

Air Force Materiel Command



Core 101

HQ AFMC/A4FD
Jun 2015



Purpose

Provide overview of the AF core logistics capability process



Overview

- Core Defined
- Depot Maintenance Defined
- Core Determination
- Responsibilities
- Reporting
- Core Computation Process
- Core Requirement Trend
- Core Assessments
- Summary



The Law Defines Core

- 10 USC 2464: Core Logistics Capabilities
 - DOD must maintain core logistics capabilities
 - Government-owned and Government-operated skills, facilities, and equipment
 - Ready and controlled source of technical competencies and resources to meet national defense situations
 - Not later than four years after Initial Operational Capability
 - Based on Joint Chiefs of Staff strategic and contingency plans, but excludes systems and equipment under special access programs, nuclear aircraft carriers, and commercial items
- Core is organic depot capability and the workload required to assure mission support for war-tasked weapon systems



Maintenance of Military Materiel (DoDD 4151.18)

- Workloads required to sustain core capability requirements shall be the primary workloads assigned to DoD depots
- Core capabilities and associated workloads shall be adjusted periodically, and reviewed formally on a biennial basis, for force structure changes, introduction of new weapon systems, and changes in battle doctrine to counter emerging threats
- All maintenance and repair of weapon systems necessary for strategic and contingency plans need not be performed in public facilities; rather, the capability (in the form of skills, equipment and facilities) to perform maintenance and repair of these systems must be retained in those facilities.
- SORA done on merit-based selection (DSOR process)



DoDI 4151.20: Depot Maintenance Core Capabilities Determination Process

- “The DoD Components shall maintain **cost-effective** and technically competent core public sector depot maintenance facility workloads and capabilities during peacetime as well as fully support contingency scenarios



FY13 NDAA Changes

- Repeals FY12 NDAA related to Core
- 10 USC 2366a&b implements FY13 NDAA requirements for the Program Office to determine if they have core workload and if so, how much?
 - 10 USC 2366a: Requires determination of core logistics requirements be completed prior to program Milestone A approval
 - 10 USC 2366b: Requires an estimation of requirements for core logistics capabilities be completed prior to program Milestone B approval



Responsibilities

- Program Manager
 - Identifies depot maintenance capabilities required for new acquisitions
 - Requests assessment for acquisitions, modifications, or workload shifts
 - Integrated with Source of Repair Assignment Process
- HQ AFMC develops the Core Biennial Report IAW DoDI 4151.20, which supplies needed information for SORA Core Determination
 - Tasked weapon systems
 - Reported/Excluded weapon systems
 - Core shortfalls
- AFSC provides depot maintenance capability
 - Government owned facilities, skills, and equipment

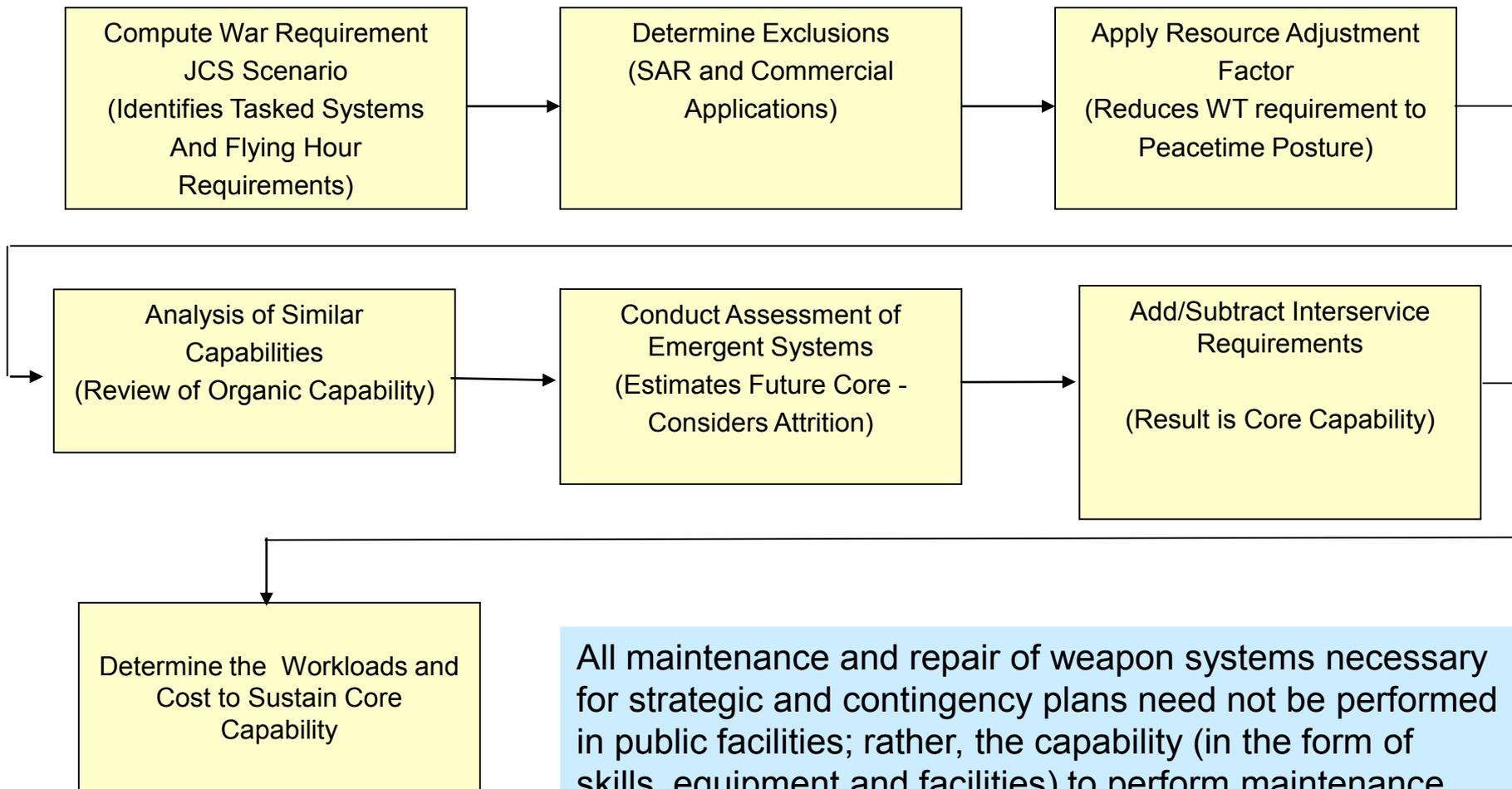


Reporting

- Biennial - Not later than April 1 of each even-numbered year, the Secretary of Defense shall submit to Congress a report identifying
 - The core depot-level maintenance and repair capability requirements and sustaining workloads
 - The corresponding workloads necessary to sustain core
 - Detailed rationale for any and all shortfalls and a plan either to correct or mitigate the effects of the shortfalls
- Provides the basis for determining the percentage of core workload on the Core Assessment
 - Will remain a HQ function



