MEMORANDUM FOR DISTRIBUTION

SUBJECT: Comprehensive Contracting and Depot Work Integration Policy for Non-Nuclear Shipboard Maintenance and Modernization

References: (a) 27 AUG 2004 Memorandum of Understanding among U.S. Fleet Forces, COMPACFLT, COMFISC, COMNAVSEA and COMNAVSUP (b) COMNAVSEASYSCOM Technical Specification 9090.310(E), Alterations to Ships Accomplished by Alteration Installation Teams (c) Naval Sea Systems Command Standard Items for Repair of Vessels (d) DFARS 207.170, Consolidation of Contract Requirements (e) Section 2464 and 2466 of Title 10, U.S. Code, Limitations on Contracting for Core Logistics Capabilities and Performance of Depot-Level Maintenance of Materiel (50-50 Public-Private Depot Rule)

BACKGROUND

This memorandum sets forth the Comprehensive Contracting and Depot Work Integration Policy for Shipboard Maintenance and Modernization. Each year the Navy awards and administers more than two billion dollars in contracts for depot-level shipboard maintenance and modernization (repairs, alterations, installations and modifications). These contracts vary in method and type, including firm fixed-price or cost reimbursement, indefinite delivery-indefinite quantity (IDIQ), performance based logistics (PBL), original equipment manufacturer (OEM) basic ordering agreements (BOA), and multi-ship, multi-option (MSMO) contracts. There are in excess of two hundred such shipboard production contracts, creating the following undesirable conditions:

- Duplicative or redundant contracts for identical requirements;
- Identical requirements with differing or incomplete technical acceptance criteria;
- Simultaneous execution without effective coordination or integration, resulting in disruption;
- Improper cost allocation among contracts for support services.

The four Naval Shipyards (NSYs), seven Regional Maintenance Centers (RMCs), two Supervisors of Shipbuilding (SUPSHIPS) and four ship life cycle program managers (SPMs) employ these shipboard production contracts to accomplish their depot availability work, with each availability project requiring scoping, integration and administration of selected contracts.
POLICY

To improve contract coordination and reduce unnecessary contract proliferation, and maximize efficiency of depot work execution in support of the Fleet Response Plan, the Comprehensive Contracting and Depot Work Integration Policy for Shipboard Maintenance and Modernization policy contains the following requirements:

- NSYs and RMCs (referred to collectively as naval supervising activities, NSA) are accountable and have ultimate authority in the execution of all shipboard maintenance and modernization during availability periods, consistent with delegated authorities.
- The NSAs and SPMs shall serve as the planning and execution integration agents for all production contracting activity executed on Navy ships.
- All contracts for shipboard work shall:
  - be procured and administered by DoN warranted contracting officers in accordance with reference (a);
  - include technical content in accordance with references (b) and (c), and be approved by a platform technical director and NSA technical warrant holder as appropriate for the work;
  - be selected from an approved Portfolio of Shipboard Production Contracts.
- All contracts for shipboard production work shall reside in the Portfolio of Shipboard Production Contracts, maintained by the Commander, Regional Maintenance Centers. Contracts that are not in the approved Portfolio are not authorized for shipboard use.
- To ensure alignment, coordination and efficiency of shipboard contracting activity, all additions to the Portfolio shall be via an approval from the Contracts Governance Council (CGC), chartered by the Fleet Maintenance Board of Directors and composed of Fleet, TYCOM, SYSCOM and PEO representatives. The CGC will seek opportunities for consolidation of contract requirements in accordance with reference (d).
- The Fleet Maintenance Board of Directors shall be responsible for addressing issues raised by stakeholders that can not be adjudicated by the CGC, including exemptions to this policy.
- When tasked, lead maintenance activities (LMAs: NSYs and MSMOs) shall perform complete and timely integration of all shipboard production work during the course of an assigned availability.
  - The scope of integration shall include all depot (NSY, MSMO, Alteration Installation Team – AIT, Indefinite Delivery/Indefinite Quantity - IDIQ), intermediate and major organizational-level work.
  - Non-LMA activities participating in these availabilities must provide their industrial support requirements, proposed activity schedules and system light-
off requirements to the LMA for coordination and integration in accordance with cognizant NSA planning milestones.

- LMAs shall provide a coordination framework to ensure availability execution is balanced amongst all stakeholder requirements.

- Subject to the limitations of reference (e), NSAs shall assign LMA-organic industrial production work to the LMA based on capacity and cost reasonableness. If LMAs do not have sufficient capacity or are not cost reasonable, NSAs shall assign the work to an alternate provider. This will not relieve the LMAs of their total ship integration function, and the alternate provider shall comply with the integration requirements set forth herein.

- Maintenance and modernization of nuclear propulsion systems and supporting sub-systems, as well as SUBSAFE systems and sub-systems, are exempt from this policy.

This policy will become effective for all new shipboard maintenance and modernization contract actions. My point of contact is Mr. Dan Gulotta at 703-697-3781, or daniel.gulotta@navy.mil.

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