

JOINT FLEET MAINTENANCE MANUAL
VOLUME VII
CONTRACTED SHIP MAINTENANCE
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VOLUME VII
CONTRACTED SHIP MAINTENANCE
RECORD OF CHANGES

CHANGE NO.	DATE	TITLE OR BRIEF DESCRIPTION	ENTERED BY (INITIALS)

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JOINT FLEET MAINTENANCE MANUAL CHANGE REQUEST FORM	
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LS	Late Start
LWT	Local Work Template
MARMC	Mid-Atlantic Regional Maintenance Center
MIL-SPEC	Military Specification
MIL-STD	Military Standard
MMBP	Maintenance and Modernization Business Plan
MOU	Memorandum of Understanding
MSRA	Master Ship Repair Agreement
MT	Maintenance Team
NAICS	North American Industry Classification System
NAVAIRSYSCOM	Naval Air Systems Command
NAVCOMPT	Navy Comptroller
NAVFAC	Naval Facilities Engineering Command
NAVOSH	Navy Occupational Safety and Health
NAVSEA	Naval Sea Systems Command
NAVSEA 02	NAVSEA Contracts Directorate
NAVSEA 021	NAVSEA Contract Policy Office
NAVSEA 024	Fleet Support Contracts Division
NAVSEA 08	Naval Sea Systems Command Nuclear Propulsion Directorate
NAVSEASYSYSCOM	Naval Sea Systems Command
NAVSUPSYSCOM	Naval Supply Systems Command
NCH	NAVSEA Contracts Handbook
NDT	Nondestructive Testing
NMCARS	Navy and Marine Corps Acquisition Regulation Supplement
NMD	Navy Maintenance Database
NMP	Navy Modernization Process
NSA	Naval Supervisory Authority
NSI	NAVSEA Standard Item
NSY	Naval Shipyard
O&MN	Operation and Maintenance, Navy
O&MNR	Operations and Maintenance, Naval Reserve
OB	Operating Budget
ODL	Other Direct Labor
ODLF	Other Direct Labor Factor
OF 336	Optional Form 336
OFPP	Office of Federal Procurement Policy
OH	Overhead
OSH	Occupational Safety and Health
OSHA	Occupational Safety and Health Administration
PCB	Polychlorinated Biphenyls
PCD	Production Completion Date
PCN	Project Control Number
PCO	Procuring Contracting Officer
PE	Procedures Evaluation
PEC	Predicted-End-Cost
PEO	Program Executive Office
PMS	Planned Maintenance System

PNS	Portsmouth Naval Shipyard
PQA	Process Quality Audit
PR	Procedure Review
PSIA	Private Sector Industrial Activity
PVI	Product Verification Inspection
PY	Planning Yard
QA	Quality Assurance
QAR	Quality Assurance Representative
QDE	Quality Data Evaluation
QMS	Quality Management System
QPL	Qualified Products Lists
RD&A	Research, Development & Acquisition
REA	Request for Equitable Adjustment
RFS	Readiness for Sea
RMC	Regional Maintenance Center
SARP	Ships' Alteration Repair Package
SC	Ship Change
SCN	Shipbuilding and Conversion, Navy
SF 30	Form SF 30, Amendment of Solicitation/Modification of Contract
SHIPALT	Ship Alteration
SI	Standard Items
SPAWARSYSCOM	Space and Naval Warfare Systems Command
SPD	Ship Project Directive
SPI	Schedule Performance Index
SPM	Shipbuilding Program Manager
SSPC	Society for Protective Coatings
SSR	Ship's Selected Records
SSRAC	Standard Specification for Ship Repair and Alteration Committee
STARS	Standard Accounting and Reporting System
SUPSHIP	Supervisors of Shipbuilding, Conversion and Repair
SWLIN	Ship Work List Item Number
SWT	Standard Work Template
SYSCOM	Systems Command
TAR	Technical Analysis Report
TIP	Test and Inspection Plan
TM	Technical Manuals
TMMP	Technical Manual Management Program
TOB	Technical Operating Budget
TYCOM	Type Commander
USFF	United States Fleet Forces
WPIC	Work Package Integration Conference

Quality Management System Audit	A functional audit where a documented activity is performed to verify, by examination and evaluation of System objective evidence, that applicable elements of the quality management system are suitable and have been developed, documented and effectively implemented in accordance with specified requirements.
Record	A document that contains objective evidence that shows activities performed or results achieved.
Significant Estimating System Deficiency	A shortcoming in the estimating system which is likely to consistently result in proposal estimates for either total cost or a major cost element which are not an acceptable basis for negotiation of fair and reasonable prices.
Specification	The document that prescribes the requirements with which the product or service has to conform.
Subcontract	Any contract as defined in FAR Subpart 2.101 and entered into by a subcontractor to furnish supplies or services for performance of a prime contract or a subcontract. A subcontract includes but is not limited to purchase orders and changes and modifications to purchase orders.
Subcontractor	Any supplier, distributor, vendor or firm that furnishes supplies or services to or for a prime contractor or another subcontractor.
Supplemental Agreement	A contract modification that is accomplished by the mutual action of the parties.
Systemic/Critical Nonconformance (Method C or Method D)	A nonconformance related to system or critical failures that require a high level of management action.
Technical Data	Recorded information (regardless of the form or method of recording) of a scientific or technical nature (including computer databases and computer software documentation). This term does not include computer software or financial, administrative, cost or pricing, or management data or other information incidental to contract administration. The term includes recorded information of a scientific or technical nature that is included in computer databases. For these purposes, technical data includes the characteristic of a particular science, trade or profession.
Termination Contracting Officer	A contracting officer who is settling terminated contracts. A single contracting officer may be responsible for duties in any or all of these areas.
Testing	A means of determining the capability of an item to meet specified requirements by subjecting the item to a set of physical, chemical, environmental or operational actions and conditions.
Unilateral Modification	A contract modification that is signed only by the contracting officer.
(V)	A symbol inserted in a Work Item to establish a point in the sequence of accomplishment of work at which time the contractor shall inspect/verify and document the inspection or test. (V) inspections require verification by the trade supervisor, inspector or qualified tradesperson.
Verification	The process of confirming by examination and provision of objective evidence that specified requirements have been fulfilled.

Waiver	A written authorization to use or release a quantity of material, components or stores already manufactured but not conforming to the specified requirements.
Work	a. Any action that actually or potentially changes (including disassembly for the purposes of inspection or repair) the approved configuration of any part, component or ship's system.
Work (Cont'd)	b. Any action that removes or affects the ship's ability to operate ship's systems or components in accordance with ship's systems/operating manuals or reactor plant manuals. c. Any testing or inspections required to establish, maintain or reestablish certification. d. Any design, engineering, planning or configuration management functions that involve the final review and/or approval of technical information. Examples of work include the following: 1. Action which disassembles or removes any part, component or ship's system. 2. Action specified in a Technical Work Document. 3. Any action that removes or affects the ship's ability to operate ship's systems or components in accordance with ship's systems manuals, operating manuals or reactor plant manuals, excluding tagout in accordance with the Tagout Users Manual, including but not limited to: (a) Component or system tests. (b) Intrusive inspections (such as breaking the plane of electrical panels requiring electrical safety). (c) Valve line ups that alter the normal system line up not governed by operating procedures. (d) Removing valve hand wheels, disconnecting of reach rods.
Work Items	Work Items are work specifications that are prepared to accomplish repair or alteration work in ship repair. These items must be locally reviewed for applicability, quality and technical requirements and tailored to suit the specific work requirements.