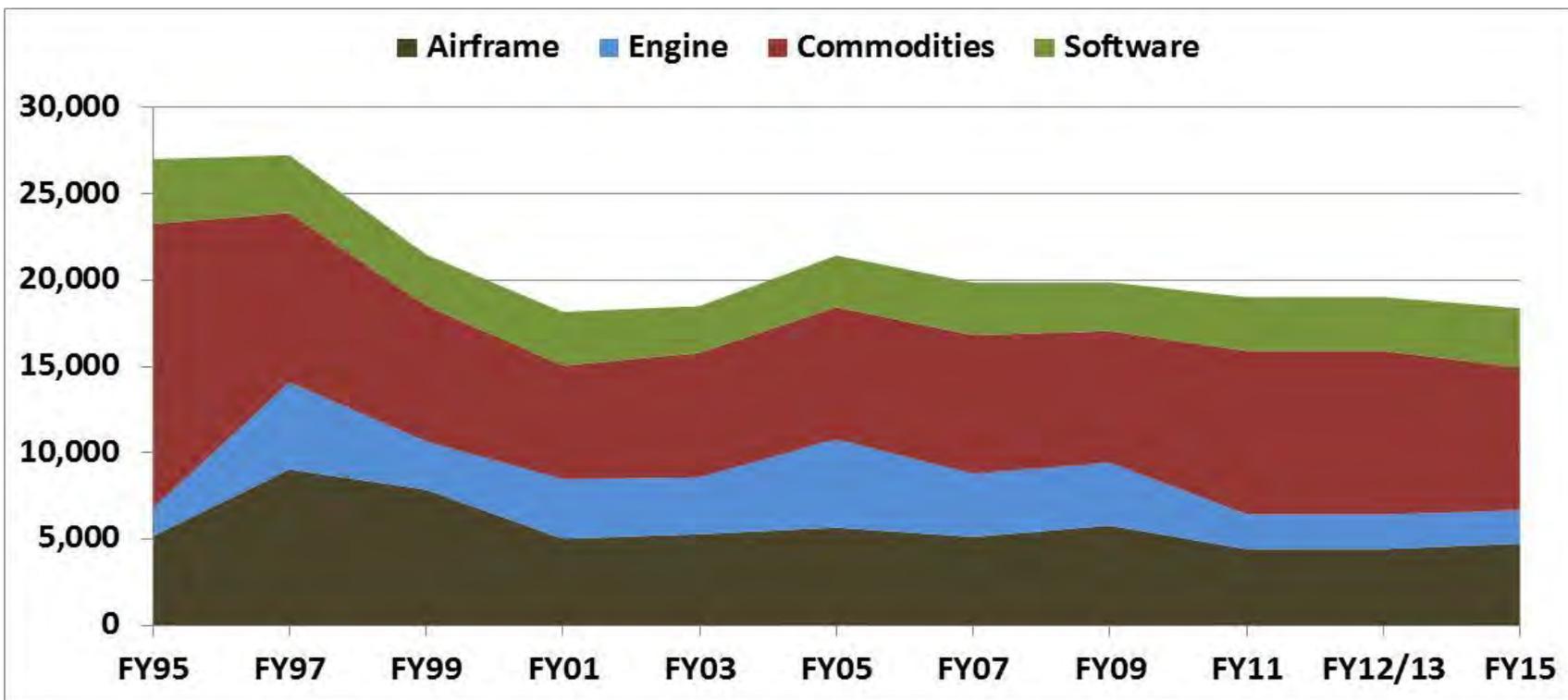
Core Computation Process



All maintenance and repair of weapon systems necessary for strategic and contingency plans need not be performed in public facilities; rather, the capability (in the form of skills, equipment and facilities) to perform maintenance and repair of these systems must be retained in those facilities. DODD 4151.18 31 Mar 2004



Core Requirement Trend



	FY95	FY97	FY99	FY01	FY03	FY05	FY07	FY09	FY11	FY12/13	FY15
Airframe	5,157	9,032	7,860	5,024	5,287	5,665	5,126	5,787	4,417	4,417	4,738
Engine	1,612	5,049	2,798	3,444	3,297	5,125	3,656	3,645	2,018	2,018	1,933
Commodities	16,491	9,811	7,873	6,579	7,212	7,641	8,026	7,620	9,460	9,468	8,259
Software	3,748	3,347	2,953	3,113	2,700	3,003	3,049	2,820	3,118	3,118	3,447
Total	27,008	27,239	21,484	18,160	18,496	21,434	19,857	19,872	19,013	19,021	18,377

•Risk Based

•DoD Process Changes

•Redundancy Based

•Public Workload



Core Assessment

Core Decision Tree Analysis for SORAs

- Is the system/technology excluded from 10 USC 2464?
 - Special access programs and commercial items (items that have been sold or leased in substantial quantities to the general public and are purchased without modification in the same form that they are sold in the commercial marketplace, or with minor modifications to meet Federal Government requirements)
- Does it support a JCS tasking?
 - As identified by the Secretary, in consultation with the Chairman of the Joint Chiefs of Staff, as necessary to enable the armed forces to fulfill the strategic and contingency plans prepared by the Chairman of the Joint Chiefs of Staff War and Mobility Plan (WMP)



Core Assessment, Con't.

- Is the system/technology reported in the current Biennial Core Computation?
- Is there a core shortfall for this technology?
 - Based on current AF Biennial Core Report



Core Assessment – Phase I

- As stated earlier, not all workload initially deemed core during Phase I of a SORA is necessarily deemed organic workload upon completion of Phase II
 - Depends on the business case made during Phase II



