



DEPUTY UNDER SECRETARY OF DEFENSE FOR  
LOGISTICS AND MATERIEL READINESS  
3500 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3500

APR 7 2008

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.

Section 2466(d)(2) of title 10, United States Code requires that the report include as a separate item any expenditure excluded as 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 under section 2474(f).

All three Military Departments report compliance with the 50 percent limitation for FY 2007. While, the Departments of the Air Force and Navy are projecting compliance for FY 2008 and 2009, the Department of the Army projections for FY 2008 and 2009 indicate they will be required to manage the distribution of depot-level maintenance and repair workloads to remain compliant with title 10, Section 2466. The Department of the Army will submit an action plan to me by April 30, 2008 identifying how they plan to ensure compliance in FY 2008 and 2009.

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

Sincerely,

  
Jack Bell

Enclosure:  
As stated





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LOGISTICS AND MATERIEL READINESS  
3500 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3500

APR 7 2008

The Honorable Nancy Pelosi  
Speaker of the House  
U.S. House of Representatives  
Washington, DC 20515-6501

Dear Madam 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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Jack Bell

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WASHINGTON, DC 20301-3500

APR 7 2008

The Honorable Robert C. Byrd  
Chairman, Committee on Appropriations  
United States Senate  
Washington, DC 20510-6025

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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Jack Bell

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cc:  
The Honorable Thad Cochran  
Ranking Member





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LOGISTICS AND MATERIEL READINESS  
3500 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3500

APR 7 2008

The Honorable David R. Obey  
Chairman, Committee on Appropriations  
U.S. House of Representatives  
Washington, DC 20515-6015

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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Jack Bell

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cc:  
The Honorable Jerry Lewis  
Ranking Member





DEPUTY UNDER SECRETARY OF DEFENSE FOR  
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APR 7 2008

The Honorable John P. Murtha  
Chairman, Subcommittee on Defense  
Committee on Appropriations  
U.S. House of Representatives  
Washington, DC 20515-6018

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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Jack Bell

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cc:  
The Honorable C. W. Bill Young  
Ranking Member





DEPUTY UNDER SECRETARY OF DEFENSE FOR  
LOGISTICS AND MATERIEL READINESS  
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WASHINGTON, DC 20301-3500

APR 7 2008

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

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,

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Jack Bell

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As stated

cc:  
The Honorable John McCain  
Ranking Member





DEPUTY UNDER SECRETARY OF DEFENSE FOR  
LOGISTICS AND MATERIEL READINESS  
3500 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3500

APR 7 2008

The Honorable Ike Skelton  
Chairman, Committee on Armed Services  
U.S. 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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Pursuant to the requirement, I submit the enclosed report. A copy of this report is being provided to the President of the Senate, the Speaker of the House and appropriate Congressional Defense Committees.

Sincerely,

  
Jack Bell

Enclosure:  
As stated

cc:  
The Honorable Duncan Hunter  
Ranking Member





DEPUTY UNDER SECRETARY OF DEFENSE FOR  
LOGISTICS AND MATERIEL READINESS  
3500 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3500

APR 7 2008

The Honorable Daniel K. Inouye  
Chairman, Subcommittee on Defense  
Committee on Appropriations  
United States Senate  
Washington, DC 20510-6028

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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Pursuant to the requirement, I submit the enclosed report. A copy of this report is being provided to the President of the Senate, the Speaker of the House and appropriate Congressional Defense Committees.

Sincerely,

  
Jack Bell

Enclosure:  
As stated

cc:  
The Honorable Ted Stevens  
Ranking Member





Report to Congress  
on

DISTRIBUTION OF DEPARTMENT OF DEFENSE  
DEPOT MAINTENANCE WORKLOADS

FISCAL YEARS 2007 THROUGH 2009



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APRIL 2008

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Deputy Under Secretary of Defense (Logistics & Materiel Readiness)

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## 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 2007 and projected obligations for fiscal years 2008 and 2009.
- 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) 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. Section 2466(d)(2) of title 10, United States Code requires that the report required under section 2466(d)(1) of title 10, United States Code, include as a separate item any expenditure covered by section 2474(f) of title 10, United States Code that was made during the fiscal year covered by the report and shall specify the amount and nature of each expenditure.

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 personnel provided by private industry or other entities outside the Department of Defense at a Center of Industrial and Technical Excellence.

## 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) 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) 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) exclusion does not apply.

