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POL Supply of the Bundeswehr by Public-Private Partnerships

In future the mission of the Bundeswehr will be increasingly characterized by operations for international conflict prevention, crisis management, and counter terrorism actions. The Bundeswehr is presently undergoing a fundamental change from an Army of deterrence to an Army in international operations. The ongoing transformation of the Bundeswehr is to guarantee a continuous adaptation process to the changes in the security situation in order to increase the effectiveness of the Bundeswehr in missions and to also maintain it in the long run. Aside from a strengthening of the mission-oriented capabilities, the advancing of the jointness and combinedness of the armed forces it is primarily the cooperation with trade and industry, which is to be intensified. Within the scope of the transformation both the armed forces and the Bundeswehr administration are facing the significant challenge to bring about an economic modernization of the Bundeswehr by means of implementing business-related control and management methods. This goes also for the task spectrum of the POL (petroleum, oils, and lubricants) supply, which is vital for the operability of the armed forces.

Public-Private Partnerships in the Bundeswehr

According to the “Defence Policy Guidelines” of the Federal Minister of Defence of 21 May 2003 and the resultant “Concept of the Bundeswehr” of 9 August 2004, the Bundeswehr is to primarily focus on the maintenance and improvement of its military core tasks in order to reach the goal of its economic modernization. Core tasks include all capabilities necessary to fulfil the Bundeswehr tasks and missions, which the Bundeswehr must have in conformity to legal provisions, political stipulations or militarily indispensable requirements and for which a discharge by performance of third parties is not available. Tasks, which do not directly serve the purposes of the mission, but are pure service tasks (so-called non-core tasks) are planned to be performed in cooperation with the private sector. Such collaboration between government authorities and private sector enterprises for the

fulfillment of public tasks is designated “Public-Private Partnership” (PPP). The term goes back to the respective Green Paper of the European Commission. PPPs comprise a multitude of possible forms of cooperation between Bundeswehr and the private sector with no specific legal, contractual or organizational forms being immanent. All PPPs in the Bundeswehr have in common, however, that their financing is not effected through the provision of services on the market, but comes from the defence budget. The most prominent forms of PPPs are the privatization as well as the operator and business management models. In addition to supporting the transformation process the PPPs aim above all at a more efficient and more effective accomplishment of the task through continuous performance improvement. The entering into PPPs is to relieve the Bundeswehr from the burden of the discharge of non-military core tasks. At the same time it is intended to open up the innovation potential of trade and industry and to generate the knowledge for a more efficient shaping of the business and pro-

curement processes. This results in the fact that the private sector is now rendering services in accordance with economic criteria, which were formerly provided by the armed forces or the Bundeswehr administration themselves. Public contract awards for services, which do not count among the military discharge of task, are to lead to the submission of innovative and economically beneficial bids by private sector enterprises. The savings realized in the defence

Pursuant to the directives “Sub-Concept Provision and Stockage of Supplies in Missions and for Basic Duties at Home” and “Sub-Concept POL Supply of the Bundeswehr” (as concepts inferior to the “Sub-Concept Logistics of the Bundeswehr” and the “Concept of the Bundeswehr”) the supply of the Bundeswehr with POL and associated products has to be restructured. Unlike the POL supply of armed forces on mission, POL supply for the basic duties

Strategic Purchasing by the Bundeswehr

The restructuring of the POL supply for the Bundeswehr sets innovative requirements in respect to the flexibility, speed, and efficiency of the procurement system. A reduced POL demand of the armed forces, a new basic concept for stockpiling, financial targets of the defence budget, and probably permanently increasing and simultaneously volatile market prices require a maximally economic and flexible procurement, stockpiling, and management of POL products. The reorientation of the POL supply has an impact on both the quantity of the stockpiling in depots and on the conceptual make-up of the distribution logistics of the Bundeswehr. Whereas depot management and distribution of POL products have so far been accomplished by the Bundeswehr itself, it is now essential to establish within the meaning of the economic modernization of the Bundeswehr whether these services which are relevant for the basic duties at home can be provided by the private sector in more efficient, economic and thus more effective ways. The assessment of the efficiency of the procurement and thus of the purchase of the required services necessitates the decision between their self-production or contract provision. Here, three equally important concepts of the economic analysis are taken into account: optimized internal model (OIM), PPP or privatization. Should the most economic solution be possible to be realized by entering into a PPP, the service on which it is based will be awarded as a public contract to a service provider of the private sector. The public awarding of contracts for service projects with a logistical reference is primarily made by the “Service Department Strategic Purchasing by the Bundeswehr” (SDSP) at the Federal Office of Defence Technology and Procurement in Koblenz. The E2 Service Division “Strategic Fields of Business and Contracts” of the SDSP is responsible for the preparation and implementation of cooperation models for logistic services and service contracts within the scope of PPP. This discharge of tasks encompasses also the strategic field of business of POL supply, which is of great importance for the oper-



Tank Vehicle of the Bundeswehr.

Photo: ES-Archiv

budget with that can be used as additional funds for investments in favor of premier tasks of the Bundeswehr. All in all, the PPPs have the inherent potential of being able to economically fulfil the tasks of the Bundeswehr, with a contribution to a sustainable strengthening of the operability of the armed forces being simultaneously associated with that.

