



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

APR 06 2006

The Honorable Richard B. Cheney
President of the Senate
Washington, DC 20510-0012

Dear Mr. President:

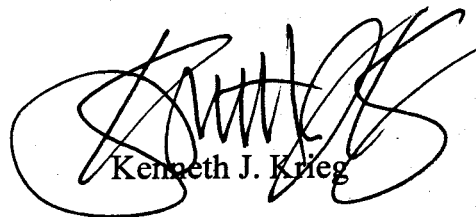
Section 2466(d)(1) of title 10, United States Code, requires the submission to Congress of a report identifying, for each of the armed forces (other than the Coast Guard) and each Defense Agency, the percentage of funds that was expended during the preceding fiscal year and are projected to be expended during the current fiscal year and the ensuing fiscal year for performance of depot-level maintenance and repair workloads by the public and private sectors.

All three Military Departments are in compliance with the 50 percent limitation for FY 2005 and are projected to be in compliance for FY 2006. FY 2007 spending projections indicate all but one service in compliance; the Air Force FY 2007 projections exceed the fifty percent limitation (50.2%). The Air Force will submit a plan to the Office of Assistant Deputy Under Secretary of Defense for Materiel Readiness and Maintenance Policy within thirty days of this memo which will identify actions to ensure compliance with Title 10 Section 2466 in FY 2007. Point of Contact in OADUSD (MR&MP) is Mr. Gregg Fogarty 703 695 0037.

The Department is also committed to continue working with the General Accountability Office (GAO) to address GAO's recommendations to improve both the reporting process and the accuracy of the data submitted. Many recent improvements are the result of GAO recommendations.

Pursuant to the requirement, I submit the enclosed report. A copy of this report has been provided to the Speaker of the House and the Congressional Defense Committees.

Sincerely,



Kenneth J. Krieg

Enclosure:
As stated





ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

APR 06 2006

The Honorable J. Dennis Hastert
Speaker of the House of Representatives
Washington, DC 20515-6501

Dear Mr. Speaker:

Section 2466(d)(1) of title 10, United States Code, requires the submission to Congress of a report identifying, for each of the armed forces (other than the Coast Guard) and each Defense Agency, the percentage of funds that was expended during the preceding fiscal year and are projected to be expended during the current fiscal year and the ensuing fiscal year for performance of depot-level maintenance and repair workloads by the public and private sectors.

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As stated





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3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

APR 06 2006

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

The Honorable Thad Cochran
Chairman, Committee on Appropriations
United States Senate
Washington, DC 20510-6025

Dear Mr. Chairman:

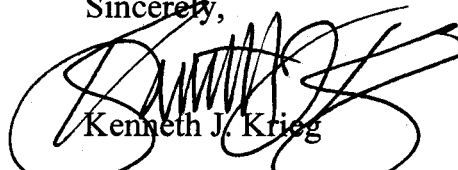
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Sincerely,



Kenneth J. Krieg

Enclosure:
As stated

cc: The Honorable Robert C. Byrd
Ranking Member





THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

APR 06 2006

The Honorable Jerry Lewis
Chairman, Committee on Appropriations
United States House of Representatives
Washington, DC 20515-6015

Dear Mr. Chairman:

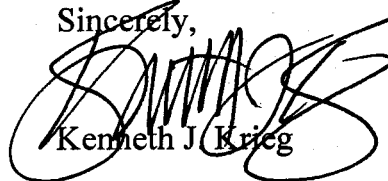
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Sincerely,



Kenneth J. Krieg

Enclosure:
As stated

cc: The Honorable David R. Obey
Ranking Member





THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

APR 06 2006

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

The Honorable John Warner
Chairman, Committee on Armed Services
United States Senate
Washington, DC 20510-6050

Dear Mr. Chairman:

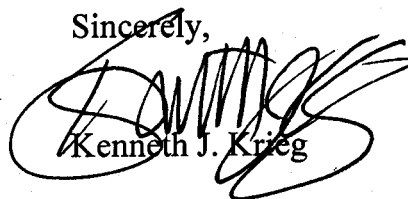
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Sincerely,



Kenneth J. Krieg

Enclosure:
As stated

cc: The Honorable Carl Levin
Ranking Member





ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

APR 06 2006

The Honorable Duncan Hunter
Chairman, Committee on Armed Services
United States House of Representatives
Washington, DC 20515-6035

Dear Mr. Chairman:

Section 2466(d)(1) of title 10, United States Code, requires the submission to Congress of a report identifying, for each of the armed forces (other than the Coast Guard) and each Defense Agency, the percentage of funds that was expended during the preceding fiscal year and are projected to be expended during the current fiscal year and the ensuing fiscal year for performance of depot-level maintenance and repair workloads by the public and private sectors.

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Sincerely,



Kenneth J. Krieger

Enclosure:
As stated

cc: The Honorable Ike Skelton
Ranking Member





ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

APR 06 2006

The Honorable Ted Stevens
Chairman, Subcommittee on Defense
Committee on Appropriations
United States Senate
Washington, DC 20510-6028

Dear Mr. Chairman:

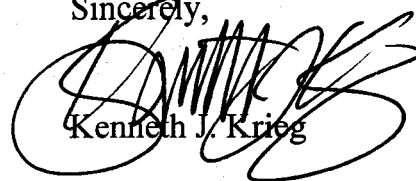
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Sincerely,



Kenneth J. Krieg

Enclosure:
As stated

cc: The Honorable Daniel K. Inouye
Ranking Member





ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

APR 06 2006

The Honorable C. W. "Bill" Young
Chairman, Subcommittee on Defense
Committee on Appropriations
United States House of Representatives
Washington, DC 20515-6018

Dear Mr. Chairman:

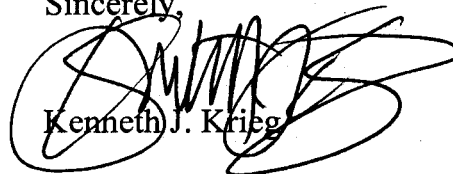
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Sincerely,



Kenneth J. Krieg

Enclosure:
As stated

cc: The Honorable John P. Murtha
Ranking Member



OFFICE OF THE SECRETARY OF DEFENSE

Report to Congress

on

DISTRIBUTION OF DoD
DEPOT MAINTENANCE WORKLOADS

FISCAL YEARS 2005 THROUGH 2007



APRIL 2006

Prepared by the
Deputy Under Secretary of Defense (Logistics & Materiel Readiness)

INTRODUCTION

Section 2466(d)(1) of title 10, United States Code, requires that the Secretary of Defense submit, by April 1 of each year, a report identifying, for each of the armed forces (other than the Coast Guard) and each Defense Agency, the percentage of funds referred to in section 2466(a) of title 10, United States Code, that was expended during the preceding fiscal year and are projected to be expended during the current fiscal year and the ensuing fiscal year for performance of depot-level maintenance and repair workloads by the public and private sectors.

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

- Limited to military materiel.
- Applies to all depot maintenance support requirements, regardless of the source or sponsor of the program.
- Applies to all funding sources and all customers budgeted or managed by the Military Department or Defense Agency.
- Funds made available are for depot maintenance and repair obligations for fiscal year 2005 and projected obligations for fiscal years 2006 and 2007.
- Reporting is made from the Principal's perspective (i.e., the component that manages the funding for, or owns the equipment, that is being repaired or maintained).
- Includes all locations performing depot-level maintenance and repair (i.e., all maintenance and repair tasks designated or coded as depot-level that are performed in field or other non-depot locations).
- Includes interim contractor support (ICS) and contractor logistics support (CLS) (or any similar contractor support) to the extent that such support is for performance of depot-level maintenance and repair.
- Depot-level maintenance and repair work performed by employees of the Department of Defense is reported regardless of the location where the work is performed.
- Depot-level maintenance and repair work contracted for performance by non-Federal Government personnel is reported regardless of the location where the work is performed.
- *Acquisition* of modifications and upgrades is excluded; however, *installation* of excluded modifications and upgrades is included when the installation is considered a depot-level service.

