 10 USC 2474 Direct Sales Partnerships.
- The partnering strategy shall consider a phased approach, if needed, to ramp up depot activities, and shall provide methods for developing or transitioning hardware required for sustainment.
- Organic support shall be focused on software maintenance activities described in PWS.

Partnering plan requirements:

- The offeror shall submit a draft Direct Sales Partnering Agreement (PA) with XX-ALC that addresses the software maintenance scope of the effort.
- Bidders shall submit a Depot Partnering Plan explaining how they will engage in partnering with XX-ALC for sustainment of STRW-MANN BBB software that includes scope of work in STRW-MANN BBB Software Maintenance requirements, with the understanding that the place of performance will be in the *Colorado Springs Area*. Bidders shall also submit a draft Implementation Agreement (IA) explaining how they will engage in partnering with XX-ALC for sustainment of STRW-MANN BBB software. Please submit a partnership plan to include:

I. Depot Proposal:

a. Depot Workload:

1. The quantity of repair workload planned for XX-ALC (software).
2. Workload transition plan to include time-phased implementation from supplier to depot for applicable inputs (e.g., equipment, training, depot level repair data, and sustainment of software).
3. Workload support plan to include Engineering support, technical repair data and material.

b. Depot Investment:

This may include plans to invest capital, support equipment, facilities, technical on-site support or training into XXALC.

c. A Commitment to Establishing a Partnering Agreement:

The Bidder shall provide a written summary demonstrating a clear understanding of PPP laws, documentation, and requirements. A signed Depot Partnering Plan (DPP), draft Direct Sales Partnering Agreement (PA) and draft Implementation Agreement (IA) is required for proposals. The IA must be executable at contract award.

d. Other Factors: N/A

## Section M

(Source: SMCI-20-103, Systems Depot Maintenance Policy, 15 Feb 2011)

Below is sample language for contracts. Language should be tailored for each program.

### **M-XXX Evaluation Factors for STRW-MAN ABC Partnership Proposal**

Evaluation Criteria –Depot Partnering Plan (DPP)

The offeror's proposal must demonstrate their depot level Direct Sales Partnering strategy effectively utilizes and leverages the strengths of the partnered organic depot(s) (candidate organic depot number 1 and candidate organic depot number 2) and meets the requirements of the solicitation. Each partnering plan will be evaluated IAW the criteria presented below on compliance with PWS requirements. The evaluation of each sub-factor will consider completeness and clarity, degree of compliance with the solicitation and the risk that the approach will be successful as proposed. The criteria are listed below.

- a. Depot Workload
  1. New manufacture of components in the acquisition/IOC phase.
  2. Sustainment MRO after acquisition phase
  3. A draft Strategic Partnership Agreement is included
- b. Depot Investment
- c. A Commitment to Establishing a Partnering Agreement
- d. Ability of the Depots to sustain the workload organically beyond current contract terms
- e. Other Factors

### **Below is sample language for space contracts.**

**Example Program A: excerpted from a Production and Sustainment contract effort with COTS hardware, COTS software, developed software**

#### **A: Sample Language for Section M for *STRW-MAN AAA***

The offeror's Depot Partnering Plan indicates a clear understanding of the requirement for establishing the necessary agreements and infrastructure to begin a Direct Sales Public-Private Partnership with *XX-ALC* within 90-180 days (based on program needs) of the *STRW-MAN AAA* period of performance. The offeror's Plan describes a reasonable approach, including close communication and a productive working relationship with the Air Logistics Center, to partner with *XX-ALC* on effort included in *GSOW Section 3.2.1.2* and to reach the requirements listed in *GSOW Section 3.2.1.1.3.5 (paragraph 2)*. The Government will not assign any strengths for this criterion.

**Example Program B: excerpted from a Software Sustainment contract effort**

**B: Sample Language for Section M for *STRW-MAN BBB***

2.1.5 Subfactor 5: Public-Private Partnering

This subfactor evaluates the proposal to determine if the proposal meets the requirements of 20% for PPP. The offeror's proposal must demonstrate that their depot level Direct Sales Partnering strategy effectively utilizes and leverages the strengths of the assigned organic depot.

The criteria are met when the Offeror's plan demonstrates completeness and clarity, degree of compliance with the solicitation, and that the approach will be successful as proposed in the below areas:

- Depot Workload
- Sustainment of STRW-MAN BBB software
- Timing/placement of Depot personnel
- A Commitment to Establishing a Partnering Agreement
- Ability of the Depots to sustain the workload organically beyond current contract terms

# H Clause

(Source: HQ AFMC/A8)

## HXXX PARTNERING WITH AIR LOGISTICS CENTERS (ALCs)

1. **Purpose.** This clause is established to provide guidance and facilitate the implementation of Public Private Partnerships (PPPs) between the Government Buying Activity, hereinafter referred to as, "Government," the Contractor, and Air Force Logistics Centers, hereinafter referred to as, "ALC." Terms and conditions for PPPs are established through Partnering Agreements (PAs) between the Contractor and the ALC in order to place work through Implementation Agreements (IA).
  
2. **Authority.** The Contractor is authorized to enter into PPPs with ALCs pursuant to appropriate statutory authority such as,
  - a. 10 USC Section 2208 (j), *Working-capital funds*, (Competition for subcontract workload for a DOD production contract);
  - b. 10 USC Section 2563, *Articles and services of industrial facilities: sale to persons outside the Department of Defense* (Non-DOD Sales);
  - c. 10 USC Section 2667, *Leases: non-excess property of military departments* (Leases);
  - d. 10 USC Section 2474, *Centers of Industrial and Technical Excellence: designation; public-private partnerships* (CITE partnerships);
  - e. 22 USC Section 2770, *General authority* (Sale of defense articles/services to US companies for end item sales to friendly foreign countries); and
  - f. Federal Acquisition Regulation (FAR) Part 45.3, *Authorizing the Use and Rental of Government Property* (Government Furnished Property (GFP)).
  - g. 10 USC Section 2539b, *Availability of samples, drawings, information, equipment, materials, and certain services* (Commercial Test Agreements (CTAs)).

In a PPP, which is negotiated under the authority of the foregoing statutes, the ALC performs as a seller of goods and services.

3. **Flow-down Requirement.** The Contractor shall insert this clause in its subcontracts where such subcontractors, at the appropriate tier, have a PA/IA with the ALC for this contract.
  
4. **FAR Non-Applicability.** Pursuant to FAR 1.104, FAR Applicability, PAs/IAs fall outside the applicability of the FAR and agency supplements thereto, because the FAR applies to contracts where the Government party functions as a buyer. Conversely, ALCs function as a government seller under a PA/IA.
  