Restructuring of POL Supply

The change of the Bundeswehr to armed forces on international mission requires the capability to ensure POL supply in the entire task spectrum. The operability of the armed forces is directly linked with their logistic support with POL. Without the delivery of POL the functionality of military weapon systems is regularly not given for the ground, naval and air forces. Supply with POL is thus of particular importance for the operational readiness and sustainability of all Services. The aim of POL supply is to efficiently provide the required type, quantity and quality of fuel to the desired location in due time – in line with the requirements of the military mission accomplishment – and thus to considerably contribute to the operational readiness and sustainability of the armed forces. Military POL and associated products include fuels (ground petroleum products, marine, aviation fuels), lubricants (lubricating oil and grease), associated products (hydraulic fluid, anticorrosive agents, special products), reactants (hydrogen, oxygen, nitrogen) as well as rocket propellants.

at home is, according to the above-mentioned sub-concepts, no core capability of the Bundeswehr. POL supply for basic duties at home comprises the supply of the Bundeswehr in Germany and abroad (not however when on mission), of third parties in Germany and abroad (e.g. joint exercises), of allied and partner forces as well as of members of other governmental organizations within the scope of disaster relief or agreed co-use. As far as these services are not discharged within the scope of available capacities and mission-preparatory training and exercises of the military POL personnel, these have to be principally performed in accordance with economic criteria and can be provided by cooperative models (PPP) or by the private sector. Receiving, stockpiling, storing, withdrawing, transshipping, and transporting of POL for the basic duties at home can basically be accomplished by service providers of the private sector. Except for guaranteeing supply reaction times and training and for maintaining the operational and functional capability of POL facilities, a stockpiling of fuel is considered only if a time-optimal procurement cannot be ensured. This applies also to the stockpile of lubricants and associated products, which is to be stocked outside a certain supply range only if a continuous, safe and time-optimal delivery from the private sector is not possible or not economical. Apart from these requirements, the supply of armed forces on basic duty at home with fuels, lubricants and associated products has to be realized according to economic criteria, with primarily the PPP being considered as an instrument for the realization.



Storage of Diesel Cans.

Photo: ACC BEKU



Pallets of Diesel Cans.

Photo: ACC BEKU

ability of the Bundeswehr. With the area of responsibility – POL supply, NATO pipeline systems, heating oil – the E2 Service Division is, among other things, in charge of the strategic purchasing of fuels, lubricants and associated products and of the contract management for the POL supply of the Bundeswehr at home as well as in countries of deployment and in maneuver training countries. The area of responsibility comprises also the strategic purchasing of POL supply services for the Bundeswehr within the scope of PPPs.

Public-Private Partnerships in POL Supply

In the wake of the Bundeswehr stationing concept of 2 November 2004, five of six POL depots were destined for closure by the end of 2008. For the Bundeswehr the reduction of the depot scene concomitantly resulted in a capacity loss in the filling of fuel cans and in a minimization of the storage area for lubricants and associated products. The only remaining military POL depot in Utzedel (Mecklenburg-Vorpommern) serves primarily the management and provision of POL products for military operations and the keeping in reserve of a cross-sectional safety stock. In order to be able to guarantee – under the aspect of the economic modernization of the Bundeswehr by means of business-related control and management methods – the necessary services in respect to the supply with fuels in cans and the management of lubricants and associated products in future as well, the Bundeswehr has entered into two PPPs in these fields of supply. The public contract awards for PPP justifying services was realized by the E2 SDSP – POL Supply, NATO Pipeline Systems, Heating Oil – at the

Federal Office of Defence Technology and Procurement; the contract management during the term of the PPP is also performed here.

The supply of the Bundeswehr with fuels in cans was no longer possible to be provided with own resources due to the closure of the POL depots at Amstetten and Ham-buehren. The outcome of a study on the economic efficiency showed that the co-operation with a civilian service provider represents the most economical provision of service support. Following the completed process of public tendering, the Federal Office of Defence Technology and Procurement has therefore commissioned an enterprise from the private sector for a period of three years to provide the supply for the armed forces with diesel fuel in Bundeswehr-own fuel cans as well as with petroleum in commercial-size one-way containers. The service spectrum extends from the storage and cleaning to the filling and up to the transport of the POL containers to the armed forces as customers. Aside from modern depots, cleaning plants and filling machines the contractor holds also synergetic distribution logistics at the disposal, so that the fuel supply for the armed forces is performed in an innovative and economical way.

As to the management of lubricants and associated products, there was initially a comparison made within the scope of an interest-manifesting procedure and an economic analysis

between the alternative of a capacity expansion at Utzedel (optimized internal model) and the possibility of an external provision of services (public-private partnership). The evaluation of the economic efficiency has revealed here, too, that the performance of supply services in co-operation with the private sector is the most economical solution. After the completed contract awarding process the Federal Office of Defence Technology and Procurement has here, too, commissioned a private service provider to perform as of 1 July 2008 the management of lubricants and associated products for the Bundeswehr for a period of three years. The service spectrum includes the receiving and storing as well as the commissioning and transporting of lubricants and associated products. Here, the contractor renders both depot and distribution services for the armed force in a customer-oriented way and in accordance with state-of-the-art techniques. Both contractors are integrated into the logistics system of the Bundeswehr. Within the scope of PPP they take over POL supply services for the Bundeswehr which have until now been provided by the armed forces themselves. In this respect the two civilian contractors contribute to an unburdening of non-military core tasks and thus to an economical use of resources in the Bundeswehr.

The POL supply of the Bundeswehr is presently going through the biggest process of



Electronic Readout of Lubricants and Associated Products. Photo: ACC BEKU

change in its history. With the commissioning of the above described PPPs the Federal Office of Defence Technology and Procurement makes another significant contribution to a sustainable strengthening of the POL supply and thus of the operability of the armed forces within the scope of the transformation and economic modernization of the Bundeswehr. Both PPPs are characterized by a trustful cooperation and have shown a downright positive balance of performance to date. ■

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