VOLUME VII

CHAPTER 1

CONTRACTED SHIP REPAIR FUNCTIONS, TASKS AND STANDARDS OF CONDUCT

REFERENCES.

- (a) FAR Part 14 - Sealed Bidding
- (b) FAR Part 15 - Contracting by Negotiation
- (c) FAR 42.201 - Contract Administration Responsibilities
- (d) FAR 42.302 - Contract Administration Functions
- (e) FAR 42.2 - Contract Administration Services
- (f) FAR 42.3 - Contract Administration Office Functions
- (g) 5 CFR 2635 - Standards of Ethical Conduct for Employees of the Executive Branch
- (h) DoD Directive 5500.7 - Standards of Conduct
- (i) U.S. Navy Regulations Article 1115
- (j) SECNAVINST 5430.92 - Assignment of Responsibilities to Counteract Fraud, Waste and Related Improprieties within the Department of the Navy
- (k) OPNAVINST 4700.7 - Maintenance Policy for U.S. Naval Ships
- (l) NAVSEA SL720-AA-MAN-030 - Navy Modernization Process Management and Operations Manual (NMP-MOM)
- (m) DoD Directive 5000.1 - The Defense Acquisition System
- (n) SECNAVINST 5400.15 - Department of the Navy Research, Development and Acquisition, and Associated Life Cycle Management Responsibilities
- (o) OPNAVINST 4780.6 - Policy for Administering Service Craft and Boats in the Navy
- (p) FAR 203
- (q) NAVSEAINST 5730.1 - Legislative and Congressional Matters
- (r) NAVSEAINST 7500.1 - Audits of NAVSEA by External Audit Organizations

1.1 CONTRACTED SHIP REPAIR FUNCTIONS AND TASKS OVERVIEW. This chapter provides an overview of the Regional Maintenance Center (RMC) functions, responsibilities, standards of conduct and organizational relationships.

1.2 CONTRACTED SHIP REPAIR FUNCTIONS AND TASKS.

1.2.1 Functions. This section outlines RMC responsibilities for ship repair and modernization work that is contracted to the private sector for accomplishment. These may include:

- a. Performing functions of Procuring Contracting Officer (PCO) and Administrative Contracting Officer.
- b. Developing specifications necessary to solicit contract proposals and bids for assigned PCO functions and Naval Sea Systems Command (NAVSEA) procurements.
- c. Providing planning and estimating, workload forecasting and oversight for planned and unplanned availabilities.
- d. Conducting engineering, technical and design oversight, evaluation and surveillance.
- e. Performing engineering and design services in support of waterfront (emergent) technical issues.
- f. Budgeting, administering and accounting for funds.
- g. Providing management coordination and oversight of contracts to ensure requisite quality, schedule attendance and cost propriety.
- h. Monitoring and evaluating integrated logistics support and procurement of Government Furnished Material.

1.2.1.1 Mission Tasks. Other mission tasks include the following:

- a. Providing guidance to area Commanders and RMCs.

- b. Ensuring a comprehensive security program.
- c. Performing mobilization logistics planning.
- d. Training Navy reserve units for mobilization requirements.
- e. Administering facilities contracts covering Government-owned materials in private shipyards as assigned.
- f. Administering real property and Navy facility leases as assigned.
- g. Administering Government-owned drydocks leased to private shipyards as assigned.
- h. Performing berthing and messing program administration during contract execution.
- i. Executing civilian personnel services as assigned.
- j. Performing planning responsibilities.
- k. Performing Ship Availability Planning and Engineering Center Planning Activity responsibilities as assigned.
- l. Providing Contracting Officer's Representative support.
- m. Developing standard specifications.
- n. Performing annual inspection on Navy ship memorials as assigned.
- o. Provide oversight of demilitarization and stripping of ships programmed for disposal or for sale to private concerns.

1.2.2 Procurement and Contract Administrative Functions of the Regional Maintenance Center.

- a. The RMC performs the functions of the PCO for purposes of placement of job orders under the Master Agreement for Repair and Alteration of Vessels, Master Ship Repair Agreement or the Agreement for Boat Repair as described in Chapter 3 of this Volume by sealed bidding, by negotiation, reference (a) or reference (b). The RMC also exercises the options under **Private Sector Industrial Activity** contracts and other contracts as assigned.
- b. The RMC is responsible for performing all of the contract administration services listed in references (c) and (d) to the extent applicable to Master Ship Repair Agreement job orders, **Private Sector Industrial Activity** contracts and to other contracts assigned at commercial shipyards under RMC cognizance.
- c. With respect to the administration of contracts other than shipbuilding, conversion and repair, the RMC will perform contract administration functions listed in references (e) and (f) when requested by the PCO. When resources are not available to perform such functions, the RMC will advise the activity awarding the contract which functions cannot be performed and why.

1.2.3 Relationship with Contractors.

- a. In official transactions with contractors, the RMC Contracting Officer is the direct representative of the U.S. Government and Commander, Naval Sea Systems Command as Head of Contracting Agency. Therefore, contractors will address any correspondence on such matters directly to the RMC Contracting Officer who, if deemed advisable, may discuss it with or refer it to NAVSEA for resolution. When making referrals to NAVSEA, the RMC will include definitive recommendations for action. NAVSEA, after resolving referrals, should keep the RMC informed of the proposed resolution prior to initiating discussions with or instructions to the contractor.
- b. The RMC shall ensure that contractors are not given access to Navy files, even when requested under the Freedom of Information Act, unless approved by counsel. Neither should contractors be furnished copies of correspondence or included as an addressee on correspondence pertaining to a claim, controversial subject matter or any subject matter on which it may become necessary for the command to issue instructions or render decisions.

Congress, it would seem that an appropriation, even without the required authorization, would provide the necessary authority to enter into contracts. The courts have held, however, that an appropriation is not valid if there has been no authorization legislation because Congress may not legislate through appropriations laws. Authorization may also be in the form of provisions in the general legislation of the agency authorizing expenditures up to specified limits for designated programs.

- b. The legislative committees also retain control of this area in cases where “contract authority” is contained in the statute authorizing the undertaking of a program. In such cases, there is no process for review of the matter by the appropriations committees, yet the agency is authorized to enter into contracts. Of course, subsequent appropriations are necessary before the contractor can be paid, but it is assumed that such appropriations shall be forthcoming without contest.

2.4 **CONTRACTS.** A contract is an agreement between two or more parties that is enforceable by law. It may be agreed to either orally or in writing either as bilateral (two promises) or unilateral (promise for an act or forbearance of an act). Reference (g) contains a specific definition of a contract.

2.4.1 **Types of Contracts.** The Government enters into many types of contracts. Reference (f) lists the factors to consider when making a determination of what contract type best suits the specific procurement. In addition, Appendix A definitizes the contract authority for each activity’s subordinate commands. Reference (f) authorizes the use of various basic types of contracts (e.g., fixed-price, cost-reimbursement, etc.). Of these, the following are most commonly used by NAVSEA and RMCs for repair and modernization work:

- a. Firm Fixed Price (FFP).
- b. Fixed Price Incentive.
- c. Cost Plus Incentive Fee.
- d. Cost Plus Award Fee.
- e. Cost Plus Fixed Fee.
- f. Indefinite Delivery Type Contracts.
- g. Federal Acquisition Regulations also authorizes the use of any combination of the approved contract types. A fixed-price-award-fee contract may also be used when appropriate.