5. **FAR Contract Clauses.** No clause or provision contained in the FAR or the DOD/Other Agency Supplement thereto, or any Presidential Executive Order (EO) otherwise applying to the conduct of acquisition from Non-Federal contractors, which is specifically included in this prime contract, shall apply to any PA/IA issued or to any other contractual vehicle

placed by the Contractor with an ALC providing a supply/service under this prime contract, except as may be expressly included by mutual consent. Inclusion of any FAR or agency supplement clause or requirement shall be a subject of negotiation between the buyer (Contractor) and the seller (ALC).

a. **TINA Non-Applicability.** The Truth in Negotiations Act, 10 U.S.C. Section 2306a, as amended, (hereinafter referred to as TINA) and its implementing regulations/clauses, do not apply to any ALC performing under this contract. Accordingly, the Government agrees:

- i. The portion of the Contractor's contract price that consists of costs relating to work performed by an ALC need not be supported by the submission of certified cost or pricing data;
- ii. Requirements for submission of "subcontractor cost or pricing data," and performance of a cost analysis on said data by the Contractor are inapplicable to cost or pricing data submitted by an ALC under PAs/IAs and,
- iii. The absence of such certified data shall not form the basis, directly or indirectly, for a claim by the Government of defective pricing against the Contractor.

However, the Contractor is still required to perform a technical analysis of IA proposals in order to determine proposal completeness.

b. **Non-Applicability of Advanced Payments.** The Contracting Officer will not consider the cash advances required by the terms of the PA/IA to be "Advanced Payments" under FAR Part 32.4.

- i. Pricing guidance for sales of goods/services by the ALCs provided to the Contractor under a PA/IA is set forth in the DOD 7000.14-R, Financial Management Regulation (DFMR), Volume 2B, Chapter 9, paragraph 090105, *Public Private Partnerships at Defense Working Capital Fund Depot Maintenance Activities*.
- ii. When appropriate to the scope of, and risks associated with, the subject contract, the ALC may elect to accept incremental "advance payments" pursuant to *DFMR 70001.14-R, Vol.2B, 090105, Subparagraph E*.

FAR Part 32.4 will continue to apply with respect to any Advanced Payments by the Government (as the buyer) for the exclusive benefit of the Contractor under this contract.

6. **Release of Responsibility.** Notwithstanding any clause or provision in this contract, including but not limited to the "Excusable Delays" and "Termination/Default" clauses, the Government agrees not to hold the Contractor responsible, directly or indirectly, for the delay, non-performance, or other non-compliance of any work required under this contract

to the extent such delay, non-performance, or non-compliance is attributable to the action or inaction of an ALC performing an IA related to the Contractor's performance obligations under this contract.

- a. **Equitable Adjustment.** Such delay, non-performance, or other non-compliance attributable to the ALC in performing such PA/IA, shall be considered to be an excusable delay for the Contractor or noncompliance for which an equitable adjustment in the performance period and/or cost/price of this contract shall be provided by the Government to the Contractor if so requested by the Contractor, and where the Contractor can demonstrate such ALC fault (quantum and entitlement) as required by the Disputes clause in this contract. Further, such delay, non-performance, or non-compliance shall not be used by the Government, in whole or in part, as the basis for termination for default, withholding of progress payments or the assessment of liquidated damages by the Government under this contract. Any disagreement with the Contracting Officer's final decision regarding an equitable adjustment is subject to the Disputes clause.
  
- b. **Other Contract Impacts.** Such delay, non-performance, or non-compliance attributable to the ALC shall not be used, in whole or in part, by the Government as a basis for,
  - i. An adverse rating of the Contractor under the Contractor Performance Assessment Review System (CPARS) for its performance under this contract;
  - ii. An adverse rating of the Contractor under an award fee type contract if applicable;
  - iii. Debarment or Suspension of the Contractor from business with the Government or proposing the Contractor for debarment or suspension;
  - iv. Withdrawing Government approval of the Contractor's Purchasing System; and
  - v. Application of any special risk transfer provision where a performance failure adversely impacts contract compliance, i.e., total system program/integration responsibility (TSP/IR), liquidated damages, warranty, if applicable.
  
- c. **Continued "Good Faith/Duty to Mitigate."** This provision does not excuse the Contractor from its requirement to continuously exercise good faith to effectively manage the ALC and, if necessary, to perform the affected services itself or find a commercial subcontractor to perform the services. Such efforts include reasonable corrective actions to mitigate the effects of the ALC's noncompliance on prime contract schedule and/or prices. Likewise, this provision does not excuse the ALC from continuously exercising its best and good faith efforts to perform its obligations under its PA/IA.

7. **Risk of Damage/Loss.** The Government assumes the risk of, and shall be responsible for, any loss or destruction of, or damage to any Government Furnished Property (GFP) or Contractor-acquired property delivered to the ALC under a PA/IA including but not limited to, any amounts the Contractor might otherwise be responsible for under Defense Federal Acquisition Regulation Supplement (DFARS) clauses 252.228-7001, Ground Flight Risk and 252.228-7002 Aircraft Flight Risk or other Government Property clause \_\_\_\_\_ of this contract. In the event the Contractor provides the ALCs with Government property, or Contractor-acquired property accountable to this contract and such property is required for continued performance of this contract and is either lost, damaged or destroyed by the ALC, the Contractor shall be entitled to an equitable adjustment under the terms and conditions of this contract to the extent the Contractor actually suffers a loss attributable to the actions or omissions of an ALC.

## **50/50 Requirements Reporting DID (DI-MGMT-81749)**

As one of the driving factors influencing the requirement/use of partnerships is the desire to increase Space system organic depot maintenance to help meet AF 50/50 mandates, it is important to be able to separate and track the workload/cost of depot work directed back to the government. Dollars spent for work performed by a government depot under a partnering agreement help balance the depot workload dollars.

While originally an aircraft centric document, we have attempted some basic tailoring of the DID to be more applicable to space acquisitions. As with any other requirement, this DID must be tailored for each program specific application. (Sample tailored DID is included in this guide.)