Additionally, section 2474(f)(2) of title 10, United States Code, requires the reporting of amounts excluded from the section 2466(a) of title 10, United States Code, 50 percent limitation on the funds made available to a military department or defense agency that can be used to contract for performance by non-Federal Government personnel. The exclusion applies to the performance of depot-level maintenance and repair workload by non-Federal Government personnel at a Center of Industrial and Technical Excellence pursuant to a public-private partnership.

The following applies to determination of the exclusion:

- The depot maintenance activity on which the workload is performed must have been designated a Center of Industrial and Technical Excellence.
- The workload must be pursuant to a public-private partnership for depot maintenance.
- The workload must be performed by private industry or other entities outside the Department of Defense at a Center of Industrial and Technical Excellence.
- The exclusion applies to contracts entered into during fiscal years 2003 through 2009 for depot-level maintenance and repair workloads.

REPORT

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

The first portrayal entitled "Military Department/Defense Agency" is the portrayal applicable to compliance with the section 2466(a) of title 10, United States Code, 50 percent limitation on the funds made available to a Military Department or Defense Agency that can be used to contract for performance by non-Federal Government personnel.

The second portrayal entitled "Armed Forces" is applicable to the section 2466(d)(1) of title 10, United States Code, requirement for reporting for each of the armed forces (other than the Coast Guard) in that it provides the required breakout for the Department of the Navy.

The third portrayal entitled "Other Defense Organizations" provides information for organizations not meeting the sections 101(a)(4), (8), and (11) of title 10, United States Code, definitions of armed forces, military department, or defense agency and, therefore, not subject to the 50 percent limitation.

Non-Federal work that is not excluded by section 2474(f)(1) of title 10, United States Code, from the 50 percent limitation on the funds made available to a military department or defense agency that can be used to contract for performance by non-Federal Government personnel is identified on the attached Table as "Non-exempt." Non-Federal work that is excluded by section 2474(f)(1) from the 50 percent limitation is identified on the attached Table as "Exempt." Since U.S. Special Operations Command is neither a military department nor a defense agency, the section 2474(f)(1) exclusion does not apply.

All three Military Departments are in compliance with the 50 percent limitation for FY 2005 and are projected to be in compliance for FY 2006. FY 2007 spending projections indicate all but one service in compliance; the Air Force FY 2007 projections exceed the fifty percent limitation (50.2%). The Air Force will submit a plan to the Office of Assistant Deputy Under Secretary of Defense for Materiel Readiness and Maintenance Policy within thirty days of this report which will identify actions to ensure compliance with Title 10 Section 2466 in FY 2007.

Distribution Of DoD Depot Maintenance Workloads for Fiscal Years 2005 Through 2007