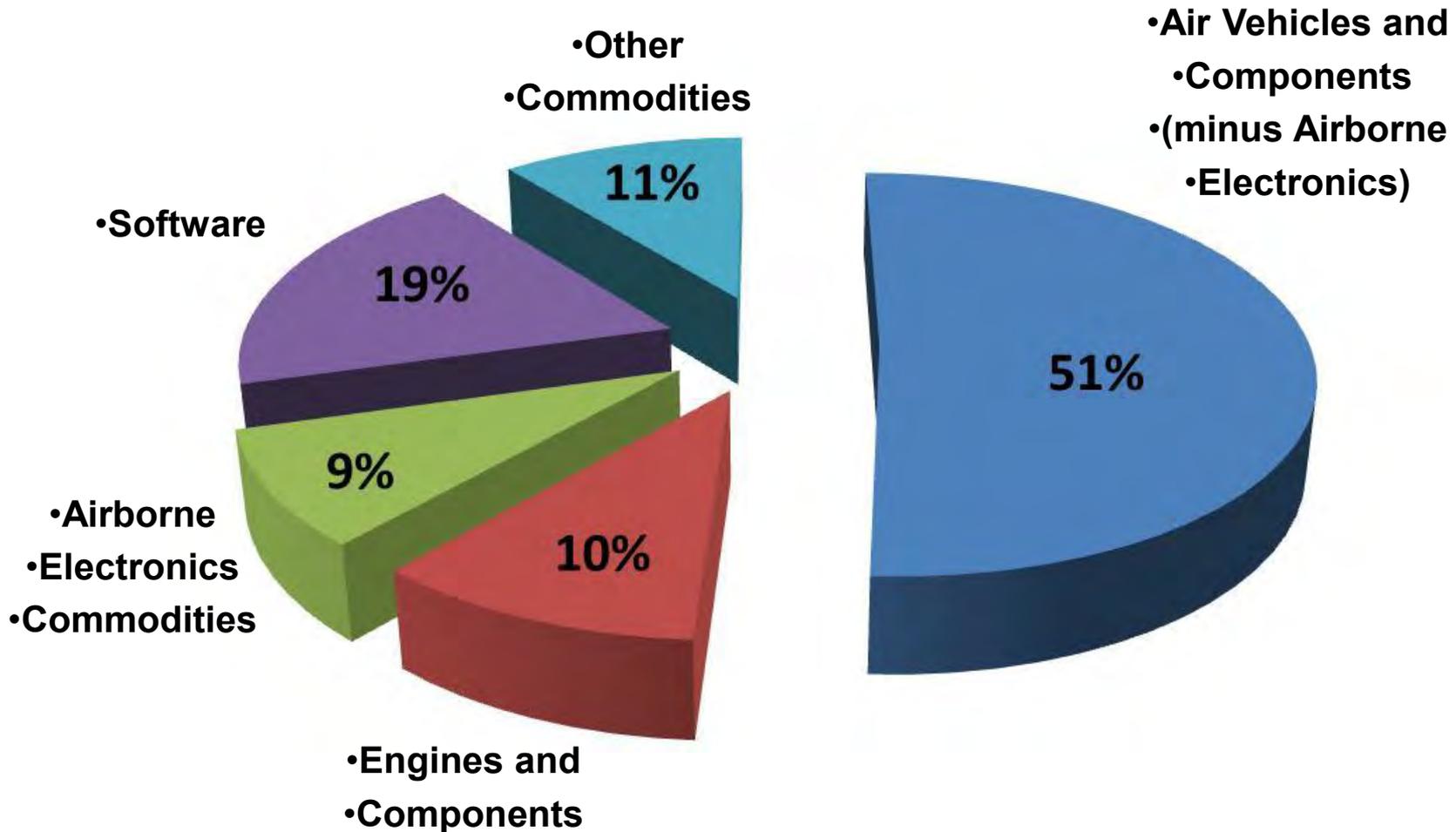
Summary

- **Process starts early in Acquisition cycle**
- **Required to maintain core logistics capability**
- **Ensures sufficient facilities, people, skills available in peacetime to assure mission support in war**
- **Outcome reported to Congress biennially**





Core Capability Requirement



•Core Sustaining Workload \$5.2B



Designation of Core Workload

What is considered Depot Maintenance and Repair

Depot maintenance and repair means any action performed on materiel or software in the conduct of inspection, repair, overhaul, or the modification or rebuild of end-items, assemblies, subassemblies, and parts that requires extensive industrial facilities, specialized tools and equipment, or uniquely experienced and trained personnel that are not available in lower echelon-level maintenance activities....

Title 10 USC 2460

Truths

Title 10 USC & DoDI 4151.20

- A process to determine depot maintenance capability that is government-owned and operated (facilities, equipment, and personnel) required to assure mission support – based on war plans (JCS Tasked Weapon Systems) - to ensure a ready and controlled source of technical competence and resources necessary to ensure effective and timely response to a mobilization, national defense contingency situations, and other emergency requirements
- Core capability established not later than 4-years after initial operational capability (IOC) (i.e., GH/Pred/Reaper)
- FY13 NDAA Changes: Repeals FY12 NDAA related to Core
 - Re-titles law to “Core Logistics Capabilities”
 - Removes requirement for annual report
 - Biennial report submitted to Congress by 1 April of each even numbered year (core capability requirements expressed in direct labor hours (DLHs) and core sustaining workloads expressed in DLHs & cost)
 - 10 USC 2366a: Requires determination of core logistics requirements be completed prior to program Milestone A approval
 - 10 USC 2366b: Requires an estimation of requirements for core logistics capabilities be completed prior to program Milestone B approval

Core Decision Tree Analysis for SORAs

- Is the information adequate for comprehensive evaluation?
 - Does SORA provide adequate information?
- Is the system/technology excluded from 10 USC 2464?
 - Special access programs and commercial items (items that have been sold or leased in substantial quantities to the general public and are purchased without modification in the same form that they are sold in the commercial marketplace, or with minor modifications to meet Federal Government requirements)
- Does it support a JCS tasking?
 - As identified by the Secretary, in consultation with the Chairman of the Joint Chiefs of Staff, as necessary to enable the armed forces to fulfill the strategic and contingency plans prepared by the Chairman of the Joint Chiefs of Staff War and Mobility Plan (WMP)
- Is the system/technology reported in the current Biennial Core Computation?
- Is there a core shortfall for this technology?
 - Based on current AF Biennial Core Report

Myths and Truths

- Myth - Designation of core workload means 100% of workload must be performed by organic depots
 - Truth - Agency shall assign sufficient workload to ensure cost efficiency and technical competence in peacetime while preserving the surge capacity and reconstitution capabilities necessary to support fully the strategic and contingency plans
- Myth - Cost effectiveness of standing up organic capability takes place during the initial SORA Core Decision Analysis
 - Truth - Cost effectiveness requires depot maintenance organic vs contract comparison reviewed during the DMAWG process

Air Force Materiel Command



AFMC Workload Distribution (50/50) Reporting Process 101

Greg Meyer
HQ AFMC/A4FD
24 Jun 15



Sources of Information

- **Sharepoint**
 - **Dedicated site for all things 50/50**
 - “Distribution of Depot-Level Maintenance (50/50)
 - Accessible directly or through AFMC/A4FD Community site
 - <https://org.eis.afmc.af.mil/sites/HQAFMCA4/A4D/A4DC/50-50/default.aspx>
 - Templates
 - Informational briefings
 - Data Call procedures
- **50/50 Data Call procedures**
 - **Definitions of Depot Level Maintenance**
 - **OSD guidance**
 - **Detailed procedures**
- **POC for 50/50**
 - **HQ AFMC/A4FD**



Overview

- **Statutory Basis**
- **Reporting Process**
- **History**
- **Baseline**
- **Issues/Compliance Management**