### Recommended Tailoring to the 50/50 Requirements Report:

CDRL DD 1423

Reporting frequency should be once a year NLT 30 Oct, for previous fiscal year actuals and future years projections

Block 16:

1. Delete paragraphs 3.1.1, 3.1.2, 3.1.7 & 3.1.8, since these are non-applicable for XXXXX solicitation / contract (these paragraphs are for aircraft depot Mx contracts only and not applicable to space system contracts).
2. This tailoring is to be applied only if applicable. For contracts with depot maintenance requirements for Army and/or Navy, in addition to Air Force depot maintenance, delete last sentence of paragraph 3.1.12 replace with: Hardware depot maintenance requirements paid for by and supporting Army and/or Navy depot maintenance requirements will have contractor and or government depot 50/50 reporting broken out separate by military service. Per Title 10 legal requirements, each military service must report their own depot maintenance 50/50 costs.

# 50/50 Requirements Report

(Source: OO-ALC/XP Business Office)

DID must be tailored for each specific acquisition, based on the type of system/equipment (satellite, ground system, mobiles, user equipment, etc.)

## DI-MGMT-81749

### DATA ITEM DESCRIPTION

**TITLE:** 50/50 Requirements Report

**NUMBER:** DI-MGMT-81749

**AMSC NUMBER:** F9002

**DTIC APPLICABLE:** N/A

**PREPARING ACTIVITY:** 10 (ASC/YFPC)

**APPLICABLE FORMS:** N/A

**APPROVAL DATE:** 20070912

**LIMITATION:** N/A

**GIDEP APPLICABLE:** N/A

**USE/RELATIONSHIP:** The 50/50 Requirements Report Data Item Description (DID) will be used to obtain the essential information required by Title 10 United States Code Section 2466, also known as the 50/50 law, as amended by the National Defense Authorization Acts of FY98.

a. The National Defense Authorization Act of FY98 limits the Air Force to not more than 50 percent of the funds managed by the Air Force be used to contract non-Federal Government personnel for depot maintenance. The National Defense Authorization Act for FY02 creates an exemption for non-Federal Government personnel performing depot maintenance at a Center of Industrial and Technical Excellence if the personnel are provided by private industry pursuant to a public-private partnership, as outlined in Title 10 USC Section 2474. Consequently, the law requires the depot maintenance organic/contract/partnership ratio be reported to Congress. As the Product Support Integrator (PSI), the contractor supports the government in compiling this data to comply with the law.

b. This DID contains the format and content preparation instructions for the data product generated by the specific task requirement delineated in the contract.

### REQUIREMENTS:

1. Reference Documents. The applicable issue of the document cited herein, including their approval dates and dates of any applicable amendments, notices, and revisions, shall be as cited in the contract.
2. Format. Contractor format is acceptable.
3. Content. The 50/50 Reporting Requirements DID shall include any cost for Contractor Logistics Support (CLS)/ Interim Contractor Support (ICS). CLS is designed to be a long-term support concept, often for commercial or commercial-derivation systems having at least a portion of their logistics support provided by a contracted activity. Typically, CLS programs are funded using appropriation 3400 but the use of other appropriations is possible for similar type contracts. Any extended or negotiated warranty costs funded or budgeted under appropriation

3400 will also be reported in the depot maintenance portion of CLS. Identify warranty workload using appropriation 3400 by labeling the program as a warranty program.

1 DI-MGMT-81749

ICS is designed to be an interim support arrangement as a part of the acquisition strategy for new systems. Only ICS that occurs after Initial Operational Capability (IOC) is reportable for compliance with 50/50. The depot level maintenance portion accomplished in support of operational systems shall be counted as a part of contract depot maintenance. The portion of ICS that occurs prior to IOC shall not be counted as depot maintenance, since it is associated with product development and the initial production effort that typically takes place concurrent with final system development. Any extended or negotiated warranty that incurs a cost will also be reported in the depot maintenance portion of ICS. Identify warranty workload by labeling the program as a warranty program.

The 50/50 Requirements DID shall include the cost of the following CLS/ICS tasks:

3.1.1. Analytical Condition Inspection (ACI): A systematic disassembly and inspection of a representative sample of aircraft to find hidden defects, deteriorating conditions, corrosion, fatigue, overstress and other deficiencies in an aircraft structure or systems. ACIs are normally over and above those inspections specified in a technical order or PDM work specification.

3.1.2. C-Check: Commercial version of a depot level airworthiness or analytical condition inspection.

3.1.3. Contract Depot Field Teams: Under CLS, ICS or other similar contracts, contract personnel dispatched from vendor to field location. When task is complete, team returns to vendor home location.

3.1.4. Decommissioning/ Demilitarization: Activities involving the preparation of an item for disposal or salvage. Usually involve destruction, recovery or removal of militarily sensitive or precious/hazardous materials or components.

3.1.5. Depot Materiel: Includes all material and government furnished material, both consumable and recoverable items. Depot material should be included in the unit repair rates or as a factor of production.

3.1.6. Extended/Negotiated Warranty Costs: Warranty terms and costs beyond standard product warranty, where there is no cost to the government. Warranty costs that actually result in a cost to the government in addition to the acquisition cost for the commodity.

3.1.7. Flying Hours: This relates to a more specific type of CLS/ICS type contract where the government pays a flying hour rate to a contractor that covers the support cost for an entire program, "Power by the hour".

3.1.8. Functional Check Flights: Need to also capture on contract side since included in organic Depot Maintenance Activity Group (DMAG).

3.1.9. Logistics/Program Support: Management activity of depot level maintenance (factors of production). Tasks included would be program management, scheduling, planning, etc. in direct support of depot-level maintenance only. Depot-level maintenance is the materiel maintenance or repair requiring the overhaul, upgrading or rebuilding of end items (including weapon systems), subsystems, parts, assemblies or subassemblies and the testing and reclamation of equipment as necessary regardless of the source of funds for or the location of the

maintenance or repair. This term includes all aspects of software maintenance classified by the DoD as depot level maintenance and repair, and ICS, or CLS or similar contracts to the extent that such support is for the performance of services described above. Depot maintenance also includes depot field teams, maintenance (shop floor) engineering, technical support, manufacture of parts, certain modifications (or related actions), testing and reclamation as performed at an organic or contract depot or by depot or contract field teams. Depot maintenance serves to support lower levels of maintenance by providing technical assistance and maintenance capability beyond their responsibilities or capability. Depot maintenance provides end items and stocks of serviceable material and equipment by using more extensive facilities, equipment, technical data or expertise than is available in lower levels of maintenance activities. Finally, any additional warranty costs, over and above an available standard commercial warranty, are included. This also includes extended warranties or negotiated warranties where depot maintenance costs can be identified separately.

3.1.10. Maintenance (Shop Floor) Engineering: Engineering activities in direct support, and usually co-located with, depot maintenance functions.