2.4.2 **Contract Selection.** The Government’s cost of an acquisition can be influenced substantially by the type of contract selected and the manner in which the contract is administered. Contract type and administrative practices can substantially influence quality and delivery. For the contractor, the improper use of contract types can result in financial setbacks or excessive profit.

2.4.2.1 **Fixed Price Contracts.** Fixed Price (FP) contracts usually stipulate a firm price. Under some circumstances, it may leave portions of the price open and provide for a later adjustment. The degree of risk assumed by the contractor shifts from the contractor to the Government when any variation of the FP type contract is used other than the FFP. In an FFP contract, the contractor bears the entire risk of both cost and performance. In the FP contract with economic price adjustment, the contractor bears all cost risks except that portion which is covered by the adjustment provisions. A Fixed Price Incentive contract provides for adjusting profit and establishing the final contract price by a formula based on the relationship of final negotiated total cost to total target cost, with the contractor bearing any costs in excess of ceiling price.

2.4.2.1.1 **Administration.** Market conditions cause contractors to submit bids well under what the work can reasonably be expected to cost in order to be the successful bidder. This “buy in” situation causes the winning contractor to aggressively seek every opportunity for contract growth and claims, and often at significantly higher cost than would normally be expected. The pre-award survey, reference (h), should screen out bids from contractors that are not responsible, meaning the contractor does not possess the managerial, financial and technical or facilities capabilities and capacities to comply with the terms and conditions of the contract. Non-responsive contractors are those that do not respond to the Invitation For Bid (IFB) in a timely manner or address the specific items of the contract in their bids. Contractors who do not have the capabilities required should not be awarded FFP contracts.

2.4.2.2 Cost Reimbursement Type Contracts.

- a. Cost reimbursement contracts, discussed in reference (i) are used when the estimate of costs is as reasonable as the circumstances permit, but because of the magnitude of uncertainties involved in the procurement, the risk is too great to expect a contractor to accept a FP arrangement of any type. In the Cost Plus Fixed Fee type, the Government agrees to pay all allowable costs that are incurred under the contract, plus a fixed-dollar amount of fee. A Cost Plus Incentive Fee type contract provides for an initially negotiated fee to be adjusted later by a formula based on the relationship of total allowable costs to total target costs. Under the Cost Plus Award Fee, the allowable costs are paid plus a fee. The fee typically consists of two parts, a fixed amount that does not vary with performance, and an award amount. The award amount is based upon a subjective evaluation of contractor performance by the Government, judged in light of criteria set forth in the contract. The criteria and rating plan should be tailored to the specific procurement in order to provide the most positive way to motivate a contractor toward improved performance.
- b. In a cost reimbursement type contract actual cost, plus fee, equals price.

2.4.3 Time and Materials Contract. This contracting method provides for payment to the contractor of direct labor hours at specified fixed hourly rates that include wages, overhead, general and administrative expenses and profit and materials at cost. A labor-hour contract is a variation of the time and material contract, differing only in that materials are not supplied by the contractor.

2.4.4 Indefinite-Delivery Indefinite-Quantity Contracts. These contracts are used when there is a recurring demand for an item and the timing and extent of demand cannot be determined at the time of award. The contract establishes all terms and conditions except those to be included in orders issued there under.

2.4.5 Letter Contracts. Letter contracts are used to authorize urgent work when work must be started immediately and negotiating a definitive contract is not possible in sufficient time to meet the requirement.

2.4.6 Basic Agreements. Basic agreements are umbrella-type arrangements to affect time savings for recurring requirements. While they are not contracts, they establish ground rules for the required and applicable clauses that shall be incorporated in contracts at future dates. The Master Ship Repair Agreement and Agreement for Boat Repair are examples of agreements and are discussed in Chapter 4 of this volume.

2.4.7 Basic Ordering Agreements. Basic Ordering Agreements (BOA) resemble the basic agreement. They go further by including a description of the supplies and services to be ordered and provide methods for pricing, issuing and determining future orders under the basic ordering agreement.

2.4.7.1 Description. A BOA is a written instrument of understanding, negotiated between an agency, contracting activity or contracting office and a contractor, that contains terms and clauses applying to future contracts between the parties during its term, a specific description of supplies or services to be provided, and methods for pricing, issuing and delivering future orders under the BOA. A BOA is not a contract.

2.4.7.2 Background. BOAs may be used to accomplish procurement for research and development, studies, services and shipbuilding post shakedown availabilities and hardware. Formal current internal instructions or procedures on effective field management control are required in conjunction with the responsibilities and authority delegated to the assigned RMC. Reference (i) provides additional information on BOAs.

2.4.8 Other Contracting Methods.

- a. Multi-Agency Contract means a task-order or delivery-order contract established by one agency for use by Government agencies to obtain supplies and services, consistent with the Economy Act. Contracts for information technology services are often procured as multi-agency contracts.
- b. **Private Sector Industrial Activity (PSIA)** contracts enhance the Procuring Contracting Officer's (PCO) flexibility by allowing the PCO to package several ship repair availabilities spanning several fiscal years into one procurement package. The cost-type contract awards the initial availability with options to execute the remaining availabilities, provided the contractor's cost and performance are satisfactory. **PSIA** contracts are routinely procured as cost-type contracts, although they could be procured as FP contracts.

- c. Differences in interpretation of contract provisions.
- d. Delay and disruption of contractor effort.
- e. Changes in method of sequence of work.
- f. Late or defective Government-furnished material, property or information.
- g. Rejections, rework, waivers and deviations.
- h. Planned versus actual performance milestones.
- i. Delays in Government actions such as processing engineering change proposals, consent to subcontracts and review of technical data.
- j. Contractor error and noncompliance with contract terms.
- k. Any other Government or contractor actions or inactions which have the effect of requiring the contractor to perform work different from the work prescribed by the original terms of the contract.

2.18.6 Significant Events Data. Data that should be generated for each significant event should include as a minimum:

- a. The nature and pertinent circumstances of the event.
- b. The date of the event and the identification of Government and contractor personnel involved, including the name and function of the respective individuals.
- c. Identification of any relevant documents involved.
- d. The substance of any oral communications related to the event.
- e. A statement concerning the possible consequences or effects of the event described upon the contract cost, schedule or technical performance, including manner or sequence of performance.

2.19 RESOLUTION OF DISPUTES. NAVSEA policy is that a dispute between a contractor and NAVSEA should be resolved by the assigned CAO. NAVSEA does not serve as a higher level of appeal for contractors in the event of disagreements between the contractor and the CAO.

2.19.1 Appeals. When a contractor's appeal of a Contracting Officer's decision is received by the ACO, the appeal shall be forwarded immediately to NAVSEA 00L and NAVSEA 024 with a copy to the Litigation Office, Contract Appeals Division of the Office of the General Counsel of the Navy. On notification of an appeal, the ACO shall compile all documentation and files applicable to the matter appealed.

