

Handbook of ARMY PUBLIC-PRIVATE PARTNERING

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A public-private partnership is an agreement between a government entity and one or more private industry, or other, entities to perform work or utilize facilities and equipment. The Public-Private Partnerships initiative is directed toward improving the output and performance of DoD organic activities through increased participation by the private sector via industrial partnering. The primary intent of the initiative is to improve support to the warfighter by enabling and empowering the DoD organic depots to develop appropriate partnerships with the commercial sector, while recognizing the legitimate national security need for DoD to retain certain core capability. Appropriate partnering with private industry will help sustain core maintenance capabilities, facilities, and technical expertise in the workforce. It may also improve the financial viability of organic activities and result in increased private sector investment in facilities and equipment.

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PUBLIC-PRIVATE PARTNERSHIP - WHAT IS IT??

Public-private partnerships take many forms. They range from complex public-private teaming and workshare arrangements to straightforward leases of DoD facilities or equipment by the private sector. In a teaming arrangement, the public and private partners accomplish DoD work jointly through a contractual relationship. Some partnerships have been established by contract under statutory authority and some are arrangements pursuant to Memorandums of Agreement (MOA) or other non-contractual agreements. In a workshare arrangement, each partner works separately to accomplish a portion of a workload package. Typically the program office or command will arrange for accomplishment of a portion of the workload in the public sector through work orders and in the private sector by a contract.

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What is Public-Private Partnership?

-P3-



❖ **DUSD(L&MR) Memo dtd 30 JAN 2002:**
“A public-private partnership for depot maintenance is an agreement between an organic depot maintenance activity and one or more private industry or other entities to perform work or utilize facilities and equipment”.

❖ Includes one or more of the following:

- ✓ Provide articles or services to industry.
- ✓ Industry leases equipment or facilities ... Perform s work for public or private sector.
- ✓ Work sharing arrangements.
- ✓ Team arrangements where depot and industry jointly c ontract with DoD.

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Partnerships can range from joint public-private undertakings, to private sector participation in some aspect of DoD production to direct sales of articles or services to the private sector. Public-private partnerships have flexible characteristics; each partnership should reflect the unique objectives that are the basis of the partnership as well as the particular needs of the partners and the resources to be shared. The key element in each of these arrangements is the utilization of some aspect of organic capability to support the partnership.

Not only are organic depots involved, but program offices, inventory control points, arsenals, Ammunition Plants and materiel/system logistics commands may also be parties to agreements.

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Types of P3

- ❖ **Direct Sales – 10 USC 2208(h); 10 USC 2474;10 USC 4543**
- ❖ **Facility Use Agreements – 10 USC 2667**
- ❖ **Work Share Agreements**
- ❖ **Subcontracting – 10 USC 2208(j)**
- ❖ **Center of Industrial and Technical Excellence (CITE) Partnering – 10 USC 2474**
- ❖ **Armament Retooling and Manufacturing Support Programs (ARMS) - 10 USC 4551-4555**
- ❖ **Arsenal Support Program Initiative (ASPI) - Pub Law 106-398**



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DEPOT INDUSTRIAL BASE

On 21 August, 2001, under the authority of Title 10, United States Code Section 2474, the Secretary of the Army issued a memorandum designating each of the Army's maintenance depots as a Center of Industrial Technical Excellence (see statute listed below).

Centers of Industrial and Technical Excellence (CITES)

❖ **10USC2474...** Depots can enter Public-Private Partnerships to perform work related to maintenance core competencies.

❖ **Secretary of Army Designations...**

- ✓ **Anniston Army Depot...** Combat Vehicles (Except Bradley), Artillery, & Small Caliber Weapons
- ✓ **Corpus Christi Army Depot...** Rotary Wing Aircrafts (Less Avionics)
- ✓ **Letterkenny Army Depot...** Air Defense & Tactical Missile Ground Equipment (Less Missile Guidance & Control)
- ✓ **Red River Army Depot...** Tactical Wheeled Vehicles, Small Emplacement Excavator, Bradley Fighting Vehicle Series, Multiple Launch Rocket System chassis, Patriot Missile recertifications, & Rubber products for Sustainment & support to U.S. & Allies & Agencies.
- ✓ **Tobyhanna Army Depot...** Communications & Electronics, Avionics, & Missile Guidance & Control

SecArmy Designated...