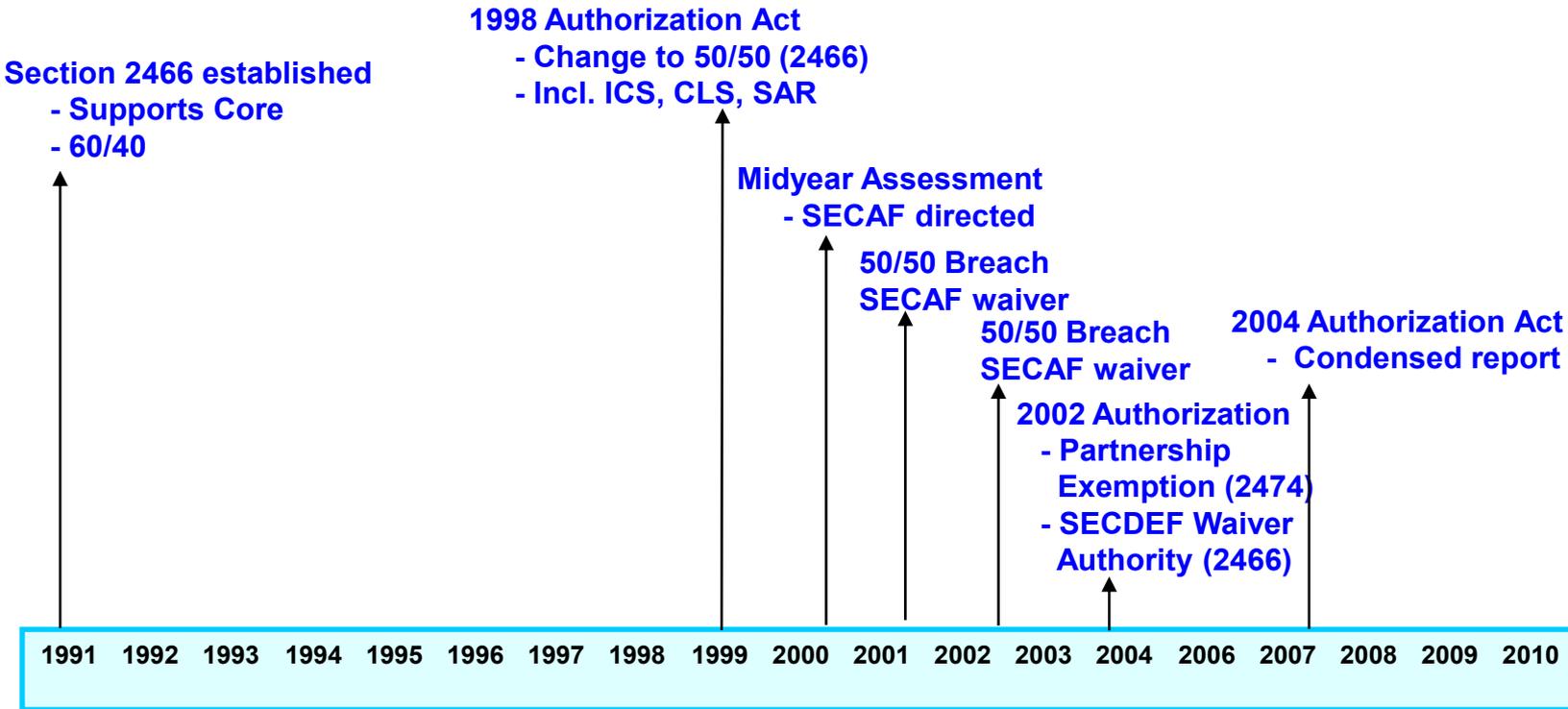


Statutory Basis

- **Section 2466. Limitations on contract depot maintenance**
- **Section 2460. Definition of depot-level maintenance**
- **Section 2464. Core requirements**
- **Section 2474. Centers of Industrial and Technical Excellence**
- **Percentage limitation**
 - “Not more than 50 percent...may be used to contract for the military department...”
 - Applies to all depot-level maintenance and repair (ICS, CLS, SAR, etc)
 - Prior to 1998 language, ICS and CLS not included
- **Waiver of limitation**
 - Requires SECDEF signature (2002 authorization language change)
 - Must be necessary for reasons of national security
 - Requires notification to Congress
 - Waiver for Section 2466 compliance used for FY00 and FY01
- **Directs GAO oversight**



History Highlights

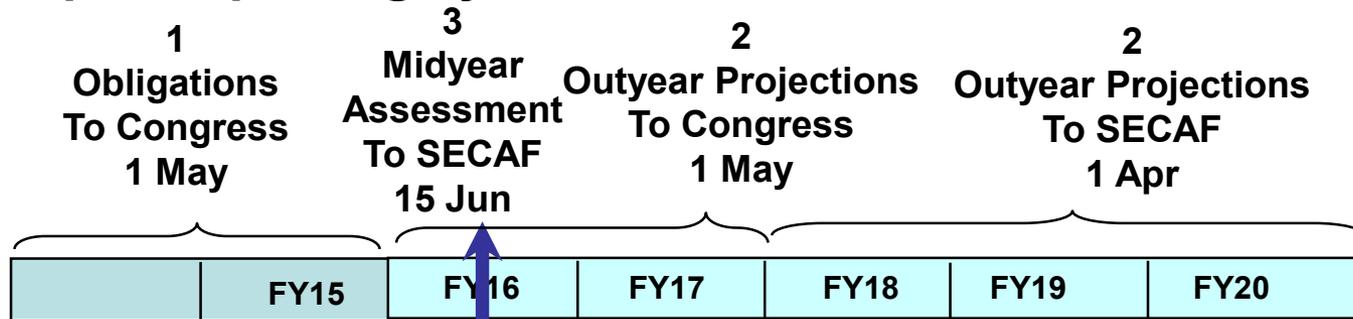


SECDEF/SECAF Position – NO MORE WAIVERS



Reporting Basics

- **Three part reporting cycle**



- **Depot maintenance**

- Not just work at the depots
- Based on the type of task, not location or who is doing the work
- Applies to all types and sources of funds

- **Based on Principle Perspective**

- Only AF dollars funding maintenance of AF military material
- Does not include workload performed by the AF for FMS, other Services or agencies as their agent

- **Workload mix reported and tracked at service level only**

- Not tracked or managed at center, commodity or program level



Reportable/Non-Reportable Tasks

Depot-Level Maintenance Tasks (All or Partial)

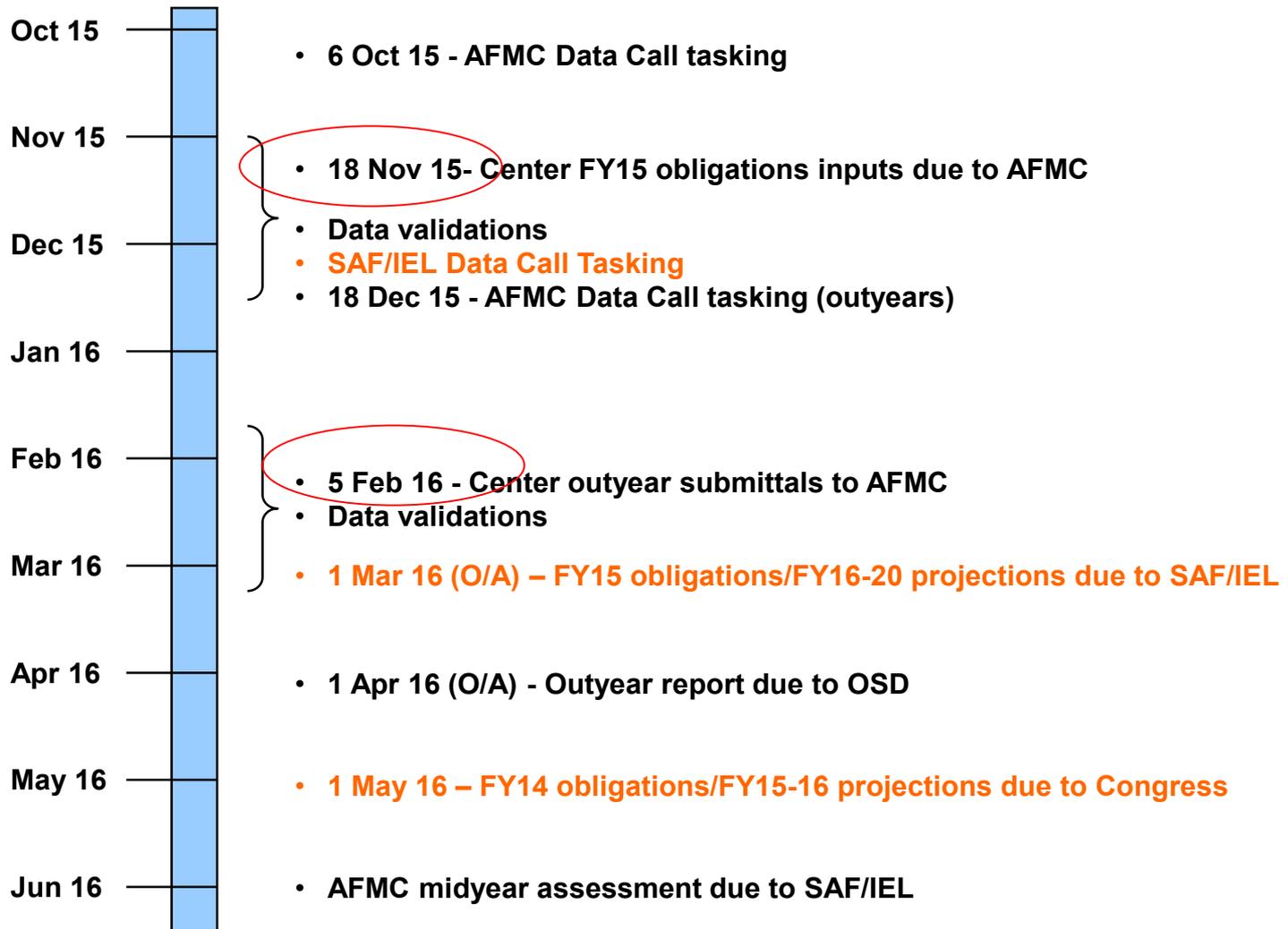
- PDM/ACI/Speedline/C-Check
- Over and Above
- Logistics/Program Support
- Repair/Overhaul - Recoverable Items/Special Repair Activity
- Software Maintenance
- Flying Hour based support
- Depot Materiel (consumable and recoverable)
- Contract Field Teams
- Functional Check Flights
- Extended/Negotiated Warranty Costs
- Service Support Agreement Costs
- Maintenance (Shop Floor) Engineering
- Subcontracted/Routed workload costs
- Decommissioning/Demilitarization costs