2.19.2 Negotiations with Appeal Pending. While the Navy is not precluded from seeking further agreement with the contractor after an appeal is filed, all such attempts are to be in accordance with Regulatory Requirements.

2.19.3 Third Party Lawsuits. If a third party enters a suit against a contractor who holds a cost-reimbursement or other type of contract under which the judgment of litigation fees might be reimbursable, the ACO should immediately inform NAVSEA counsel and the PCO, forwarding copies of the summons and complaint.

2.20 CONTRACT TERMINATIONS. Reference (y) grants Contracting Officer the authority to suspend or terminate contracts when it is in the Government's interest. Terminations may be either a Termination for Convenience or a Termination for Default depending on the nature of the termination. A contract may be terminated for convenience for any reason that the Contracting Officer determines would be in the best interest of the Government. Terminations for Default are also performed when it is in the Government's best interest, but the reason for the termination is based on the contractor's actual or anticipated failure to perform contractual obligations.

2.20.1 Extent of Termination. Terminations can be either partial or complete. A partial termination means the termination of a part, but not all, of the work that has not been completed and accepted under the contract. A complete termination means the termination of all of the work that has not been completed and accepted under the contract.

2.20.2 Effect of Termination. Terminations are very serious matters. Depending on factors such as the dollar amount of the contract, the contractor's financial condition and the availability of other work to the contractor, a termination can severely impact a contractor's financial condition or even drive the contractor into bankruptcy and out of business. The contractor is not the only one hurt, however, as the contractor must terminate any subcontractors under the contract. Further, the contractor must lay off employees unless the contractor has other work to assign to employees working on the terminated contract. Such circumstances frequently result in political involvement.

2.20.3 Termination Contracting Officer. After the Contracting Officer has issued a notice of termination, a Termination Contracting Officer shall be assigned to handle the termination actions. Refer to reference (u) for the details of these actions, required notifications, and procedures for negotiating settlements with the contractor.

- a. Fortunately, termination of ship repair and modernization contracts is a rare occurrence. It has been necessary to terminate a ship repair contract for convenience of the Government in order to meet unplanned operational commitments. Because of the need to support impending operations, availabilities for these ships may be cancelled or completion dates were greatly accelerated. Contracts can be terminated completely for availabilities that have not begun or can be partially terminated for those availabilities where planned work has to be stopped in order to meet the revised completion date.
- b. It should be noted that in the case of PSIA contracts, it is not necessary to terminate the entire contract in order to cancel work on a single availability. In this situation, it is usually a matter of not invoking the option for that availability, or if work has already begun, canceling any remaining work.

2.21 OVERTIME AND MULTI-SHIFT WORK.

2.21.1 Labor. Reference (z) prescribes contracting policy and procedures for implementing pertinent labor laws and contract clauses. References (aa) and (p) also address the application of labor laws to Government acquisitions. Significant terms, as utilized in this section, are defined in reference (z) and include:

- a. "Normal work week" generally means a work week of 40 hours. Outside the United States, its possessions and Puerto Rico, a work week longer than 40 hours is to be considered normal if the work week does not exceed the norm for the area, as determined by local custom, tradition or law and if the hours worked in excess of 40 in the work week are not compensated at a premium rate of pay.
- b. "Overtime" is time worked by a contractor's employee in excess of the employee's normal work week.
- c. "Overtime premium" means the difference between the contractor's regular rate of pay to an employee for the shift involved and the higher rate paid for overtime; it does not include a shift premium.
- d. "Shift premium" is the difference between the contractor's regular rate of pay to an employee and the higher rate paid for extra-pay shift work.

2.21.2 Overtime. Contractors shall perform all contracts so far as practicable without using overtime, particularly as a regular employment practice, except when lower overall costs to the Government will result or when it is necessary to meet urgent program needs. Any approved overtime, extra-pay shifts and multi-shifts should be scheduled to achieve these objectives. Funds must not be obligated for contingencies that may or may not occur during the performance of the associated contract. Only overtime hours included in the definitized amount for availability are those which both parties agree will be used in executing known and defined work items.

2.21.3 Procedures. Solicitations shall not specify delivery or performance schedules that may require overtime at Government expense. In negotiating contracts, Contracting Officers should, consistent with the Government's needs, attempt to ascertain the extent that offers are based on the payment of overtime and shift premiums, and negotiate contract prices or estimated costs without these premiums or obtain the requirement from other sources.

2.21.3.1 Pre-Award Considerations. Regardless of contract type, when cost or pricing data has been submitted, the parties have an opportunity to negotiate the contractor's planned use of overtime. The price or estimated cost agreed to should include appropriate amounts for overtime only when it is required. If cost or pricing data has not been submitted (e.g., when sealed bidding has been used or where competitive negotiation is used, adequate price competition is expected, and the evaluation is to be based solely on price and price related factors), the Government generally does not know, nor does it need to know, what amount of overtime the contractor has planned to use.

When it becomes apparent during negotiation of a cost-reimbursement contract, the amount of which is expected to be over \$100,000, that overtime will be required in contract performance, the Contracting Officer shall secure from the contractor a request for all overtime to be used during the life of the contract so the overtime can be estimated with reasonable certainty. The contractor's request is to contain the information required by reference (ab). Based on this and other information, NAVSEA and the NSA will consider the justification for the overtime. Necessary determinations regarding premium payments to be included in the contract price shall be made. These determinations are provided to the contractor and to the RMC to administer the contract. The previous requirement does not apply to a cost-reimbursement contract for the operation of vessels or a cost-plus-incentive-fee contract that will provide a swing from the target fee of at least plus or minus 3 percent with a contractor's share of at least 10 percent being contemplated.

2.21.3.2 Fixed-Price Contracts. DoD overtime and multi-shift premium regulations have been established to limit the amount of premium overtime and shift compensation that the Government may allow or consider in pricing. Overtime or shift premiums may not be authorized at Government expense when the contractor is already obligated to meet the required delivery dates without the right to additional compensation. Thus, a contractor performing under a fixed-price contract generally is not entitled, under the overtime regulations, to obtain any compensation for overtime or shift pay in addition to the original contract price. Changes under NAVSEA fixed-price contracts are not subject to FAR requirements for overtime approval. The responsible RMC has authority to approve overtime work with adjudication of such changes.

2.21.3.3 Cost-Reimbursable and Letter Contracts. Cost-reimbursable and letter contracts require Government approval of contractor overtime and multi-shift premium payments. This contractual control is necessary since the premium payments are subject to audit and reimbursement. The contract provisions may require that all overtime and multi-shift premiums be approved by the Contracting Officer or the duly authorized representative. The terms of individual contracts shall be examined to ascertain exact requirements and the applicability of the requirements to overtime and multi-shift premium work by subcontractors. When forwarding any contractor request for overtime or multi-shift premium approvals to NAVSEA, the NSA shall ensure that all information necessary to make a determination is included, comment on the accuracy of the facts in the contractor's request and advise whether or not the request should be approved. The responsible Defense Contract Audit Agency office shall be requested to provide advice to the RMC with respect to the contractor's request.