Military Department/ Defense Agency		Workload Distribution	2005	2006	2007
Dept of Navy	Total Funds		10,890.4	9,453.9	9,265.9
	Federal Work		5,936.0	5,022.1	5,448.0
	Non-Federal Work Non-exempt		4,709.1	4,262.6	3,814.8
	Non-Federal Work Exempt		245.3	169.2	3.1
	Public Portion		54.5%	53.1%	58.8%
	Private Portion Non-exempt		43.2%	45.1%	41.2%
	Private Portion Exempt		2.3%	1.8%	0.0%
Dept of Army	Total Funds		5,796.1	8,514.1	7,437.5
	Federal Work		2,907.8	5,053.4	3,880.6
	Non-Federal Work Non-exempt		2,860.8	3,433.1	3,529.2
	Non-Federal Work Exempt		27.6	27.6	27.6
	Public Portion		50.2%	59.4%	52.2%
	Private Portion Non-exempt		49.4%	40.3%	47.5%
	Private Portion Exempt		0.5%	0.3%	0.4%
Dept of Air Force	Total Funds		9,706.4	10,193.6	10,122.0
	Federal Work		5,106.2	5,256.6	5,020.5
	Non-Federal Work Non-exempt		4,592.0	4,929.4	5,083.3
	Non-Federal Work Exempt		8.2	7.5	18.1
	Public Portion		52.6%	51.6%	49.6%
	Private Portion Non-exempt		47.3%	48.4%	50.2%
	Private Portion Exempt		0.1%	0.1%	0.2%
Armed Forces					
Navy	Total Funds		10,287.1	9,231.4	9,059.9
	Federal Work		5,449.4	4,805.3	5,250.2
	Non-Federal Work Non-exempt		4,656.2	4,259.4	3,806.6
	Non-Federal Work Exempt		181.5	166.7	3.1
	Public Portion		53.0%	52.1%	57.9%
	Private Portion Non-exempt		45.3%	46.1%	42.0%
	Private Portion Exempt		1.8%	1.8%	0.0%
USMC	Total Funds		603.3	222.5	206.0
	Federal Work		486.6	216.8	197.8
	Non-Federal Work Non-exempt		52.9	3.2	8.2
	Non-Federal Work Exempt		63.8	2.5	0.0
	Public Portion		80.7%	97.4%	96.0%
	Private Portion Non-exempt		8.8%	1.4%	4.0%
	Private Portion Exempt		10.6%	1.1%	0.0%
Other Defense Organizations					
SOCOM	Total Funds		289.0	297.3	311.8
	Federal Work		34.1	40.1	48.0
final	Non-Federal Work		254.9	257.2	263.8
	Public Portion		11.8%	13.5%	15.4%
	Private Portion		88.2%	86.5%	84.6%

Dollars in millions

Numbers may not add due to rounding

USMC = U.S. Marine Corps

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

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

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

(b) **WAIVER OF LIMITATION.** - The Secretary of Defense may waive the limitation in subsection (a) for a fiscal year if-- (1) the Secretary determines that the waiver is necessary for reasons of national security; and
(2) the Secretary submits to Congress a notification of the waiver together with the reasons for the waiver.

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

(d) **Annual Report and Review.**--(1) Not later than April 1 of each year, the Secretary of Defense shall submit to Congress a report identifying, for each of the armed forces (other than the Coast Guard) and each Defense Agency, the percentage of the funds referred to in subsection (a) that was expended during the preceding fiscal year, and are projected to be expended during the current fiscal year and the ensuing fiscal year, for performance of depot-level maintenance and repair workloads by the public and private sectors.

(2) Not later than 90 days after the date on which the Secretary submits a report under paragraph (1), the Comptroller General shall submit to Congress the Comptroller General's views on whether--
(A) the Department of Defense complied with the requirements of subsection (a) during the preceding fiscal year covered by the report; and
(B) the expenditure projections for the current fiscal year and the ensuing fiscal year are reasonable.

Title 10, subsection 2474(f)². EXCLUSION OF CERTAIN EXPENDITURES FROM PERCENTAGE LIMITATION- (1) Amounts expended for the performance of a depot-level maintenance and repair workload by non-Federal Government personnel at a Center of Industrial and Technical Excellence under any contract entered into during fiscal years 2003 through 2009 shall not be counted for purposes of applying the percentage limitation in section 2466(a) of this title if the personnel are provided by private industry or other entities outside the Department of Defense pursuant to a public-private partnership.

(2) All funds covered by paragraph (1) shall be included as a separate item in the reports required under paragraphs (1), (2), and (3) of section 2466(e) of this title.

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

² As amended by P.L. 108-375, section 323.