Other Tasks

- Field Service Teams
- Sustaining Engineering
- Mod Kit/Kit Procurement
- Spares Procurement
- Engineering Support/Services
- Advisory and Assistance Services (A&AS)
- Contract Operated & Maintained Base Supply (COMBS)
- Base Operations
- Software Development
- Software license fees
- Tech Data Maintenance



2015-16 Schedule



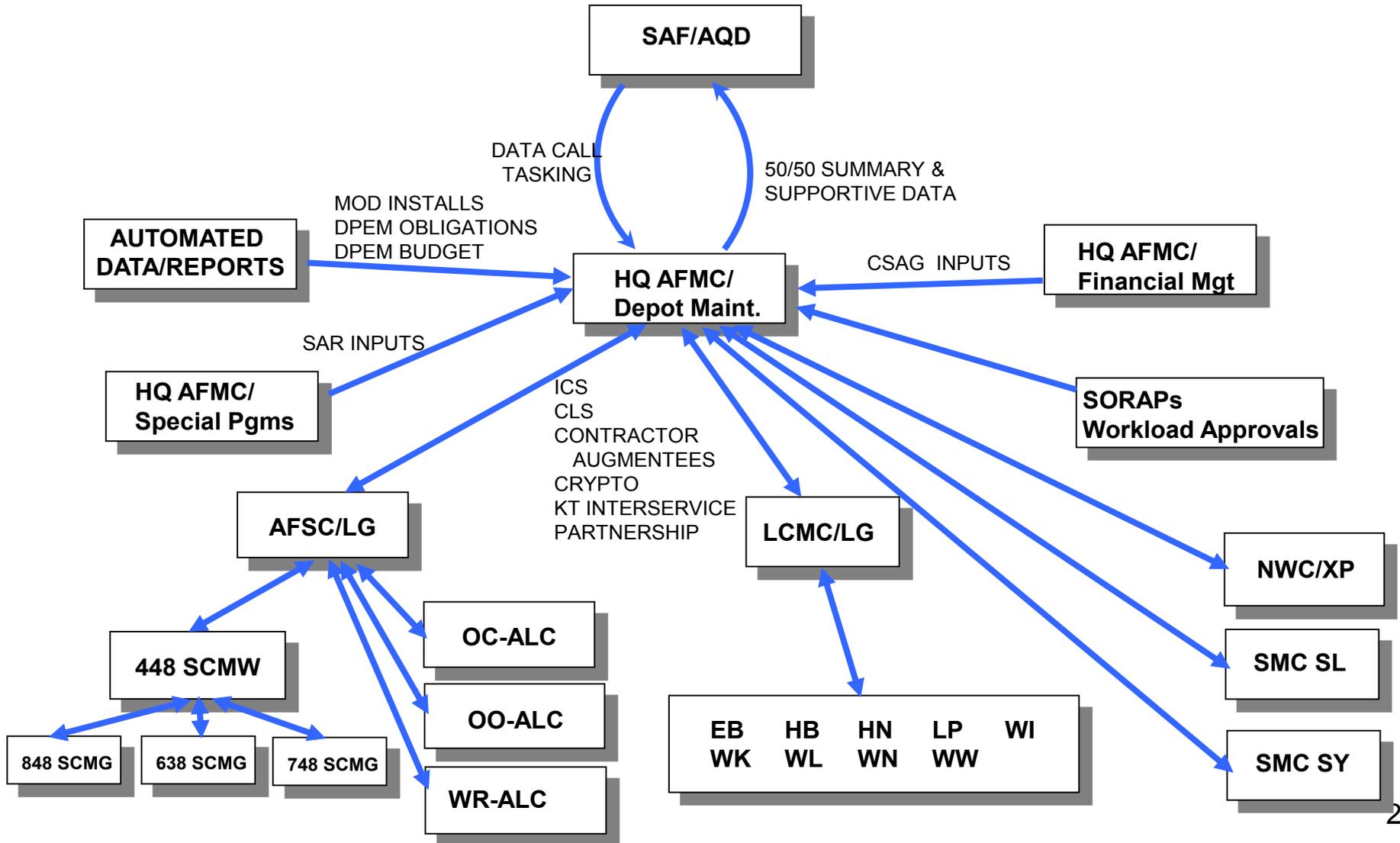


Reporting Process Features

- **Electronic reporting process**
 - MS Access-based reporting model
 - Automated links to center data
 - Variance analysis for each program/workload category/center
- **Detailed reporting procedures**
- **Proactive data call schedule**
- **Single reporting point of contact at each center**
- **On-site data validations by HQ AFMC at all centers**
- **Renewed Congressional interest in audit from third-party audit agency**
- **Active training efforts/visits**