- a. NAVSEA may authorize the ACO to make determinations and approve overtime under reference (v). When such authority is granted, the NSA is to submit a monthly report of overtime.
- b. For changes under cost-reimbursement contracts requiring overtime, the amount of overtime is limited to the ceiling established by NAVSEA for the contract. Any increase in ceiling required due to the change must be authorized by NAVSEA.
- c. For repair and overhaul contracts, the responsible RMC accomplishes the NAVSEA functions described above, unless NAVSEA 02 has retained responsibility for these functions.

2.21.4 Approval of Overtime.

- a. The Contracting Officer shall review the contractor's request for overtime. Approval of the overtime may be granted by an agency approving official after determining in writing that overtime is necessary to:
 - (1) Meet essential delivery or performance schedules.
 - (2) Eliminate foreseeable extended production bottlenecks that cannot be eliminated in any other way.
- b. Refer to references (z), (ac) and (p) for additional information regarding approvals.

2.22 SUBCONTRACTS.

2.22.1 Subcontracting.

- a. This section prescribes policies and procedures for consent to subcontract and for review, evaluation and approval of contractor's purchasing systems. Subcontracting policies and procedures addressed herein are based upon references (ad), (ae) and (p). Subcontract consent for repair and overhaul contracts under evolving maintenance strategies require an increased effort by the Contract Administration staff due to:
 - (1) Even though over 50% of the dollars associated with repair and overhaul contracts are for labor, in many cases the emerging contract strategies have significantly increased the level of subcontracting by the prime contractor.
 - (2) Many repair and overhaul contracts are PSIA or multiple award contracts wherein the subcontractors' are often parties to the Basic Agreements and Terms and Condition established in the original solicitation. For Headquarters procured PSIA contracts, the prime contractor is required to subcontract at least 40 percent of the work to small business.
- b. Contractors generally attempt to award at least the major subcontracts shortly after receiving award of the prime contract. For this reason the NSA should expect and be prepared to provide prompt service in order to avoid delaying the contractor.
- c. Subcontract consent is not the sole responsibility of the Contracts Department. Other departments within the NSA should be involved to ensure that all pertinent aspects for which they are responsible are adequately covered in subcontracts. All departments involved in subcontract consent shall develop and use checklists to assist in their reviews.

2.22.2 Consent Requirements. If the contractor has an approved purchasing system, consent is required for subcontracts specifically identified by the Contracting Officer in the subcontracts clause of the contract. The Contracting Officer may require consent to subcontract if the Contracting Officer has determined that an individual consent action is required to protect the Government adequately because of the subcontract type, complexity or value, or because the subcontract needs special surveillance. These can be subcontracts for critical systems, subsystems, components or services. Subcontracts may be identified by subcontract number or by class of items (e.g., subcontracts for engines on a prime contract for airframes).

- a. If the contractor does not have an approved purchasing system, consent to subcontract is required for cost-reimbursement, time-and-materials, labor-hour or letter contracts, and also for un-priced actions (including un-priced modifications and un-priced delivery orders) under fixed-price contracts that exceed the simplified acquisition threshold, for:
 - (1) Cost-reimbursement, time-and-materials or labor-hour subcontracts.
 - (2) DoD, fixed-price subcontracts that exceed the greater of the simplified acquisition threshold or 5 percent of the total estimated cost of the contract.
- b. The Contracting Officer's written authorization for the contractor to purchase from Government sources constitutes consent.
- c. Refer to the specific contract clauses actually included in each contract to ascertain specific subcontract consent requirements.

2.22.3 Additional Regional Maintenance Center Consent Procedures. The RMC shall prepare a local instruction that delineates the field activity organizational responsibilities for conducting required subcontract consent reviews.

- a. ACOs shall give the contractor's request for consent equal review, whether the ACO has consent authority or must endorse the request(s), to the PCO. The ACO endorsements to the PCO shall contain all necessary information and recommendations for PCO action.
- b. The Subcontract clauses permit the ACO to ratify a subcontract that has been placed by the contractor even though prior consent was required. ACOs shall not ratify subcontracts as a routine procedure in lieu of granting consent prior to their placement. Ratification should be the exception to the rule and should be granted only on a case-by-case basis. If it appears that the ultimate cost to the Government may have been increased by the placement of the subcontract without consent, the ACO shall consult

VOLUME VII

CHAPTER 3

PRIMARY CONTRACTING STRATEGIES - MASTER AGREEMENT FOR REPAIR AND ALTERATION OF VESSELS AND PRIVATE SECTOR INDUSTRIAL ACTIVITY

REFERENCES.

- (a) DFARS Part 217 - Special Contracting Methods
- (b) NAVSEAINST 4280.2 - Master Agreement for Repair and Alteration of Vessels, Master Ship Repair Agreement (MSRA) and Agreement for Boat Repair (ABR)
- (c) NAVSEA Contracts Handbook (NCH) - Master Agreement for Repair and Alteration of Vessels
- (d) DFARS 217-7104 - Clauses
- (e) The North American Industry Classification System (NAICS)
- (f) DFARS 217.71 - Master Agreement for Repair and Alteration of Vessels
- (g) FAR 9.1 - Responsible Prospective Contractors
- (h) FAR 6.302-2 - Unusual and Compelling Urgency
- (i) DFARS 206.302-2 - Unusual and Compelling Urgency

LISTING OF APPENDICES.

- A Master Ship Repair Agreement
- B Agreement for Boat Repair

3.1 PURPOSE. The purpose of this chapter is to describe the two primary contracting methods generally employed by the Navy for the procurement of ship repair and modernization work in the private sector.

- a. Procurement of individual contracts for each ship repair availability through the use of firm fixed-price contracts awarded under a Master Agreement for Repair and Alteration of Vessels. These agreements exist as either a Master Ship Repair Agreement (MSRA), Appendix A, or an Agreement for Boat Repair (ABR), Appendix B.
- b. Procurement of a single contract for multiple availabilities on multiple ships through the use of cost reimbursable contracts. These **Private Sector Industrial Activity (PSIA)** contracts are usually procured to support several ships of the same class within a specific port.

3.2 POLICY.

3.2.1 Policy Sources. Basic policy is established by references (a) and (b). Reference (a) addresses only the MSRA, while reference (b) addresses both the MSRA and the ABR. Reference (c) provides additional policy established by Naval Sea Systems Command (NAVSEA) 02.

3.2.2 Defense Federal Acquisition Regulation Supplement 217.7102 Policy.

- a. The MSRA shall be entered into with all prospective contractors, located within the United States, that request ship repair work and possess the organization and facilities to perform such work satisfactorily. Issuance of the MSRA does not indicate approval of the contractor's facilities for any particular acquisition. Activities may also use the MSRA in selected work with prospective contractors located outside the United States, its possessions or Puerto Rico.
- b. The Government may issue job orders referencing or by attaching the MSRA for repairs, alterations or additions to vessels belonging to foreign governments, however, there are specific directives that should be referred to concerning repairs to foreign vessels. When repairs and alterations to foreign government vessels are to be acquired under the MSRA, the contracting officer will comply with the Federal Acquisition Regulation (FAR) and Defense Federal Acquisition Regulation Supplement (DFARS), addressing foreign military sales regulations, or other governing provisions of law. The solicitation and job order will identify the vessel and the foreign government.

