

# PARTNERING WHITE PAPER

Background: Congress' passage of 10 USC 2474 opened the door to new, inventive and progressive business relationships between organic depots and private industry. For the first time, government and industry can legally join together with the common goal of sustaining the critical tools for America's war fighters. Partnerships built on this foundation aren't mere contracts—instead, they transcend traditional buyer-seller roles and provide an opportunity to build long-term, capabilities-focused relationships that center on war fighter needs. These agreements also provide a unique way to satisfy other Congressional mandates such as those found in 10 USC 2464 (Core) and 10 USC 2466 (50/50). These statutes mandate certain types and quantities of workload be accomplished by Air Force employees at Air Logistic Centers (ALC). The AF does not currently comply with the 50/50 statute; SECAF, CSAF & AFMC/CC have made compliance a priority. Recent refinements to 10 USC 2474, however, provide that work performed on an organic depot by commercial entities under a partnership with the Air Force is excluded from the 50/50 calculation. This change helps the AF comply and provides more headroom for other commercially performed Air Force work.

To accommodate these restrictive workload requirements, ALCs and forward thinking commercial companies are forming partnerships to meet the legislative demands of Congress, foster greater cooperation between the Air Force and private industry, and improve support to the warfighter. Until now, most partnering efforts have been limited to what we term "Generation I partnerships." These partnerships are characterized by simple straightforward sales, leases of government facilities and equipment, and Government Furnished Supplies/Services (GFS/S) (renamed recently to "Workshare") type arrangements. These "partnerships" focus on individual transactions that are typically short-term and involve a single or limited requirement.

Unfortunately, many partnership opportunities have been ineffectual or missed because of perceived legal or policy restrictions. Statutory limitations are rarely the key factor limiting partnership development. Partnering opportunities are usually lost because of internal policy and lengthy approval processes. Current Government policies are limiting, inflexible, and assume a preference for a

Workshare type methodology. Commercial partners have similar challenges. Both government and industry can overcome these hurdles.

As partners, and in keeping with the emphasis of 10 USC 2474, we need to build business relationships that will drive down the cost of support for the warfighter, make improvements maximizing the use of existing resources, allow for private investment in a Center's infrastructure, and foster cooperation between the Air Force and private industry. Future "Generation II partnerships" need to be capability and capacity focused and further the purpose of the CITE designations as stated in the statutory authority. Workloads identified for partnerships should center on vital current and future technologies that improve our ability to support the warfighter. Workload opportunities that allow for future growth for both the contractor and the government should be strongly considered. If we anchor business on government facilities and infuse a strong commercial presence, we can provide future opportunities for other relationships that relate to DoD workloads and at the same time mitigate the legislative demands of 10 USC 2466, which requires a substantial level of contract work be accomplished at the Centers. In addition, "virtual" partnerships could encourage data and information exchange, technology development & transfer, sharing of best business practices, training, and workforce development that complements arrangements focused on Air Force systems or workloads. Through partnering, we see future opportunities for the government and industry to improve operations and increase leverage in the marketplace for future government and commercial workloads.

Working seamlessly in a partnership, we can build and operate a life-cycle sustainment plan for new and old systems. As a team, our influence on policy makers, program offices and other internal offices, will be strengthened. With this increased strength, we can develop partnerships that create a true long-term relationship furthering both our needs. Moreover, this cooperative venture opens the door to new markets for both of us that increase market share in the worldwide sustainment of aircraft systems, subsystems and related support structure. Economies of scale, sharing of technology and vision, and the spreading of costs over a larger base are inevitable.

Our initial vision of this relationship would be a flexible, long-term (20+ years) umbrella agreement covering all systems and subsystems built by Lockheed Martin (or heritage LM) for which Ogden is the TRC/CITE. Specific Implementation Agreements (IAs) would follow. Each would use an appropriate business arrangement (contract, lease, barter, exchange, loan, etc.) chosen from a complete toolbox and tailored to the specific workload need. IAs would be added

or deleted as appropriate. The partnership would be renewable and end only when its general purposes were no longer valid.

We must move toward “generation II type partnerships”. While “generation I and II partnerships” share some features (notable the need to maintain core competencies and support the warfighter), the evolved agreements are more flexible, enduring and responsive. “Generation II” agreements are broader and should include: logistics management, engineering, supply chain management, depot maintenance, workforce development/training, production efficiency and quality. As stated earlier, we must also include vital current and future technologies, seek to reduce operation and ownership costs from underutilized capacity, increase private sector access to defense-unique capabilities, and enhance commercialization of dual-use technologies. We see the parties (2 or more) bringing complementary capabilities and overlapping interests, entering long term relationships, each furnishing a part of the capital and labor for the enterprise, and sharing profit, risk and potential loss.

To start down this path we believe we must jointly develop a letter of intent to partner, stating the overarching desires of both parties. Nondisclosure agreements would be signed to protect the necessary sharing of technical and cost information. A working group would be formed to develop terms and conditions for the partnership agreement, including model IAs for various business contemplated by the partnership. A Steering Group of senior leadership would be formed to provide top-level direction and ensure the intent of the Working Group continues to be on track. This group is also responsible for shepherding the partnership agreement and subsequent IAs through the relevant government and corporate coordination and approval process. To support the development of the separate IAs, individual business cases are necessary to demonstrate the goals and objectives are attainable and desirable. Following the signing of a PA the working group would be tasked to build the appropriate IAs.