21 Aug 01

& 24 Oct 02

Current Army policy supports the use of partnerships in industrial base activities. The Army has a number of examples of successful partnership efforts based on existing legislative authority. Among them are the M1 Recuperator Facility Use at Anniston by Honeywell (Lease under 10 USC 4543) and the Firefinder Block II Program at Tobyhanna with Raytheon (Sale of services under 10 USC 2208(j)). Other non-statutory, but applicable, examples of partnerships are the M1/M1A2 Upgrade at Anniston Army Depot with General Dynamics and the Multiple Launch Rocket System M270A1 at Red River with Lockheed Martin.

AMMUNITION INDUSTRIAL BASE

The Army's ammunition industrial base was configured for production rates that are no longer cost effective. As a result, the infrastructure has proven too costly to maintain. The Armament Retooling and Manufacturing Support (ARMS) initiative was established by an Act of Congress in 1993 and is designed to make available a range of incentives to businesses willing to locate on a government ammunition production facility. Many of these facilities have little or no current production. ARMS is designed to encourage facility contractors at the Government-Owned Contractor-Operated (GOCO) ammunition industrial facilities to use and market idle capacity for other work, both government and commercial.

Facility use contracting allows the managing contractor at the GOCO ammo facilities to market the facilities as if they were their own. In this way, US Army industrial sites can find a new life as thriving commercial manufacturing centers while enhancing readiness, maintaining the infrastructure, making capital improvements, lowering the unit cost of production, continuing environmental remediation and contributing to local economic growth.

Simply stated, ARMS is an opportunity for business growth and expansion using government ammunition industrial facilities and equipment. The contractors are finding innovative ways to attract commercial work to these industrial facilities. Idle capacity and capability available at these facilities for use by the private sector include land, buildings, equipment, utilities, communications, transportation and skilled workers.

To promote this effort, the Army under the auspices of the ARMS program, will make available various incentives, such items as: marketing funds; use of land, buildings, and equipment; existing state and federal permits; loan guarantees; planning grants; and possibly employment incentives. This innovative approach saves tax dollars, benefits large as well as small and disadvantaged businesses, supports the return of off-shore US companies, and mitigates the economic effects on the local communities.

ARMS can generate jobs and attract investment to these installations. By employing a wide range of facilities use techniques, the ability exists to tailor commercial relationships to meet the specific market needs to the private sector client. No other defense reutilization program has shown such promise as a means of promoting economic growth and sustainable development in local communities.

The ARMS Program allows the government to retain title to its land while providing a means for private contractors to market its industrial sites as commercial entities. As a result, the Army's costs of ownership are significantly reduced, in some cases, to zero. The key to ARMS is the recognition that defense industrial facilities have value far beyond military uses. In partnership with the private sector, Army sites are being converted into multi-purpose commercial parks while still being maintained as ready defense assets. As a result, ARMS has emerged as the most successful cooperative-use model in the nation. It is being studied by other military services and the Department of Energy for possible applications to their particular conversion needs.

A major innovation of the ARMS Program impacts the issue of rent to the benefit of an effective public-private partnership. In the past, commercial production at Army industrial facilities was discouraged. If the government would approve a request for commercial use of its facilities, rental charges in accordance with the Federal Acquisition Regulation Use and Charges clause would be applied. Under the clause, revenues generated were directly deposited into the National Treasury. There was no incentive to either obtain or perform commercial work.

Under the ARMS Program, the traditional rental fee is not obtained. Rather, contracting officers may accept other consideration in lieu of rent. A facility use contractor no longer provides payments for deposit in the National Treasury. Instead, offsets to production and maintenance costs are accepted by the government in lieu of rent. Completion of needed infrastructure improvements, where government funding is no longer available, is also acceptable under the program. As a result, Army facilities obtaining commercial work receive the benefit of their labor, Army ownership costs are reduced, and the facility contractor can maximize its marketing of a more attractive facility.

ARSENAL INDUSTRIAL BASE

In the 2001 Defense Authorization Act, Congress included the Arsenal Support Program Initiative (ASPI). The initiative was designed to help maintain the viability of Army arsenals, including Pine Bluff, he said.