3.3 AGREEMENTS.

3.3.1 Master Agreement for Repair and Alteration of Vessels. The Master Agreement for Repair and Alteration of Vessels, in accordance with reference (a), provides the authority for the Navy and other agencies to utilize special contracting methods for the repair and alteration of vessels. The authority and prerequisites related to obtaining special agreements are identified in reference (a), Sub-part 217.71. It is a written agreement, negotiated between a contracting activity and a contractor containing contract clauses, terms and conditions applying to future contracts for repairs, alterations and/or additions to vessels. The agreement contemplates separate future contracts that will incorporate, by reference or attachment, the required and applicable clauses agreed upon in the master agreement. It is not a contract.

3.3.2 Job Order. A “job order” is a fixed price contract incorporating, by reference or attachment, a Master Agreement for Repair and Alteration of Vessels. It may include clauses pertaining to subjects not covered by the master agreement, but applicable to the job order being awarded. It applies to a specific acquisition and sets forth the scope of work, price, delivery date and other appropriate terms that apply to the particular job order.

3.3.3 Clauses. Appendices A and B are identical in form and content except for the cover sheet and preface. Each must be approved by NAVSEA 02. Appendices A and B are agreements, not contracts, and contain no specifications or statement of work. These two agreements are primarily a compilation of required clauses which are peculiar to ship repair and modernization work and certain general terms and conditions under which the Navy or any other Department of Defense agency can issue firm-fixed-price job orders for efforts involving repairs, alterations or additions. The clauses which are to be included in each agreement are listed in reference (d). Only firm fixed-price job orders may be awarded in conjunction with these agreements, and the associated job orders may only be issued to contractors who hold a current NAVSEA approved “Agreement”. The job order applies to a specific acquisition and describes the scope of work, price, delivery date and additional matters peculiar to the requirements of the specific acquisition. The job order incorporates the clauses from the applicable agreement as well as all the other contract clauses and terms and conditions which are appropriate for the specific contract effort by reference or appendage. The Deputy Commander for Contracts, NAVSEA 02, has issued and maintains a standard solicitation package that is mandatory for use by the NAVSEA Designated Certifying Official and by the Contracting Officer at the Regional Maintenance Centers (RMC) when processing an application for the agreements. Contracting Officers shall ensure that the applicants’ responses to the standard solicitation package are prepared in accordance with NAVSEA 02 direction.

3.4 ELIGIBILITY REQUIREMENTS FOR MASTER SHIP REPAIR AGREEMENT AND AGREEMENT FOR BOAT REPAIR PROGRAM.

3.4.1 Major Requirements for a Master Ship Repair Agreement Certification.

- a. The most significant eligibility requirements set forth in reference (b) are that a Contractor must:
 - (1) Be capable of accomplishing a Selected Restricted Availability on a FFG 7 class ship or larger.
 - (2) Have the capability to perform at least 55% of a Selected Restricted Availability on a FFG 7 class ship using their own facilities and their own workforce.
 - (3) Possess or have access to a pier with the requisite support and technical services available. (There is no requirement for a dry dock.)
- b. While it is not a specific requirement for obtaining an MSRA, the contractor must be capable of providing a “Remote Site Work Performance Plan” to the Contracting Officer prior to issue of the job order that permits the start of the work performance period.

3.4.2 Master Ship Repair Agreement Requirements. The complexity of ship repair and the conditions under which work is performed require that NAVSEA contract only with ship repair companies that are fully capable of conducting most aspects of shipboard work. The compact arrangement of machinery and systems aboard ship, the sophistication of systems installed in Navy ships and the Navy’s absolute requirement for reliable operation create a unique repair environment that demands special experience and capability.

(whether self-propelled or not). Establishments primarily engaged in fabricating structural assemblies or components for ships, or subcontractors engaged in ship painting, joinery, carpentry work and electrical wiring installation, etc., are classified in other industries.

3.4.7 336612 Boat Building and Repairing. This code involves establishments primarily engaged in building and repairing boats.

- a. In addition to meeting the general criteria of either reference (e) codes, an ABR contractor must possess the same basic characteristics listed for MSRAs, but to a lesser degree. Reference (b) clearly delineates these characteristics.
- b. Since ABR firms have the potential to perform a diverse scope of repair work, from boat and/or craft overhauls to selected topside repairs to major vessels, ABR firms will also be evaluated on their ability to accomplish the following: shipfitting type work, sheet metal work, welding, pipefitting, machinist/mechanical (shop and marine), electrical, electronics, woodworking and rigging.
- c. ABR Contractors are required to have a “Remote Site Performance Plan” if they intend to work at a site other than their home location.

3.5 RESPONSIBILITIES APPLICABLE TO THE MASTER SHIP REPAIR AGREEMENT AND/OR AGREEMENT FOR BOAT REPAIR PROGRAM.

3.5.1 Contractors. Contractors that do not hold an MSRA or ABR, but have the managerial, technical and facilities capabilities and capacities to conduct ship or boat repairs may make application to NAVSEA through the responsible RMC. The basic application package consists of two standard forms:

- a. Facilities Available for the Construction or Repair of Ships, SF 17.
- b. Solicitation Mailing List Application, SF 129.

3.5.2 Contracting Officers at Regional Maintenance Centers.

- a. Ensure that all private shipyards, in their respective area of cognizance, that are applying for an MSRA/ABR understand the requirements of reference (b).
- b. For all new applicants, contact the responsible Defense Contract Audit Agency. Request that a formal financial capability evaluation be conducted which at a minimum should provide an evaluation of the firm’s accounting system, its ability to segregate costs, determine current and acid test ratios, credit availability and whether accounts payable are aging.
- c. After verifying that the application is complete and obtaining the Defense Contract Audit Agency Audit, forward the application for an MSRA or ABR to NAVSEA 04Z, with a copy to **Mid-Atlantic Regional Maintenance Center**, Code 400.
 - (1) Inform the contractor by means of a separate letter that the application has been sent to NAVSEA.
 - (2) Upon request from the NAVSEA Designated Certifying Official, provide team members in support of MSRA/ABR certification and recertification surveys.
- d. Recommend to NAVSEA 04Z and 024 that an existing Agreement be cancelled based on the events noted in paragraph 3.6.1 of this chapter.

3.5.2.1 Mid-Atlantic Regional Maintenance Center (Code 400).

- a. As the NAVSEA Designated Certifying Official, plan, schedule, coordinate and conduct MSRA/ABR certification and recertification surveys, with NAVSEA 04Z concurrence, and liaison with the RMC to obtain survey team members.
- b. Notify the RMC of pending survey schedules so they may provide adequate notice to contractors of the site survey date.
- c. Document the site survey findings, develop the survey team recommendation, draft the formal survey report and forward it to NAVSEA 04Z.

- d. Maintain the necessary documentation and backup data to support survey team recommendations in the event of contractor debriefings, media inquiries or Congressional correspondence.

3.5.2.2 NAVSEA Director, SUPSHIP Management Group (NAVSEA 04Z).

- a. Review all MSRA and ABR survey results to ensure consistent application of the eligibility criteria, provide a recommendation and forward the package to NAVSEA 024.
- b. If the recommendation is to cancel an existing MSRA/ABR, obtain NAVSEA 04 concurrence prior to forwarding the package to NAVSEA 024 and 02 for concurrence and forwarding to NAVSEA 00 for approval.
- c. Conduct debriefings with MSRA/ABR applicants on survey results and respond to media and congressional inquiries on MSRA/ABR program non-contractual issues.
- d. Act as the point of contact and liaison with other agencies such as the Maritime Administration, Military Sealift Command, United States Coast Guard and the Army for MSRA and ABR contractual issues.