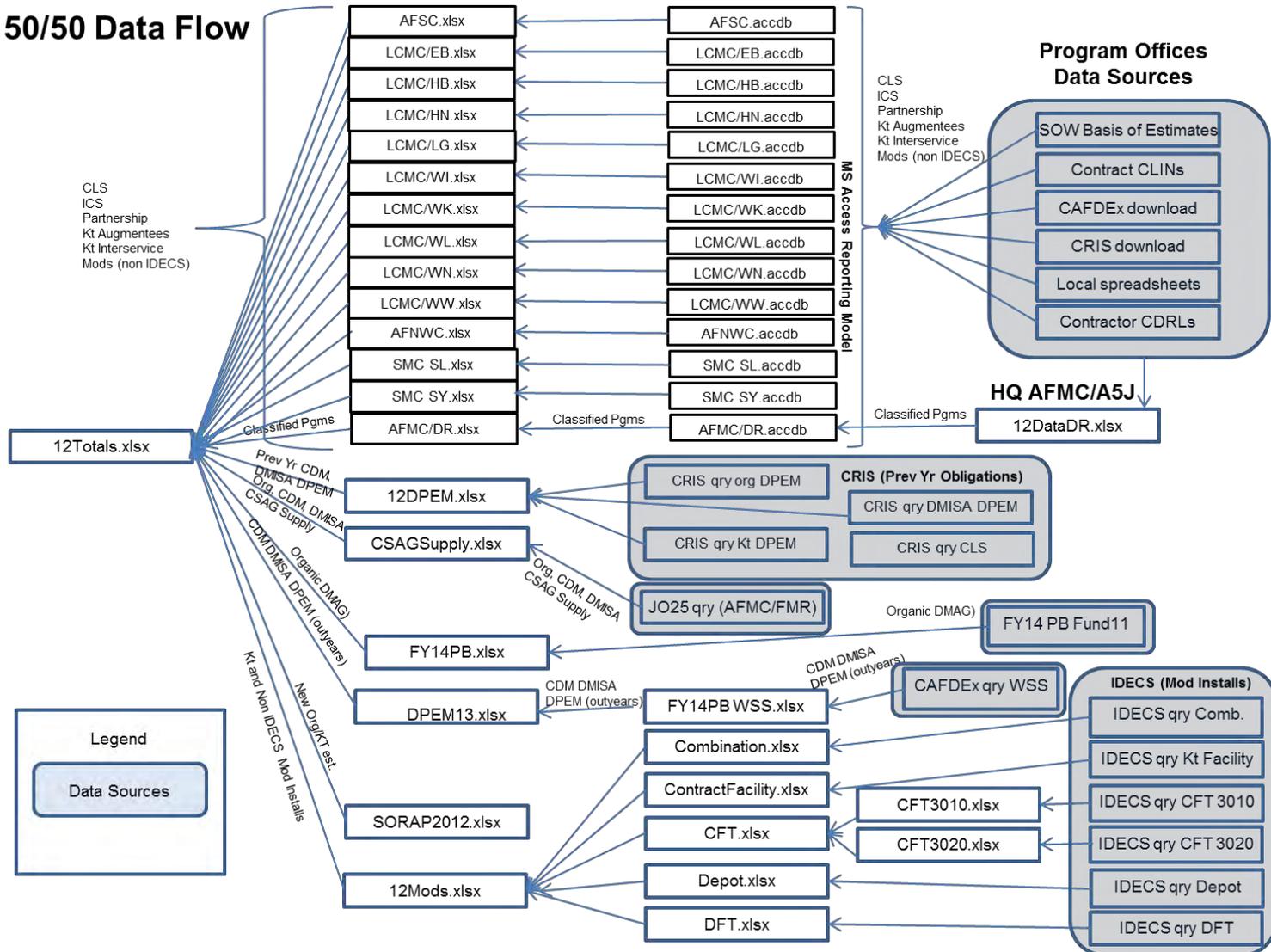
Process Interfaces





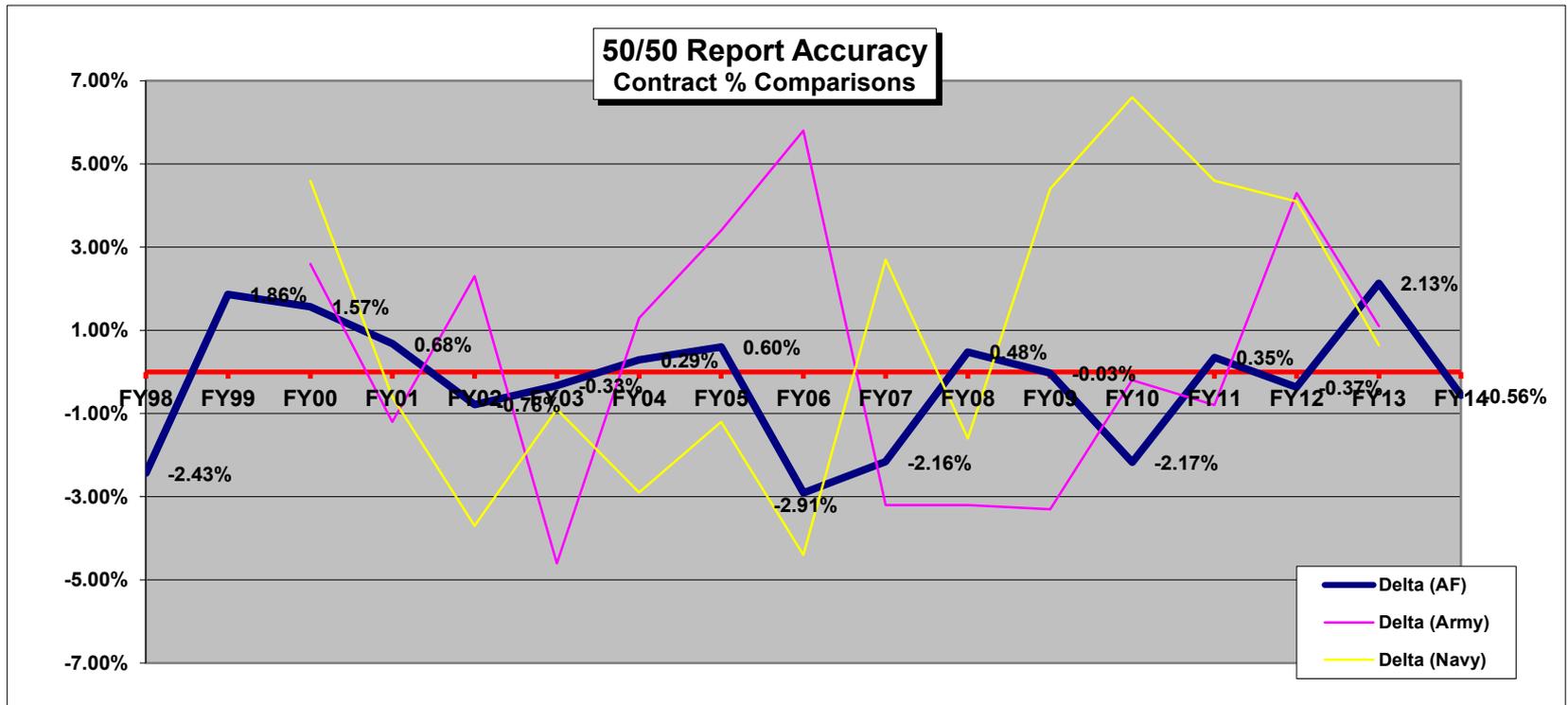
Statutory Basis

50/50 Data Flow





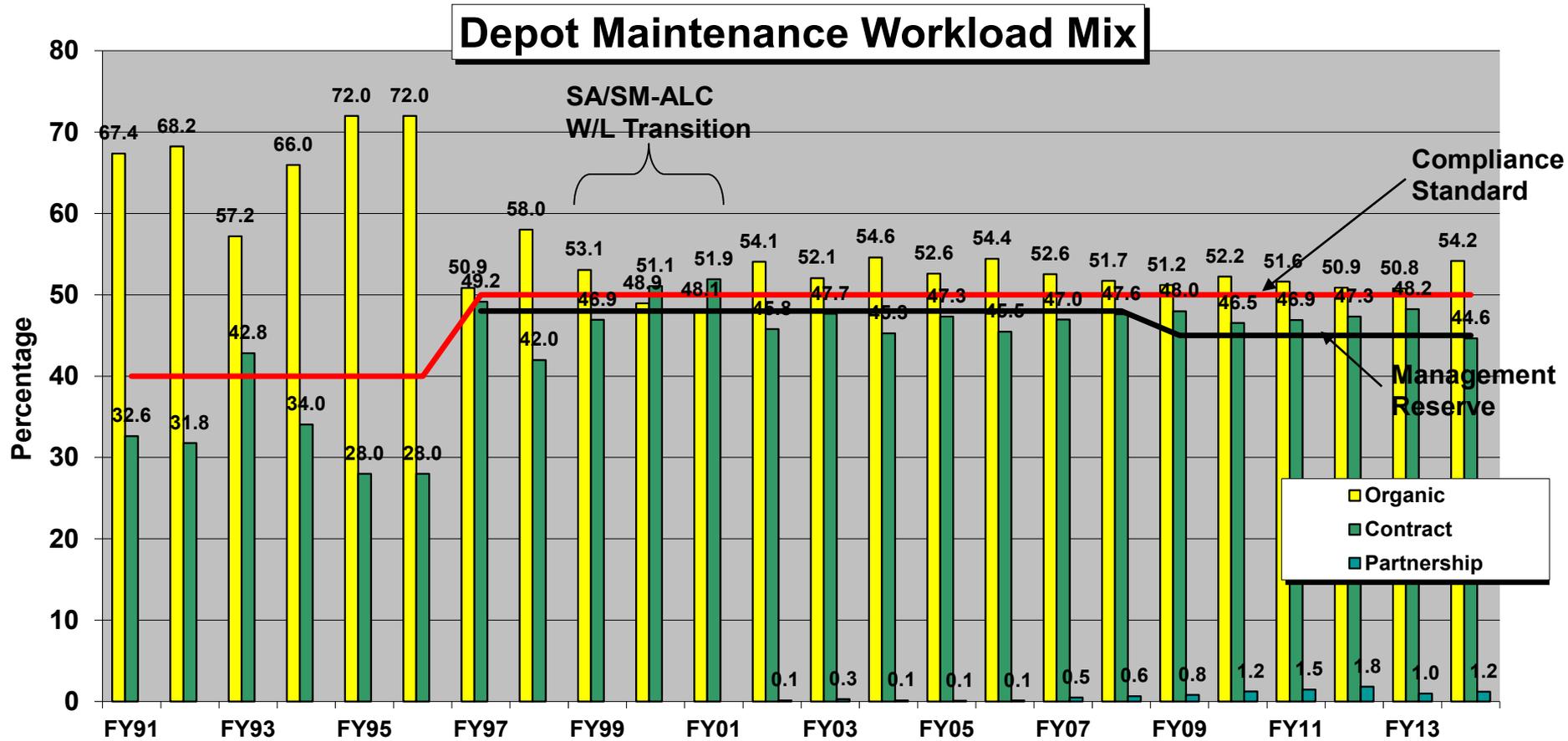
Reporting Accuracy



- Comparison of actuals vs 1st year projection from previous data call
- Average variance – since 2000
 - Air Force – 1.03%
 - Army – 2.66%
 - Navy – 3.07%



Compliance History





Apr 15 AF Baseline (\$M)

ORGANIC WORKLOAD	FY14	FY15	FY16	FY17	FY18	FY19
Organic CSAG-M	\$5,710	\$5,513	\$5,825	\$5,982	\$6,095	\$6,210
Less Kt Augmentee (Org CSAG-M-Funded)	(\$56)	(\$68)	(\$72)	(\$73)	(\$75)	(\$83)
Interservice (Interservice dollars)	\$246	\$241	\$323	\$315	\$326	\$333
Less Contract Interservice (Interservice dollars)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)
Organic Partnership (Direct Sales)	\$607	\$761	\$985	\$1,185	\$1,248	\$1,265
Crypto	\$7	\$7	\$7	\$8	\$9	\$10
New organic workload estimates			\$3	\$0	\$3	\$5
Organic adjustments	\$0	\$0	\$0	\$0	\$0	\$0
Organic adjustments (FY 15 Execution Plan)	\$0	\$425	\$0	\$0	\$0	\$0
TOTAL ORGANIC WORKLOAD	\$6,514	\$6,878	\$7,072	\$7,416	\$7,606	\$7,741
CONTRACT WORKLOAD	FY14	FY15	FY16	FY17	FY18	FY19
Contract CSAG-M (DPEM only)	\$0	\$0	\$0	\$0	\$0	\$0
Contract Depot Maintenance	\$1,837	\$2,027	\$2,225	\$2,241	\$2,061	\$2,057
CLS	\$3,450	\$3,918	\$4,570	\$4,803	\$5,079	\$4,932