3.1.11. Over & Above: Unprogrammed depot workload not previously identified in an original contract or work order.

3.1.12. Partnership: Workload formally designated by a Center as being partnership workload, performed either by a contractor on a designated Center for Industrial and Technical Excellence (CITE) or by organic personnel under a Workshare Agreement (WSA) or Direct Sales Agreement (DSA). Under a WSA, the Air Force program office passes funding directly to the depot partner performing the workload. Under a DSA, the Air Force program office passes funding directly to a vendor who, in turn, partners with a depot and provides funds to perform the workload. Partnership exists when two or more public and private sector parties enter into a documented agreement for the production of goods and services. Each agrees to furnish a part of the capital and labor for a business enterprise and each share in some fixed proportion of profit/losses and risk. It includes material costs, overhead, and indirect costs, as required reportable factors of production in addition to the direct labor costs. For 50/50 reporting purposes, partnerships are implemented in two ways depending on the personnel performing the work. When the work is performed by government personnel, the partnership can be either a DSA or a WSA. Depot-level maintenance workload performed by contractor personnel, located on a CITE, under a public-private partnership also has to be reported, as required by 10 USC 2474. Partnership has to be included in one of the other contract workload categories. In addition, organic partnership will be Air Force workload only. DI-MGMT-81749

3.1.13. Programmed Depot Maintenance (PDM): Depot level inspections and maintenance scheduled on a cyclic basis.

3.1.14. Repair/Overhaul - Recoverable Items/Special Repair Activity: Direct labor repair activities performing depot level maintenance.

3.1.15. Service Support Agreement Costs: Same as extended warranty - this is a flat rate paid by the government over a long period of time, beyond the scope of a mean-time between failure periods.

3.1.16. Depot-Level Software Maintenance: Efforts to change a software product after operational acceptance to correct faults (corrective maintenance), improve performance or other attributes (perfective maintenance), or to adapt the weapon system to a changed

environment within the bounds of existing top levels system specification (adaptive maintenance). The software maintenance process includes problem/change identification and classification, analysis, design, implementation, regression/system testing, acceptance testing, and delivery. Definition adapted from DoDD 4151.18, Maintenance of Military Material, and IEEE STD 610.12-1990. Depot-level software maintenance is software maintenance performed on military material (e.g., weapon system and their components, space control systems and their components, automated test equipment and test program sets, and systems integration laboratories). Depot level software maintenance does not include maintenance of business data systems (Information Systems Activity Group) since that is already included in General and Administrative (G&A) costs. Software maintenance includes activities necessary to 1) correct errors in the software; 2) add incremental capability improvements (or delete unneeded features) through software changes; and 3) adapt software to retain compatibility with hardware or other systems with which the software interfaces. For purposes of this reporting requirement, only depot-level software maintenance will be reported. Depot-level software maintenance will be reported regardless of location or funding source.

3.1.17. Speedline: A streamlined process used to perform specific depot maintenance services or modifications.

3.1.18. Storage: Tasks associated with maintaining assets in storage.

3.1.19. Subcontracted/Routed workload costs: Tasks originally planned and funded as part of organic depot maintenance that are routed to a contractor due to backlog or need to utilize a proprietary process. Recent reported examples have been material plating sub-processes and aircraft paint.

3.2. The 50/50 Requirements Report shall provide actual obligations for the prior fiscal year for the following categories:

3.2.1. Total Program and a breakout for depot maintenance tasks for CLS or similar workloads.

3.2.2. Total Program and a breakout for depot maintenance tasks for ICS or similar contracts.

3.2.3. Partnered Workload. Partnered Workload shall be broken down into Workshare Agreement, Direct Sales Agreement, and Section 2474 Exclusion. Contract type and location for every system shown shall be included in the report.

3.2.4. Government-Owned and Contractor Operated (GOCO) Contract Workload.

3.2.5. Depot Level Software Maintenance.

3.3. The 50/50 Requirements Report shall contain estimated budget out-year forecast for the following categories for the next five fiscal years. This data will be used by the government in determining their 50/50 submittal for outyear forecasts. All out-year forecasts should be in terms of then-year dollars.

3.3.1. CLS. The report shall provide for Total Program and Depot Only.

3.3.2. ICS. The report shall provide for Total Program and Depot Only.

3.3.3. Partnered Workload, based upon flying hour projections and data provided by the government program office. Partnered Workload shall be broken down into Workshare Agreement, Direct Sales Agreement, and Section 2474 Exclusion. Contract type and location for every system shown shall be included in the report.

3.3.4. GOCO Workload.

3.3.5. Depot Level Software Maintenance.

3.3.6. The 50/50 Requirements Report shall contain data for use in establishing forecasting methodologies and all data necessary to support audit.

3.4. The 50/50 Requirements Report shall **EXCLUDE** any costs for the following CLS/ICS tasks:

3.4.1. Advisory & Assistance Services (A&AS)/Engineering Support/Services: Tasks associated with general technical and engineering support services such as technical analysis, database development and maintenance, cost analysis, document preparation, special studies, etc.

3.4.2. Contract Operated & Maintained Base Supply (COMBS): Base supply, materiel turn-in, and distribution functions performed by a contractor, usually as part of a contractor logistics support contract.

3.4.3. Field Service Teams: Field representatives located permanently on-site performing organizational or intermediate-level and Contractor-Operated and Maintained Base Supply (COMBS) operations.

3.4.4. Mod Kit/Kit Procurement: Purchase of modification kits (not including installs).

3.4.5. Software Development: The creation of new software code or programs to meet customer operations or support requirements.

3.4.6. Spares Procurement: This is related to item management type functions - not to be counted unless in support of depot maintenance activities.

3.4.7. Sustaining Engineering: Engineering tasks associated with all aspects of product support. Includes tasks related to reliability and maintainability analysis, product design, tech data development and changes, etc.

3.4.8. Tech Data Maintenance: Contractors maintaining government tech orders or contractors maintaining commercial tech data (commercial maintenance manuals).

#### **4. End of DI-MGMT-81749**

## Depot Partnering Plan (DPP)

**Description:** The Depot Partnering Plan (DPP) is the general partnering plan that the contractor provides in his proposal response to the RFP. The DPP will describe how the contractor will engage in partnering with the candidate organic depot(s) for sustainment software and hardware.