All three Military Departments report compliance with the 50 percent limitation for FY 2007. Additionally, the Departments of the Air Force and Navy are projecting compliance for FY 2008 and 2009. The Department of the Army projections for FY 2008 and 2009 indicate they will be required to manage the distribution of depot-level maintenance and repair workloads to remain compliant with Title 10, Section 2466. They will submit an action plan to the Deputy Under Secretary of Defense (Logistics and Materiel Readiness) by April 30, 2008, to ensure compliance in FY 2008 and 2009.

Distribution Of DoD Depot Maintenance Workloads for  
Fiscal Years 2007 Through 2009

Military Department/ Defense Agency	Workload Distribution	Fiscal Year		
		2007	2008	2009
<b><u>Dept of Navy</u></b>	Total Funds	10,426.7	9,934.5	9,829.5
	Federal Work	5,852.7	5,381.3	5,396.1
	Non-Federal Work Non-exempt	4,562.1	4,538.9	4,433.4
	Non-Federal Work Exempt	11.9	14.3	0.0
	Public Portion	56.1%	54.2%	54.9%
	Private Portion Non-exempt	43.8%	45.7%	45.1%
	Private Portion Exempt	0.1%	0.1%	0.0%
<b><u>Expenditures Excluded as CITE Partnering under 10 U.S.C. 2474(f)</u></b>		<b><u>Amount Exempted in FY 2007</u></b>		
Norfolk Naval Shipyard & Electric Boat				
SSGN 728 & 729 Hull Conversion			11.9	
	Total		<u>11.9</u>	
<b><u>Dept of Army</u></b>	Total Funds	9,255.6	9,999.4	9,398.3
	Federal Work	5,139.8	5,181.0	4,405.2
	Non-Federal Work Non-exempt	4,115.8	4,818.4	4,993.1
	Non-Federal Work Exempt	0.0	0.0	0.0
	Public Portion	55.5%	51.8%	46.9%
	Private Portion Non-exempt	44.5%	48.2%	53.1%
	Private Portion Exempt	0.0%	0.0%	0.0%
<b><u>Expenditures Excluded as CITE Partnering under 10 U.S.C. 2474(f)</u></b>		<b><u>Amount Exempted in FY 2007</u></b>		
None			0.0	
<b><u>Dept of Air Force</u></b>	Total Funds	10,107.3	10,718.4	11,081.9
	Federal Work	5,311.0	5,603.1	5,837.8
	Non-Federal Work Non-exempt	4,745.9	5,053.4	5,172.8
	Non-Federal Work Exempt	50.5	61.9	71.3
	Public Portion	52.5%	52.3%	52.7%
	Private Portion Non-exempt	47.0%	47.1%	46.7%
	Private Portion Exempt	0.5%	0.6%	0.6%
<b><u>Expenditures Excluded as CITE Partnering under 10 U.S.C. 2474(f)</u></b>		<b><u>Amount Exempted in FY 2007</u></b>		
OC-ALC F119 Engine				
Special technologies engine component repair			0.3	
WR-ALC LANTIRN - Phase I				
Component repair			6.6	
OC-ALC B-2 Software				
Software maintenance			39.5	
OC-ALC B-1 Software				
Software maintenance			4.1	
	Total		<u>50.5</u>	

Dollars in millions

Numbers may not add due to rounding

<b>Armed Forces</b>	<b>Workload Distribution</b>	<b>Fiscal Year</b>		
		<b>2007</b>	<b>2008</b>	<b>2009</b>
Navy	Total Funds	9,874.2	9,851.1	9,725.4
	Federal Work	5,311.1	5,304.2	5,295.6
	Non-Federal Work Non-exempt	4,551.2	4,532.6	4,429.8
	Non-Federal Work Exempt	11.9	14.3	0.0
	Public Portion	53.8%	53.8%	54.5%
	Private Portion Non-exempt	46.1%	46.0%	45.5%
	Private Portion Exempt	0.1%	0.1%	0.0%
USMC	Total Funds	552.5	83.4	104.1
	Federal Work	541.6	77.1	100.5
	Non-Federal Work Non-exempt	10.9	6.3	3.6
	Non-Federal Work Exempt	0.0	0.0	0.0
	Public Portion	98.0%	92.4%	96.5%
	Private Portion Non-exempt	2.0%	7.6%	3.5%
	Private Portion Exempt	0.0%	0.0%	0.0%
<b>Other Defense Organizations</b>				
SOCOM	Total Funds	584.7	503.0	576.7
	Federal Work	59.4	62.2	64.9
	Non-Federal Work	525.3	440.8	511.9
	Public Portion	10.2%	12.4%	11.3%
	Private Portion	89.8%	87.6%	88.8%

Dollars in millions

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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.