The initiative allows arsenals to enter into cooperative partnerships with private corporations. Companies can work out agreements with arsenals permitting them to use warehouses, office space and other facilities.

In return, the companies must pledge to make some sort of comparable non-monetary contribution to the partnership. For example, a firm might agree to make improvements in buildings or help maintain road systems or railroad tracks. This is better for the arsenal than simply renting out space to private companies.

Arsenal Support Program Initiative (ASPI)

Public-Private Partnerships

❖ **Objective:** Establish Commercial/Defense Business Incubator

Industrial Business Cost Efficiencies

- ✓ **FY01:** Congress Authorized at Rock Island & Watervliet Arsenals
- ✓ **FY02:** Congress Authorized \$7.5M for Implementation
- ✓ **FY 03:** Projected \$4.2 Million for Implementation
- ✓ **Jun 01:** Developed Implementation Plan & submitted to HQDA

❖ **Characteristics:**

- ✓ Facility operating costs allocation across business centers
- ✓ Generate revenues to modernize/consolidate defense core production competencies
- ✓ Army depots are designated as Centers of Industrial and Technical Excellence
- ✓ Offset environmental restoration outlays

❖ **Benefits:**

- ✓ Reduce product and ownership cost needed to offset cost of replenishment, mobilization, and readiness.
- ✓ Maintain a warm base for surge capability.
- ✓ Enhance economic vitality of local area through job creation.
- ✓ Improve the facility at little or no cost to the Army.
- ✓ Retain organic capability and skill set at a reduced cost.

*Metric:
Overhead
Reduction*

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THINGS TO REMEMBER AS ONE GETS STARTED.

Effective partnering requires the integration of the goals and objectives of all partners. All partnering strategies must have a minimum of three sustainment partners, the Government Buying Activity, the Prime Contractor and the Major Subordinate Command (MSC). The MSC includes the depot maintenance manager and the sustainment manager involved in product support. Integration of each party's mission area objectives into a long-term support strategy is the key to maintaining core competencies and developing innovative concepts of the public and private sectors to support the warfighter at the best value for the Army. The following are some of the most common objectives of the parties:

- **Government Buying Activity:** Implement management and acquisition techniques as necessary to provide the best possible support to the warfighter while ensuring "best value" for the Army. For the purposes of this textbook, best value is defined as the expected outcome of a partnership that provides the greatest combination of overall benefits to the Army considering: warfighter support, cost, and all broader Army objectives such as Core and 50/50 legislative requirements. The single managers desire to:
 - Provide the user with superior combat capability by balancing program costs, schedule and performance elements.

- Major Subordinate Command: Maintain the appropriate level of core competencies in logistics management, engineering, supply chain management, and depot level maintenance for all assigned weapon systems to meet wartime requirements and infuse new technologies into the depot. The MSCs will maintain core logistics competencies (skills, knowledge, ability and infrastructure) as efficiently and cost effectively as possible.
- Industry: Ensure long term corporate reputation as a leading provider of DoD Weapon Systems by the supply of systems that provide superior and reliable combat capability and meet corporate fiscal objectives.

Common Objectives: All partnership agreements must promote:

- Superior support to the warfighter
- Best value to the Army (balancing both program and broader Army objectives)
- The mechanisms necessary to meet the Army’s Core Logistics Competencies requirements
- Support to future Core analyses and decision making to enable the Army to balance objectives of the Program with broader Army imperatives, such as the maintenance of core competencies
- The ability of industry to achieve reasonable corporate fiscal goals and enhance its corporate reputation through demonstrated performance as applicable to the Prime Contract
- Partnering Authorities: The government has the inherent right to furnish services and products, as Government Furnished Supplies and Services (GFS/S), to contractors for use in performing government contracts. Additionally, if circumstances warrant, a DoD working capital-funded industrial facility also may enter into direct sales agreements (DSAs) to sell its services or products to persons outside the DoD under the specific statutes.