**Prepared by:** Contractor

**When:** Included with final proposal

**Template:** Contractor format acceptable

### **Partnering plan requirements:**

#### **A. Anticipated Depot Workload:**

- 1. The quantity of repair workload planned for candidate organic depot(s) for software and hardware (may be multiple depots).*
- 2. Workload transition plan to include time-phased implementation from supplier to depot for applicable inputs (e.g.; equipment, training, depot level repair data, and sustainment of software & hardware).*
- 3. Workload support plan to include Engineering support, technical repair data and material.*

#### **B. Depot Investment:**

- 1. May include plans to invest capital, support equipment, facilities, technical on-site support or training into organic Depot(s).*
- 2. May include new manufacture of components in the acquisition/IOC phase.*

#### **C. A Commitment to Establishing a Partnering Agreement:**

*Bidder provides a written summary demonstrating a clear understanding of PPP laws, documentation, and requirements. A signed partnering agreement is not required for proposals; timeline for requirement of signed partnering agreement is detailed in PWS, typically 90-180 days (based on program needs) following this contract award.*

#### **D. Other Factors:**

- 1. Any other factors that involve partnering (tailored per program requirements)*
- 2. Use of innovative ideas to establish a long-term partnership with the assigned government depots for the sustainment of software and hardware.*

# Strategic Partnering Agreement (SPA)

**Description:** The Strategic Partnering Agreement (SPA) is a broad overarching agreement that describes the weapon system, sets the initial partnership parameters and provides organizational commitments to establish the specifics of the partnering relationship.

**Prepared by:** Organic Depot and Contractor

**When:** Prior to contract award

**Template:** Sample SPA language below:

*Whereas, Air Force Materiel Command (AFMC) operating under the authority of Title 10 U.S.C. §2474 has designated the [Organic Depot] as a Center of Industrial and Technical Excellence (CITE) able to enter into and establish Public-Private Partnering (PPP) arrangements for support and sustainment of weapon systems; and under the authority of Title 10 U.S.C. §2208(j) Working Capital Funds; Title 10 U.S.C. §2563 Articles and services of industrial facilities: sale to persons outside the Department of Defense; and*

*Whereas, [Contractor], with its primary office in [City, State], provides integrated Weapons System Support solutions including avionics, engines, aircraft accessories, systems and service solutions for mission platforms; and*

*Whereas, the objective of the Strategic Partnership Agreement (SPA) is to develop and coordinate strategies to significantly improve logistics support, procurement, quality, program management, engineering and program integration to improve overall logistics support to the warfighter.*

*Therefore, [Organic Depot] and [Contractor] agree to explore a Public-Private Partnership to ensure effective utilization of platform assets, reduce out-of-service time, and ultimately, lower life cycle costs to the warfighter. The SPA is intended to encompass a broad range of cooperative activities. This SPA once executed, serves as the basis for the Parties to engage and mutually develop one or more Partnership Agreements (PA) and task-oriented Implementation Agreements (IA) resulting in the identification of specific partnering opportunities, terms and conditions and responsibilities based upon their needs and the needs of their customers. Specifically, we agree to:*

*Establish joint working groups to explore partnering opportunities.*

*Among other aspects of partnering are considerations for modifications, component overhaul, repair, major assembly overhaul and future sustainment/support opportunities. The working groups are encouraged to focus on asset availability, asset turn time, reliability, enhanced mission capability, system/equipment availability, reduced total owner life cycle costs, leveraging private sector investment in public assets and introducing new technologies and skills to improve depot activities.*

*Unless the Parties otherwise agree this Strategic Partnering Agreement shall be effective when executed by a duly authorized representative of each Party on the last date indicated below and shall expire one year from that date.*

[Organic Depot]

[Date]

[Contractor]

## Partnering Agreement (PA)

**Description:** The Partnering Agreement (PA) establishes organizational interactions, assumptions and processes which the parties agree to follow during partnership. It also contains mandatory and sample articles and language.

**Prepared by:** Organic Depot and Contractor

**When:** Within 90-180 days after contract award

**Template:** Sample contents below; contact SMC/SLA or SMC/SLX for template:

*Article 1 – Partnership Agreement and Objectives*

*Article 2 – Limitations and Assumptions*

*Article 3 – Term and Termination*

*Article 4 – Roles and Responsibilities*

*Article 5 – Implementation Agreements*

*Article 6 – Contracting Out*

*Article 7 – Quality Standards and Compliance*

*Article 8 – Warranty*

*Article 9 – Limitation of Liability*

*Article 10 – Indemnification*

*Article 11 – Government Use of Contractor Owned Property*

*Article 12 – Intellectual Property*

*Article 13 - Non Performance by Partners*

*Article 14 – Changes*

*Article 15 – Resolution of Disputes*

*Article 16 – Nondisclosure of Proprietary /Sensitive Information*

*Article 17 – Audit and Oversight*

*Article 18 – Assignment*

*Article 19 – Order of Precedence*

*Article 20 – Notices*

*Article 21 – Publicity and News Releases*

*Appendix A – Statutory and Regulatory Provisions Relevant to Depot MX Partnerships*

*Appendix B – Definitions*

*Appendix C – Proprietary Information Disclosure Agreement*

*Appendix D – Partnership Agreement Organizational Points of Contact*

## Implementation Agreement (IA)

**Description:** The Implementation Agreement (IA) describes specific requirements and obligations of each party to the partnership. The objective of the IA is to identify and agree upon the specific work to be performed within a given Depot work area, subject to the terms and conditions of the Partnering Agreement (PA). The IA is an agreement between the Contractor and the Organic Depot concerning the specific manner in which work will be identified, initiated, estimated, administered, and performed within the specific work area. The IA will also identify known Contractor support function requirements associated with the specific workload.

**Prepared by:** Organic Depot and Contractor

**When:** Within 90-180 days after contract award

**Template:** Sample contents below; contact SMC/SLA or SMC/SLX for template:

*Section A – Assumptions*

*Section B – Ordering Provisions*

*Section C – Pricing*

*Section D – Funding*

*Section E – Description / Work Scope / Statement of Work*

*Section F – Inspection & Acceptance*

*Section G – Reporting*

*Section H – Material*

*Section I – Technical Data*

*Section J – Support Equipment*

*Section K – Packaging / Handling / Shipping*

*Section L – Contractor Furnished Services*

*Section M – Depot Furnished Services*

*Section N – Travel*

*Section O – Special Requirements*

*Section P – Safety*

*Section Q – Quality*

*Exhibits*

## Business Case Analysis (BCA)

**Description:** The Business Case Analysis (BCA) analyzes the strategic benefits of a partnership between the contractor and the organic depot to repair hardware or software associated with the specific system. A BCA is a structured methodology and document that aids decision making by identifying and comparing alternatives by examining the mission and business impacts (both financial and non-financial), risks, and sensitivities. The BCA concludes with a recommendation and associated specific actions and implementation plan to achieve stated organizational objectives and desired outcomes. The goal of the BCA is to identify the product support strategy that achieves the optimal balance between warfighter capabilities and affordability.