ICS	\$48	\$45	\$51	\$48	\$119	\$133
Organic Partnership (Direct Sales)	(\$607)	(\$761)	(\$985)	(\$1,185)	(\$1,248)	(\$1,265)
Organic Partnership (Work Share)		(\$50)	(\$51)	(\$53)	(\$55)	(\$53)
Kt Augmentee	\$59	\$73	\$77	\$78	\$80	\$90
Contract Interservice (Interservice dollars)	\$0	\$0	\$0	\$0	\$0	\$0
Crypto	\$3	\$3	\$3	\$4	\$4	\$3
Contract Mods	\$722	\$600	\$326	\$427	\$456	\$422
New contract workload estimates			\$13	\$11	\$12	\$0
Contract adjustments	\$0	\$0	\$0	\$0	\$0	\$0
FY15 Execution Plan Adjustments	\$0	(\$359)	\$0	\$0	\$0	\$0
TOTAL CONTRACT WORKLOAD	\$5,513	\$5,496	\$6,230	\$6,375	\$6,507	\$6,321



Apr 15 AF Baseline (\$M)

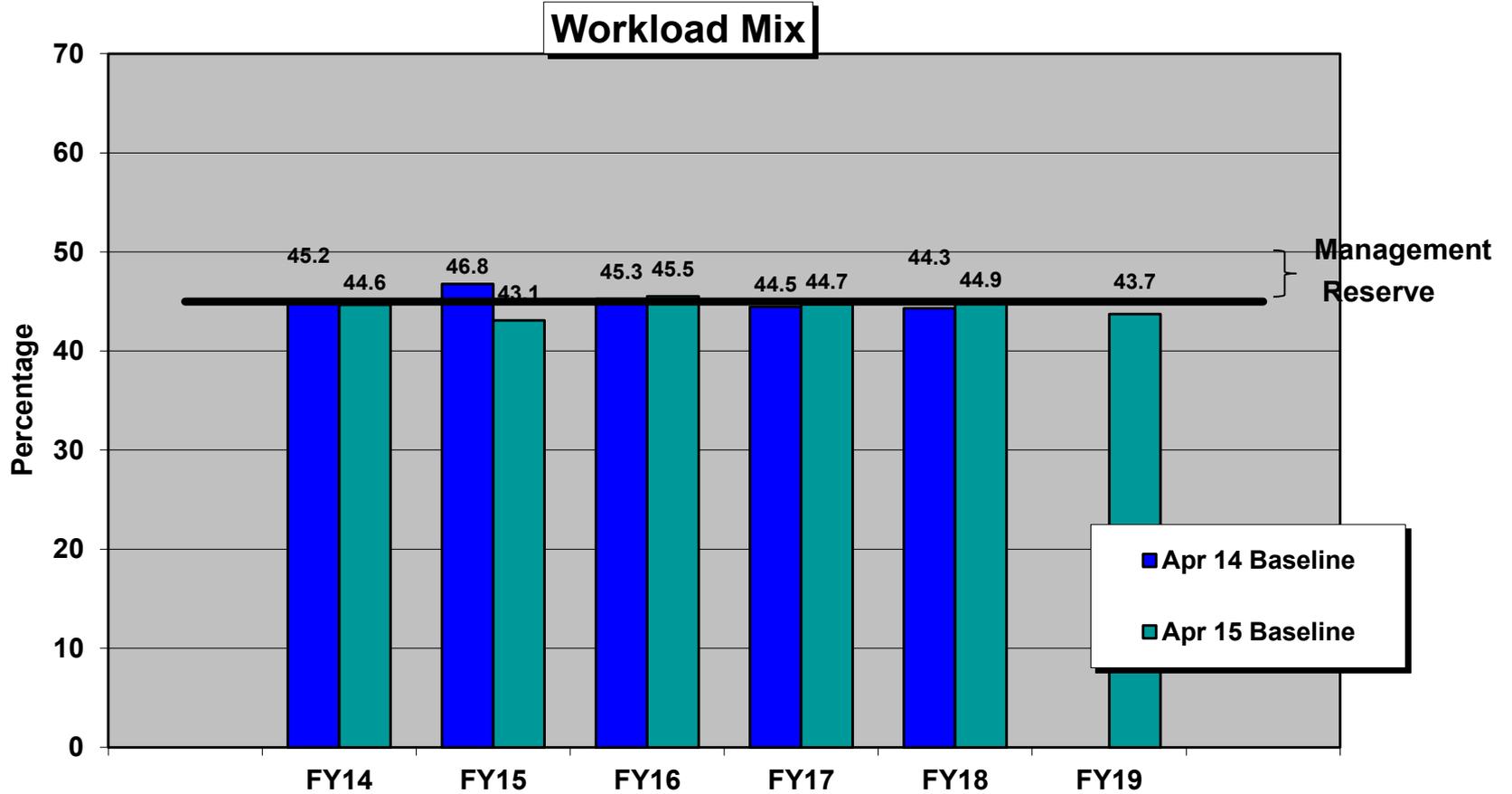
Workload Split	FY14	FY15	FY16	FY17	FY18	FY19
Organic	\$6,514	\$6,878	\$7,072	\$7,416	\$7,606	\$7,741
Contract	\$5,369	\$5,331	\$6,054	\$6,167	\$6,337	\$6,151
Partnership Exemption	\$144	\$166	\$176	\$208	\$170	\$170
Total	\$12,026	\$12,375	\$13,302	\$13,792	\$14,114	\$14,061
Workload Mix Ratio						
Organic	54.16%	55.58%	53.17%	53.77%	53.89%	55.05%
Contract	44.64%	43.08%	45.51%	44.72%	44.90%	43.74%
Partnership Exemption	1.20%	1.34%	1.32%	1.51%	1.21%	1.21%
Compliance Status						
Available to shift from organic to contract	\$644	\$857	\$597	\$728	\$720	\$880
Available to subtract from organic or add to contract	\$1,289	\$1,714	\$1,195	\$1,457	\$1,440	\$1,760