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Getting Public-Private Partnering Started

- ❖ **Develop a Partnering Strategy**... Develop a corporate vision for partnering and develop/identify desired outcomes of public-private partnerships.
- ❖ **Define “Partner”**... Any organization with something of value to contribute to the health and wealth of the industrial base.
- ❖ **Identify Partnering Opportunities** ... Perform an internal scrub/study to identify what you have to bring to the table in partnerships.
- ❖ **Identify Potential Partners**... Perform a thorough study of the industrial base, identify key potential partners and focus on them.
- ❖ **Explore Opportunities**
 - ✓ Look beyond what is readily available for partnering opportunities, (open acquisitions, prime contracts already awarded to industry).
 - ✓ See out new business opportunities to develop as a “partnership”.

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SUMMARY

Given the demand for high quality and timely support to military operations, the Army utilizes the capabilities from both the public and private sectors to take advantage of what each does best. Both the public and private sector industrial base are essential over the long-term to ensure the Army’s ability to achieve operational objectives. Each possesses complementary capabilities that must be integrated in efficient and effective ways to ensure best value life cycle support. Public-private partnerships, when well planned and properly leveraged, offer the Army improved lifetime performance and sustainment.

Public-private partnerships leverage the best of public and private competencies and can be accomplished through new and innovative arrangements. Spiral development and modernization requires developers and sustainers to employ integrated team approaches to maintain force readiness and sustainment even as fielded systems undergo modernization.

Partnerships that include sharing of investments can benefit both the public and private sectors. For example, utilizing the same facilities and equipment used to produce new systems to provide non-core depot maintenance may result in savings based on a best value assessment. Also, the sharing of facilities, either commercial or government owned, may result in savings by reducing overhead costs. Joint use facilities provide additional benefits by facilitating earlier identification of leading-edge applications for both new weapon system and repair technology developments. Capitalizing on the investment in

production start up equipment through sharing and transfer offers another potential area for creative partnering and overall cost reduction as does sharing of costs for investment in repair equipment. The Army believes that substantial cost sharing and cost savings can be achieved by addressing equipment investment needs through partnership agreements.

Further cost reductions could be achieved by having original equipment manufacturers on site at the centers. This on site presence should shorten engineering disposition times and decrease the time an asset is in for overhaul. Access to technical data is also important for ensuring that the government retains the option to change or adjust the roles and responsibilities within the partnership over time as circumstances dictate.

Current legislation provides multiple avenues for public-private partnering. These range from shared facilities, to government-furnished supplies and services, to direct sales agreements. In a teaming arrangement, the public and private partners accomplish DoD work jointly through a contractual relationship. Some partnerships are established by contract under statutory authority, others are workshare arrangements using Memorandums of Agreement (MOAs). Partnering relationships can include core work delivered by government depots.

Weapon system support concepts are transitioning from the traditional “organic” or “contractor” modes of support to a more flexible mix of responsibilities based on long term performance based partnerships. This approach leads to a change in the logistics sustainment environment, increasing the need for public-private cooperative arrangements and partnerships. The strategy for developing repair capability is based on core requirements while using partnering, dual sourcing or a combination of both. This provides the most flexibility in providing maximum readiness and best value support to operational forces.

Public-Private Partnering Summary



**ULTIMATE
CUSTOMER...
The Warfighter!!**

- ❖ **Partnering is a Sound Business Philosophy!!**
- ❖ **Not New ----- Many Success Stories.**
- ❖ **A Key Element of Future Logistics Enterprise/Performance Based Logistics.**
- ❖ **Existing Statutes Support Partnering.**
- ❖ **Requires Commitment from Top Leadership.**
- ❖ **A Change in Past Practices and Cultural Mindset.**
- ❖ **Requires a Strategy, Resources, Training and Effort ... A well thought out approach.**
- ❖ **Provides Increased Capabilities as We Provide Support.**
- ❖ **Is a “Win – Win” for Industry and the Army.**

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The Army is committed to maintaining a healthy, effective, and efficient industrial base that is ready and responsive with facilities and equipment that are technologically advanced and with a workforce that is highly qualified. Public-private partnerships have shown to be a key element in meeting that goal.

Conclusion

❖ The U.S. Army Materiel Command is committed to strong and mutually beneficial working relationships with our Industry Partners.

❖ The Public Private Partnership process has proven to be a dynamic and effective tool in forging such relationships.