**Prepared by:** Program Office

**When:** Once a decision to enter into a partnership is made, it 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

**Template:** See below SMC template for BCAs:



SMC

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**SMC Template for a Public-Private Partnership  
Product Support Business Case Analysis**

**May 2012**

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## Preface

In November 2009 the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD (AT&L)) approved the Weapon Systems Acquisition Reform Product Support Assessment (WSAR-PSA) report. One of the recommendations in the report was to “clarify and codify policies and procedures pertaining to the use of analytical tools in the life cycle product support decision-making process” (DoD, Deputy Undersecretary of Defense for Logistics and Materiel Readiness, 2009, p. 64). The Business Case Analysis (BCA) was specifically mentioned as one of those analytical tools. DoD defines a Product Support BCA as “a structured methodology and document that aids decision making by identifying and comparing alternatives by examining the mission and business impacts (both financial and non-financial), risks, and sensitivities” (DoD, Deputy Undersecretary of Defense for Logistics and Materiel Readiness, 2011, p. 5).

This document provides an SMC template for a Public-Private Partnership Product Support BCA. Public-Private Partnership Product Support refers to “a cooperative arrangement between an organic product support provider and one or more private sector entities to perform defense-related work, utilize DoD facilities and equipment, or both” (AFPEO/SP, 2011, p. 4). Elements of this Product Support BCA template were drawn from other documents in the list of references.

# Template

## FRONT MATTER

**Title page:** The title page should list the installation/MAJCOM (Los Angeles AFB, CA/AFSPC); project title; and project number.

### Table of contents

### List of acronyms

**Executive summary or abstract:** This should be 1-page summary containing highlights of the sections that follow.

## 1.0 BACKGROUND AND PURPOSE

### 1.1 Project Objective

The project objective is a one- or two-sentence statement about the purpose of the BCA. For example,

*The purpose of this analysis is to identify the most cost-effective alternative for depot-level repair of the ABC space system's command and control (C2) and ground segment.*

### 1.2 Problem Statement

The problem statement consists of 1-2 paragraphs describing the motivation for conducting the Product Support BCA, the problem to be addressed, the decision maker(s) who will review the BCA, and the scope of the analysis (e.g., elements it does not include).

## 2.0 KEY FACTS AND ASSUMPTIONS

Provide a list of key facts (laws, funding stream sources, defined criteria, constraints, stakeholders, or other factors that are known to be true) and assumptions (beliefs or presumptions about business conditions) that may affect the analysis results. An example of a fact relevant to SMC product support decisions is that the AFPEO/SP set a target/goal of 30% organic depot maintenance for all space programs by FY18.

The table below shows the appropriate format for a list of stakeholders:

Name	Organization/Position	Phone Number
Amy Allen	18 CES/CEA	123-4567
Bob Jones	18 CES/CEP	123-6789
Cindy Smith	18 CES/DO	123-5678
Dave Wilson	18 CES/CER	123-2345

Typically, the set of assumptions will, at minimum, include the following:

1. *All costs are shown in base year (BY) 20xx numbers and do not represent budgetary requirements. BY costs facilitate Net Present Value (NPV) calculations and analysis.*
2. *Inflation factors used were (source and date) . . . . If analysis is required beyond the current year, future-year costs should be inflated at rates consistent with the President’s Budget updates.*
3. *The discount rate used was (percentage, source, date) . . . .*
4. *The analysis period was (how many years and why) . . . .*
5. *The number of systems needing product support was . . . .*

### **3.0 ALTERNATIVES CONSIDERED**

Provide the name and a concise description of each alternative (generally one to three sentences). If there is a status quo, that should be designated Alternative 1. For example, in the case of a public-private partnership product support BCA, Alternative 1 could be 100% Contractor Logistics Support (CLS), and Alternative 2 could be 25% DoD Civilian Support/75% CLS. Other alternatives may have different percentages (e.g., 50-50). The description should simply state the major actions that the alternative will involve. In some cases it may be necessary to state the reason that an alternative is excluded. For example,

*Alternative 4, 100% DoD Civilian Support, was excluded because sustainment functions X and Y are not feasible with the existing organic skill base . . . .*

### **4.0 ANALYSIS METHODOLOGY**

**Note: Although concise methodology descriptions are suitable for this section, an appendix to the BCA can include more details about analytical approaches.**

This section begins with the statement, “The approach of this analysis was to identify and compare the costs, benefits, and risks of meeting mission requirements under each of the aforementioned alternatives. All alternatives were examined using standard Air Force and DoD techniques and procedures for a Business Case Analysis (BCA). This BCA follows the guidelines

and procedures contained in AFI 65-509 (SAF/FMC, 2008) and AFMAN 65-510 as well as Economic Analysis regulations DODI 7041.3, AFI 65-501 and AFMAN 65-506.”

#### **4.1 Cost Analysis Methodology**

The cost analysis methodology description should state

1. that the life cycle costs for each alternative were computed over XX years (the analysis period);
2. the types, source, and derivation of non-recurring costs; and
3. the types, source, and derivation of recurring costs.

Non-recurring cost types may include, for example, investment and equipment costs. Recurring cost types may include, for example, annual maintenance costs, periodic maintenance costs, and utility costs. The “source” is where the costs were obtained (e.g., “the 18 CES on DD Form 1391”). The “derivation” specifies a) that the costs were inflated from FY XX Then-Year dollars to FY XX Base-Year dollars; and b) the appropriation of the inflation factor used.

#### **4.2 Benefit Analysis Methodology**

This section should briefly describe the types of benefits examined, how the benefits were identified, and how they were quantified. Types of benefits may include, for example, timeliness (software maintenance turnaround times), statutory compliance (Title 10 USC Section 2474; Title 10 USC Section 2466), security (oversight), reliability (mission capable rates), workforce stability, and utilization of best business practices.

Some benefits (e.g., mission capable rates) are quantitative measures. Others may be quantified by asking a focus group of stakeholders to identify relevant non-monetary benefits; weight those benefits based on importance; and then rate each alternative’s contribution to each benefit. One should specify the range of weights assigned to benefits (e.g., 1 for “least important” and 10 for “most important”) as well as the scale used when rating alternatives with

respect to benefits (e.g., 0% for “does not meet safety requirements” to 100% for “meets all safety requirements”).