Congressional report



Current AF Baseline

(2014-15 Data Call)





Issues

- **Organic pricing/efficiencies driving compliance projections**
- **Competing priorities/use of CLS for life**
 - **PBL contradictory to 50/50 reporting and audit requirements**
 - **Partnerships vs traditional organic funding**
 - **5-digit CLS EEIC not ready for 50/50 reporting implementation**
- **5-Center Construct driving significant 50/50 data collection process changes**
 - **AFLCMC/LG stepping up to revised reporting guidelines and data flow**
 - **Training accomplished by extensive visits to all Centers by HQ AFMC and AFLCMC 50/50 POC**
- **Increased AFAA audit involvement**
- **F-35 outside of AF PEO portfolios and traditional 50/50 reporting channels**



Management of 50/50

- **45% Management Reserve level (buffer)**
- **Improvements in DSOR policy/implementation**
- **Long-term focus on new workloads/partnerships**
 - F-35, KC-46, MQ-9
- **ILCM EF**
 - Re-emergence of AF 50/50 compliance team
- **Real-time tracking goal**
 - Multiple data calls
 - Tracking monthly/quarterly execution plans
 - Direct interface with major fund holders



Summary

- **50/50 threshold directed by public law**
- **Robust data collection/reporting process in place**
- **Compliance remains a potential challenge in outyears**
- **2014-15 Data Call complete**



Are My Efforts Important?

- **Reviewed closely at all levels of DoD**
 - HQ AFMC/CC, HQ USAF/A4, SAF/AQ & IE, SECAF, SECDEF
 - Drives workload approval policy
- **Drives potential workload decisions**
 - Workload shifts
 - Workload split decisions
 - Contract cancellations
- **Influences HQ USAF, SECAF, SECDEF decision for Section 2466 waiver**
 - Congressional Hearings – painful
 - Increased oversight/more frequent data calls
- **GAO audit**
 - Recommendations drive AF policy and corrective actions
 - Public record



Backup Charts



Which Side of the Equation?

What is considered Depot Maintenance and Repair

10 USC 2460

Depot maintenance and repair means material maintenance or repair requiring overhaul, upgrading, or rebuilding of parts, assemblies or sub-assemblies, and the testing and reclamation of equipment, as necessary, regardless of the source of funds for maintenance or repair, or the location at which the maintenance or repair is performed.

What's In (Counted in Air Force 50/50 report)

Organic

10 USC 2466

- All work performed by Government personnel, period
- All workload in the ALCs by Government personnel
- Government personnel performing work at ALCs under partnerships (Direct Sales/Workshare Agreements)
- Depot field teams
- Government employees performing work at Contractor owner facilities off base from an ALC (i.e. Maintenance, Repair & Operation (MRO); Georgia-Robins Aerospace Maintenance Partnership (GRAMP))
- Government employees performing work funded by Air Force dollars at other Service depots
- All direct labor, materials, and other factors of production associated with organic workload

Contract

10 USC 2466

- All work performed by contractors – exception is Public-Private Partnership workload at CITE locations
- Depot maintenance workload performed by contractors under CLS, ICS, DPEM, or MSD-funded contracts
- Contract augmentees at ALCs
- Contract field teams
- Foreign military depots
- Contract personnel performing work at Government-owned or leased facilities other than CITE locations
- Contract employees performing Air Force work at other Service depots

Not counted as contract or organic depot mx workload--neutral for 50/50 reporting

10 USC 2474

- All depot maintenance workload performed by contractors located on a Center of Industrial and Technical Excellence (CITE) in performance of a public-private partnership
- Includes all factors of production (e.g. labor, material, parts, indirect, and overhead)

What's Out (Not Counted in Air Force 50/50 report)

- USSOCOM Unique Funds (i.e. MFP 11 funds)
- Depot Maintenance and Repair Supporting Foreign Military Sales
- Workload from other Services or Government Agencies (Army, Navy, DIA, NSA, etc.)



Statutory Basis - Language

- **Percentage Limitation**
 - Not more than 50 percent of the funds made available in a fiscal year to a military department ... for depot-level maintenance and repair workload may be used to contract for the performance by non-Federal Government personnel...
- **Waiver of limitation**
 - The Secretary of Defense may waive the limitation ... for a fiscal year if:
 - The Secretary determines the waiver is necessary for reasons of national security
 - The Secretary submits to Congress notification of the waiver together with the reasons...
 - The authority to grant a waiver may not be delegated.
- **Annual Reports**
 - Not later than April 1 each year, the SECDEF shall submit a report to Congress...
 - Not later than 90 days after SECDEF submits the report, the Comptroller General shall submit a report ...:
 - The DoD complied with the requirements... (50% limitation)
 - The expenditure projections ... are reasonable.



OSD Guidance – Key Points

- **Depot maintenance definition**
 - Applies to military materiel
 - Applies to all types and sources of funds budgeted and managed by the Military Department or Agency (Principle perspective)
 - Applies to all locations of production performing depot-level maintenance
- **Reporting Conventions**
 - Obligations (customer orders), not expenditures
 - Funded position or anticipated obligations, not requirements
 - Include all factors of production
 - Reporting will be made by the Service from the Principle's perspective
 - The component which manages the funding for or owns the equipment being repaired or maintained
 - Depot maintenance funded through Foreign Military Sales or with funds from Trust Fund accounts will not be reported
 - TRANSCOM dollars – AF reports Air Mobility Command dollars
 - USSOCOM Defense-wide appropriation will be reported by USSOCOM
 - Special Access programs should be included in totals reported



OSD Guidance – Key Points

(Cont.)

- **General Guidelines**

- **Data will be in two categories**
 - **Contracted for performance by non-Federal Government personnel**
 - **Performed by employees of the DoD**
- **Partnership – exempt from 50 percent limit**
 - **Location maintenance is performed must be designated as a CITE**
 - **Workload must be pursuant to a public-private partnership**
 - **Workload must be performed by private industry or other entities outside the DoD at a CITE**
- **Any contractor direct labor augmentation of organic production will be reported as contract to the extent of actual contract costs**
- **All maintenance performed in a depot is considered depot-level maintenance**
- **Warranties for maintenance and repair shall be accounted for as contract workload**
 - **Warranty support occurring prior to IOC will not be counted**
 - **Warranty support contracted prior to IOC but performed after IOC shall be counted**
- **Any portion of ICS prior to IOC shall not be counted**