3.5.2.3 NAVSEA Fleet Support Contracts Division (NAVSEA 024).

- a. Review all MSRA and ABR applications and the recommendations forwarded by NAVSEA 04Z.
- b. If the recommendation from 04Z is to cancel an existing MSRA/ABR, obtain NAVSEA 02 concurrence prior to forwarding the package to NAVSEA 00 for approval.
- c. As NAVSEA Contracting Officer, issue all MSRAs and/or ABRs that have been jointly approved by NAVSEA 04Z, and issue correspondence on recertifications and denials.
- d. Act as the point of contact and liaison with other agencies such as Maritime Administration, Military Sealift Command, the Coast Guard and the Army for MSRA and ABR contractual issues.
- e. Provide NAVSEA 04Z and the Contracting Officer at the responsible RMC with copies of the correspondence from NAVSEA 02 to the Contractor.

3.6 PROCEDURES FOR MASTER SHIP REPAIR AGREEMENT AND AGREEMENT FOR BOAT REPAIR.

3.6.1 Period of Agreement.

- a. In accordance with reference (f) either party to the Agreement will have the right to cancel the Agreement without affecting the rights and liabilities under any job order in existence at the time of cancellation by giving 30 days written notice. The contractor will perform and complete all work covered by any job order and any modifications entered into prior to the effective date of cancellation. The Agreement will remain in force until canceled by either party. NAVSEA policy requires that the RMC Contracting Officer consider recommending to NAVSEA 04Z and NAVSEA 024 that an Agreement be cancelled for any of the following reasons or events:
 - (1) Bankruptcy.
 - (2) Change of firm's name, management or owner.
 - (3) Default under a job order.
 - (4) Inclusion in List of Parties Excluded from Federal Procurement and Non-Procurement Programs compiled by the General Services Administration.
 - (5) Removal or sale of facilities.
 - (6) Merger.
 - (7) No longer meeting the standards for award of the agreement.

- b. If NAVSEA cancels an Agreement, NAVSEA 02 will issue notification of cancellation upon approval by NAVSEA 00. Likewise, if a contractor cancels an Agreement, NAVSEA will acknowledge the cancellation by letter. (Originals will be sent directly to the Contractor.) NAVSEA 024 will provide copies of letters to the cognizant RMC and NAVSEA 04Z. The RMC will make additional distribution to notify all other interested parties.

3.6.2 Solicitations for Job Orders Outside of Existing Contracts. In accordance with reference (f), when a requirement arises that is determined to be beyond the intended scope of an existing PSIA or similar contract, and the requirement is determined to be for the type of work covered by the MSRA/ABR within the United States, bids, proposals or quotes will be solicited by the RMC Contracting Officer from prospective contractors who have previously executed an MSRA or ABR. If time permits, solicitations can be issued to prospective contractors who have a pending application for an MSRA or ABR, who potentially possess the necessary qualifications to perform the work, and who has requested to participate in the solicitation process.

- a. The RMC Contracting Officer will ensure that solicitations are prepared in the Uniform Contract Format and that they comply with reference (c), Sections 14 and 15, and the NAVSEA Standard Solicitation package, as applicable. When the Government invites a contractor to submit a bid or proposal for the repair, conversion, alteration of, or addition to a vessel, the RMC Contracting Officer will include in the solicitation the nature of the work, the date the vessel will be available to the contractor and the date the work is to be completed. The notice will state when bulk ammunition is aboard the vessel.
- b. Where practical, the contractor will be given an opportunity to inspect the items of work to be accomplished on the vessel. The contractor will submit a bid, proposal or quotation as requested by the RMC Contracting Officer for the performance of the work described in the solicitation.

3.6.3 Pre-Award Survey for Job Orders and Determination of Eligibility. The Contracting Officer at the RMC will apply the standards set forth in reference (g) for making the determination of responsibility. A pre-award survey of the contractors' operations including any analysis of the contractors' proposed subcontractors, may be directed before making a responsibility determination. A pre-award survey should be used if there is a concern with the adequacy and suitability of facilities, contractors' management, financial capability and Quality Assurance system, including safety standards, fire protection, hazardous materials and waste control, adequacy of facilities for the health, comfort and welfare of the crew and sufficient plant protection to safeguard the vessel and government property plus other issues at the discretion of the Contracting Officer. To be determined responsible, a prospective contractor must possess the following capabilities under reference (g):

- a. Adequate financial resources to perform the contract, or the ability to obtain contracts.
- b. Ability to comply with required or proposed delivery or performance schedule, taking into consideration all existing commercial and governmental business commitments.
- c. Satisfactory performance record. A prospective contractor shall not be determined responsible or non-responsible solely on the basis of a lack of relevant performance history, except as provided in reference (g).
- d. Satisfactory record of integrity and business ethics.
- e. Necessary organization, experience, accounting and operational controls, and technical skills or the ability to obtain them (including, as appropriate, such elements as production control procedures, property control systems, quality assurance measures and safety programs applicable to production of materials or performance of services by prospective contractor or subcontractor).
- f. Necessary production, construction, and technical equipment and facilities or the ability to obtain them.
- g. Other qualifications and eligibility to receive an award under applicable laws and regulations.

3.6.4 Award of a Job Order. Per reference (f) Job Orders are to be awarded in accordance with reference (g) Subpart 14.4 or 15.5. After the receipt and evaluation of bids or proposals and selection of the contractor, the price for the work and other pertinent data will be set forth in a job order. This job order is subject to the provisions of the MSRA/ABR. When the acquisition solicitation process has been made under sealed bid procedures, issuance/award of a job order may be accomplished by a warranted contracting officer's signature. When discussions have been held on a negotiated procurement, the job order must be signed by the contractor and returned to the contracting

officer for signature prior to award. NAVSEA 02 has determined that all of its purchase activities will use the Uniform Contract Format. When using sealed bidding procedures, RMCs will use Form SF 33, Solicitation, Offer and Award as an award sheet for job orders issued under the MSRA and ABR. Electronic copies of SF 33, along with instructions for completing these forms, are available at the FAR and DFARS web sites.

3.6.5 Emergency Work. As outlined by section 6.302-2 of reference (c), the RMC Contracting Officer may issue a written order for work to a contractor who has previously executed an MSRA without inviting bids or proposals when a vessel, its cargo or stores would be endangered by delay in performing necessary repair work or when military necessity requires immediate work on a vessel. As soon as practical after the issue of such an order, the parties are required by the MSRA to negotiate a price for the work. When agreement is reached upon a price, the responsible contracting officer will issue a job order pricing the work.

- a. When emergency work or voyage repairs are necessary and fully justified by the Type Commander, reference (h) exception allows a waiver from the requirements of full and open competition “because of unusual and compelling urgency”. Reference (i) states that the urgency exception may be cited for essential equipment or repair needed at once to comply with orders for a ship when such equipment or repair is required to meet the operational commitment/deployment message of the ship.
- b. The procuring activity must prepare a Justification and Approval. The standard format is reference (c) section 53.6-1, Justification and Approval to Approve Other than Full and Open Competition and it can be tailored to local requirements. The requiring activity must certify the requirement and provide data, estimated cost or other rationale on the extent and nature of the harm to the Government if the number of sources is limited due to urgency. The Justification and Approval may be written and approved after contract award when preparation and approval prior to award would unreasonably delay the acquisition. For contract actions over \$1 million to be performed under the urgency exception, authorization to proceed will be obtained from NAVSEA 00, Head of Contracting Activity, through NAVSEA 02.

