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**PUBLIC AND PRIVATE ROLES IN MAINTAINING  
MILITARY EQUIPMENT AT THE DEPOT LEVEL**

The Department of Defense (DoD) spends almost \$13 billion annually on depot-level maintenance of military equipment. Large, government-owned industrial facilities perform over two-thirds of that work. According to a Congressional Budget Office (CBO) study, *Public and Private Roles in Maintaining Military Equipment at the Depot Level*, the federal government could save money in the long run by allocating a greater share of depot-level maintenance to competition in the private sector. Although the amount of those savings is uncertain, the government might save on the order of \$1 billion annually if the Congress limited the percentage of maintenance handled in public depots to no more than 30 percent of DoD's total workload.

During the Cold War, DoD argued that it needed a large system of public depots to meet the surge in maintenance that would be generated by full-scale mobilization and protracted combat against a well-armed enemy. The relatively brief regional conflicts for which the military plans today do not call for the same intensity or kinds of surge in depot-level maintenance as did Cold War scenarios. Under current warfighting scenarios, the surge in overhauls and repairs on major end items--tanks, aircraft, and ships--would not occur until the conflicts were over and the military had returned the damaged equipment to the United States. Despite that change in requirements, DoD still plans to allocate most of its maintenance work to public depots.

DoD may no longer need a large system of public depots capable of performing routine overhauls on major end items. In regional conflicts, maintenance at the depot level would focus primarily on component repair and special, unexpected modification or manufacturing tasks. The department already relies on the private sector to repair many specialized components of frontline systems. Moreover, in today's warfighting scenarios, the manufacturing and repair capabilities of private industry would not be fully occupied with war production. Consequently, DoD might be able to provide the most versatile, responsive maintenance in wartime by focusing on rapid, reliable access to the private sector.

Moreover, DoD might be able to reduce the cost of depot-level maintenance significantly by allowing private firms to compete for more of its maintenance workloads. Such tasks could include routine overhauls of many frontline combat systems as well as maintenance of systems with close commercial counterparts. A wide range of studies suggest that in competitive environments private production can be 20 percent to 40 percent less costly than public production. Public and mixed public/private modes of production are most appropriate if private-sector competition is not possible or if developing and monitoring contracts prove difficult.

Nonetheless, a bigger private-sector role has some important drawbacks. DoD would incur costs in the near term as it closed additional public depots or transferred them to private ownership. In addition, the quality and timeliness of work might suffer as ongoing repair lines were disrupted and new ones established. Although the potential benefits from greater use of the private sector are large, they would be evident only in the long run, and then only if DoD carefully identified those workloads for which private production was most appropriate.

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