### **4.3 Sensitivity Analysis Approach**

This section should identify the factors varied, the reason for focusing on those factors, and the range of values examined. For example,

*In sensitivity analyses, investment costs and discount rates were varied from 25% less than their base case value to 25% more than their base case value, and effects on NPV and the Cost/Benefit Ratio were assessed. The sensitivity analyses focused on these variables because . . .*

### **4.4 Risk Analysis Approach**

An overview of the risk analysis approach consists of a brief section describing the set of risks examined, how those risks were identified, and how they were considered in the evaluation of alternatives. For example,

*The analysis team identified programmatic, operational, technical, schedule, and organizational risks associated with alternatives under consideration. The set of risks included the following:*

*-Programmatic: Labor disputes at product support provider sites may affect program budget.*

*-Operational: Product support arrangement may diminish equipment readiness.*

*-Organizational risk: There may be challenges implementing organizational structure and communication changes needed to provide product support.*

*-Mission Assurance: Maintaining the contractor as the Integrator could be a significant qualitative risk reduction factor.*

For each alternative and each type of risk, the team assessed whether the risk level was high, moderate, or low. The risk assessment matrix below facilitated this process. For example, if an alternative had a moderate (3) likelihood of labor disputes but the impact of those disputes was substantial (5), then the programmatic risk for the alternative was “H” based on the matrix below.

Likelihood	5	M	M	H	H	H
	4	L	M	M	H	H
	3	L	L	M	M	H
	2	L	L	L	M	M
	1	L	L	L	L	M
		1	2	3	4	5
		Impact				

## 5.0 ANALYSIS RESULTS

### 5.1 Cost/Benefit Analysis Results (Base Case)

**Lifecycle cost analysis results** are presented in tables such as the one below. There should be a lifecycle cost table for each alternative, and the tables can be adapted as needed –e.g., to include more types of non-recurring costs or to include the uniform annual cost (present value/sum of discount factors).

#### Alternative 1: 100% CLS

Alt. Title	Analysis Year	Fiscal Year	NON-RECURRING COSTS		RECURRING COSTS				Middle-of-Year Discount Factors	Present Value
			Investment	TOTAL Non-Recurring Costs	Annual_Maint.	Periodic_Maint.	Utilities	TOTAL Recurring Costs		
DOD Civilian Support	1	2010	\$ -	\$ -	\$ 250,000	\$ 150,000	\$ 100,000	\$ 500,000	0.9916	\$ 495,803
	2	2011	\$ -	\$ -	\$ 250,000	\$ 150,000	\$ 100,000	\$ 500,000	0.9750	\$ 487,516
	3	2012	\$ -	\$ -	\$ 250,000	\$ 150,000	\$ 100,000	\$ 500,000	0.9587	\$ 479,366
	4	2013	\$ -	\$ -	\$ 250,000	\$ 150,000	\$ 100,000	\$ 500,000	0.9427	\$ 471,353
	5	2014	\$ -	\$ -	\$ 250,000	\$ 150,000	\$ 100,000	\$ 500,000	0.9269	\$ 463,474
	6	2015	\$ -	\$ -	\$ 250,000	\$ 2,500,000	\$ 100,000	\$ 2,850,000	0.9115	\$ 2,597,644
	7	2016	\$ -	\$ -	\$ 250,000	\$ 150,000	\$ 100,000	\$ 500,000	0.8962	\$ 448,109
	8	2017	\$ -	\$ -	\$ 250,000	\$ 150,000	\$ 100,000	\$ 500,000	0.8812	\$ 440,619
	9	2018	\$ -	\$ -	\$ 250,000	\$ 150,000	\$ 100,000	\$ 500,000	0.8665	\$ 433,253
	10	2019	\$ -	\$ -	\$ 250,000	\$ 150,000	\$ 100,000	\$ 500,000	0.8520	\$ 426,011
	11	2020	\$ -	\$ -	\$ 250,000	\$ 150,000	\$ 100,000	\$ 500,000	0.8378	\$ 418,890
	12	2021	\$ -	\$ -	\$ 250,000	\$ 2,500,000	\$ 100,000	\$ 2,850,000	0.8238	\$ 2,347,761
	13	2022	\$ -	\$ -	\$ 250,000	\$ 150,000	\$ 100,000	\$ 500,000	0.8100	\$ 405,003
	14	2023	\$ -	\$ -	\$ 250,000	\$ 150,000	\$ 100,000	\$ 500,000	0.7965	\$ 398,233
	15	2024	\$ -	\$ -	\$ 250,000	\$ 150,000	\$ 100,000	\$ 500,000	0.7832	\$ 391,576
	16	2025	\$ -	\$ -	\$ 250,000	\$ 150,000	\$ 100,000	\$ 500,000	0.7701	\$ 385,031
	17	2026	\$ -	\$ -	\$ 250,000	\$ 150,000	\$ 100,000	\$ 500,000	0.7572	\$ 378,594
	18	2027	\$ -	\$ -	\$ 250,000	\$ 2,500,000	\$ 100,000	\$ 2,850,000	0.7445	\$ 2,121,916
	19	2028	\$ -	\$ -	\$ 250,000	\$ 150,000	\$ 100,000	\$ 500,000	0.7321	\$ 366,043
	20	2029	\$ -	\$ -	\$ 250,000	\$ 150,000	\$ 100,000	\$ 500,000	0.7198	\$ 359,925
Alt. 1	TOTAL		\$ -	\$ -	\$ 5,000,000	\$ 10,050,000	\$ 2,000,000	\$ 17,050,000	16.9774	\$ 14,316,121

**Benefit analysis results** include a list of benefits, their definitions, the weights that each benefit received, the rationale for those weights, the score that each alternative received with respect to each benefit, and the basis for each alternative's score. For example,

*Timeliness - This benefit measures how well each alternative is able to . . . . Because this benefit is desirable, particularly during . . . , it was assigned a weight of 6.*

*Alternative 1 scores 60%. (Provide justification.)*

*Alternative 2 scores 75%. (Provide justification.)*

*Alternative 3 scores 100%. (Provide justification.)*

*Security - This benefit measures how well security measures are implemented to ensure . . . . Considerations for this benefit factor include the extent to which each alternative addresses . . . . Due to the importance given to this benefit, it was assigned a weight of 8.*

*Alternative 1 scores 50%. (Provide justification.)*

*Alternative 2 scores 75%. (Provide justification.)*

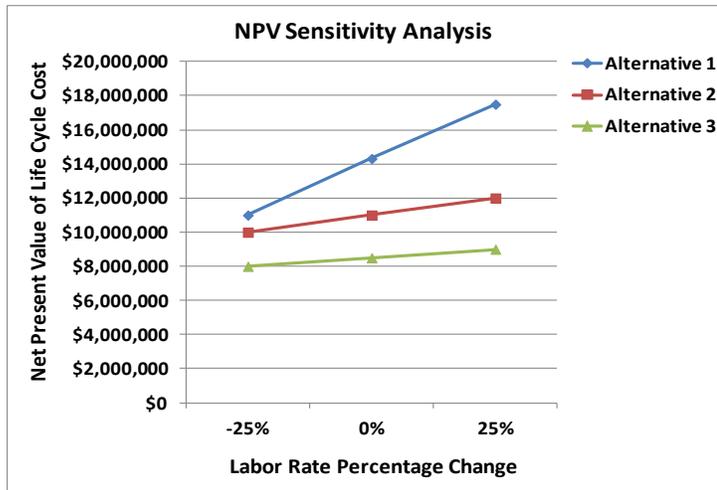
*Alternative 3 scores 75%. (Provide justification.)*

Overall costs and benefits of alternatives can be compared via the table below, which shows the total benefit score, the total net discounted cost, and the cost/benefit ratio for each alternative.

Benefit Factors	Weight Points	Alternative 1		Alternative 2		Alternative 3	
		%	Benefit score	%	Benefit score	%	Benefit score
Timeliness	6	60%	3.6	75%	4.5	100%	6
Security	8	50%	4	75%	6	75%	6
Total Score			7.6		10.5		12
NPV			\$14,316,121		\$11,000,000		\$8,500,000
Cost/Benefit Ratio			\$1,883,700		\$1,047,619		\$708,333

## 5.2 Sensitivity Analysis Results

Sensitivity analysis results are presented in charts illustrating how varying certain factors would affect the NPV and/or the cost/benefit ratio associated with each alternative. For example, the notional plot below shows how NPVs for 3 alternatives change if labor rates vary from 25% below to 25% above their base case values.



## 5.3 Risk Analysis Results

The risk assessment for each alternative can be summarized via a table such as the one below. If desired, an appendix to the BCA can define the high/medium/low thresholds and describe the basis for the ratings in more detail.

	Alternative 1 (Name)		Alternative 2 (Name)		Alternative 3 (Name)	
	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact
Risk 1 (Name)	4	1	5	2	5	3
	L		M		H	
Risk 2 (Name)	3	2	3	3	3	2
	L		M		L	
Risk 3 (Name)	4	2	3	3	3	4
	M		M		M	

When alternatives pose moderate or high risks, potential mitigation strategies should be listed.

## 6.0 CONCLUSION

### 6.1 Summary of Results

This section summarizes the BCA results for each alternative. The summary, preferably in the form of a table, should identify the alternatives, NPVs, benefit scores, cost/benefit ratios, and pros/cons (including risks and sensitivities) of each.

### 6.2 Recommendation

The BCA should end with a recommendation (one or two-paragraphs) that includes the preferred product support strategy and the justification for selecting that strategy over other alternatives. For example,

*In conducting this BCA, it was determined that the mission requirements are still valid and enduring and that DOD will have a continued need for the service being performed.*

*Alternative X is the recommended course of action. This function is exempt from private sector performance based on the analysis that the function would be more cost effective if performed by DOD civilian employees. (Note: In FY11, 95% of the Air Force's new in-sourcing authorizations (4,495 of 4,732) were cost-based). It has a low investment cost (\$x.xM), the highest benefit score, and lowest NPV and cost/benefit ratio relative to CLS. In addition, it poses the lowest programmatic and operational risks. The moderate organizational risk can be mitigated by . . . .*

## References

Air Force Program Executive Officer for Space (AFPEO/SP), 2012. *Depot Partnering Guide*. Department of Defense (DoD), Deputy Undersecretary of Defense for Logistics and Materiel Readiness, 2009. *DoD Weapon System Acquisition Reform Product Support Assessment*. As of 3 May 2012: [https://acc.dau.mil/adl/en-US/328610/file/47489/DoD%20Weapon%20System%20Acquisition%20Reform%20PSA\\_19%20NOV\\_Final.pdf](https://acc.dau.mil/adl/en-US/328610/file/47489/DoD%20Weapon%20System%20Acquisition%20Reform%20PSA_19%20NOV_Final.pdf)

DoD, Deputy Undersecretary of Defense for Logistics and Materiel Readiness, 2011. *DoD Product Support Business Case Analysis Guidebook*. As of 3 May 2012: <https://acc.dau.mil/adl/en-US/440506/file/56912/BCA%20Guidebook%20April%202011.pdf>

Secretary of the Air Force, Financial Management and Comptroller Center of Excellence (SAF/FMC COE), General BCA template received April 2012.

Secretary of the Air Force, Financial Management and Comptroller (SAF/FMC), 2008. *Air Force Instruction (AFI) 65-509: Business Case Analysis*. As of 3 May 2012: <http://www.e-publishing.af.mil/shared/media/epubs/AFI65-509.pdf>

Secretary of the Air Force, Financial Management and Comptroller (SAF/FMC), 2008. *Air Force Manual (AFMAN) 65-510: Business Case Analysis Procedures*. As of 3 May 2012: <http://www.e-publishing.af.mil/shared/media/epubs/AFMAN65-510.pdf>

Space and Missile Systems Center/Financial Management and Comptroller-Cost (SMC/FMCC), 2010. *Business Case: Fitness Center and Health and Wellness Center Addition*.

## Summary

Public-Private Partnering is new territory for space systems; there will likely be a learning curve as we start implementing partnerships on our programs. The guidance, information and examples included in this guide should help make minimize implementation growing pains. Please note that this document is intended as a guide to assist programs in developing and implementing partnering on space acquisitions. Each Program Office is responsible for tailoring program specific language for each acquisition. In the event of a conflict between a specific RFP and this guide, RFP requirements will always control

The AFPEO/SP Public-Private Partnering Guide is a living document that will be updated as needed. Please forward any questions related to the PPP Guide or partnering in general to the SMC Points of Contact for Partnering:

SMC/SLA ([SMC.SLA.Workflow@us.af.mil](mailto:SMC.SLA.Workflow@us.af.mil))

SMC/SLX ([SMC.SLG.Workflow@us.af.mil](mailto:SMC.SLG.Workflow@us.af.mil))