3.6.6 Modification of Master Agreements. Each Master Agreement will be reviewed per reference (f) at least annually before the anniversary of its effective date and will be revised to incorporate all changes made necessary by the revision of the FAR or DFARS. Statutory or other mandatory changes may require review and revision earlier than one year. The agreement, however, may be modified only by mutual agreement of the parties. The Government has the right to cancel the agreement on 30 days written notice when the parties fail to agree on a modification to the Agreement, which is required by statute, Executive Order, FAR or DFARS. A modification to a Master Agreement will not affect any job order issued before the effective date of the modification.

3.6.7 Resolving Inconsistencies Between Master Agreements and Job Orders. The rights and obligations of the parties to a Master Agreement will be subject to and governed by the provisions of the Master Agreement, the provisions of job orders issued under the Agreement and the drawings, designs, plans and specifications. To the extent of any inconsistency between the Agreement and a job order, including any drawings, designs, plans and specifications, the provisions of the Agreement will govern.

3.6.8 Transfer of Master Agreements. Master agreements are not transferable when a repair yard is sold or undergoes a transfer of title regardless of whether a name change occurs or not. When such a sale or change of title takes place, the Master Agreement may be canceled. If the new owner desires a Master Agreement, the new owner may make application to NAVSEA 04 via the RMC in their geographic region. Previous qualifications of a repair yard for a Master Agreement do not always indicate that the shipyard will be qualified under the new ownership, since different financial and management considerations may be present.

3.7 PRIVATE SECTOR INDUSTRIAL ACTIVITY.

3.7.1 Private Sector Industrial Activity Contract. This specific cost reimbursable contract strategy is addressed in a stand-alone discussion primarily because it is a component of the evolving Fleet Maintenance Strategy and is the contractual instrument that has been approved by higher authority to meet the long-range maintenance and modernization requirements and Force surge requirements to response to Request for Procurement objectives. The goal of the **PSIA** contract is to provide a maintenance alternative and readily available qualified resources from the Maritime Industrial Base that can be rapidly activated to respond to Fleet surge requirements in addition to supporting scheduled availabilities and continuous maintenance objectives. The **PSIA** Contractor and approved subcontractors are key “team players” in improving depot level work scheduling, maintaining qualified production

skills while focusing on production efficiency through proper work loading. The **PSIA** Contract is coupled with the End to End Maintenance and Modernization Process for sustaining the level of readiness of the Force as directed by Commander, United States Fleet Forces Command and the Commander, Pacific Fleet.

3.7.2 Requirement. Surge maintenance requirements and the Fleet Response Plan required re-evaluation of the Fleet maintenance and modernization strategy to meet National Strategy Tasking. Evaluation of the multiple options available to obtain the services of the Nations ship repair base led to the decision that a Navy and Contractor “teaming arrangement” to meet fleet readiness goals should have significant benefits for all parties in addition to contributing to the benefits that are derived from the learning curve process while reducing the overall cost for maintaining the Force. To achieve these goals, **PSIA** Contracts are being awarded.

3.7.3 General Contract Structure. The **PSIA** Contract is typically awarded as a Cost Reimbursable, Incentive Fee (or similar) Contract, as the preferred most responsive contractual document that can be used to achieve the Fleet Response Plan surge requirements (it can also be a fixed price contract). The **PSIA** Contract consists of a pre-selected grouping of ships by class that is awarded, using the best value basis, to a single contractor for a base year with several year options. Additionally the contract contains Contract Line Item Numbers for numerous scheduled availabilities plus Continuous Maintenance and Emergent Maintenance on several different ships. The contract is used to obtain as a minimum: the Contractors advice on depot level work item scheduling to maximize efficiency to reduce cost, provide ship specific technical expertise, perform work item planning support, provide production support services including material management and assist in effectively work loading depot level maintenance trade skills. The **PSIA** Contractor, with qualifications in line with those required of a MSRA holder, teams with each ship’s Maintenance Team (MT) to provide long-term support and commitments to meet Fleet Maintenance and Modernization Strategic Plans.

3.7.4 Pre-Availability Planning. The advanced planning processes in Volume II, Part II and Volume VI, Chapter 31 of this manual detail the planning requirements in preparation for repairs and modernization when the work is to be performed using the resources available through the private sector industrial base for Chief of Naval Operations scheduled availabilities plus Continuous Maintenance Availabilities. Through the **PSIA** Contract the government engages the contractor to plan the work, write detailed specifications and proposals and takes advantage of the best available and appropriate level of repair capabilities. The Contractor also establishes relationships with proven vendors on a long-term basis to assist in reducing costs because the contract requires that 40 percent of the work must go to subcontractors. The Contractor prepares specifications for the work candidates that are brokered for inclusion in the work item package. The ship’s MT validates the Contractor prepared work item specification packages in relation to the Technical Analysis Report that is prepared for each work item (developed by RMC Technical Analyst) that is developed in response to the contractor’s proposal(s). The terms and conditions as agreed upon in the MT authorized work package and the scheduled performance period are solidly defined by the warranted RMC Contracting Officer who authorizes the Contractor to proceed with the repair and modernization work as approved and outlined in each work item specification.

3.7.5 Availability Oversight. After defining the work package between the government and the **PSIA** Contractor, the Project Manager and Contracting Officer are charged with the responsibility and authority associated with their positions to perform Contract Administration with their assigned Availability Management Team. Project Management Team representation and responsibilities are as outlined in Chapter 7 of this Volume.

3.7.6 Growth and New Work. It is the responsibility of the Project Team, using the Maintenance and Modernization Business Plan as the guide, to authorize the Contracting Officer to commit funds for any growth and/or new work.

- a. Growth Work is defined as any additional work that is identified after contract award or definitization that is related to a work item included in the contract award or definitization. Growth does not include pre-priced options or reservations that were specifically identified in the solicitation or defined package.
- b. New Work is defined as any additional work identified after contract award or definitization that is not related to a work item that was included in the original contract award or definitization.

3.7.6.1 Growth or New Work Proposals. The MT will evaluate the Technical Analysis Report prepared by the Technical Analyst for each work item submitted by the contractor. The Technical Analysis Report examines and evaluates the contractor’s proposal to determine the reasonableness of the contractor’s estimates and overall proposal. The Analyst examines all aspects of the proposal including labor, material and subcontractor or teaming members’ pricing.

3.7.6.2 Business Case Analysis. A cost/benefit-based evaluation may be performed by the MT to determine if growth and new work should be accomplished in an ongoing availability as required by Volume VI Chapter 31 of this manual. The Business Case Analysis performed by the MT is not a specific, formatted process but rather a deliberate, thoughtful decision process used whenever growth and new work is identified. This thought process should weigh the additional costs (premiums) against operational requirements. In some cases, it may be advantageous to complete the growth or new work during the availability; in other cases, it may make more sense to defer the work to a follow-on Continuous Maintenance period. The MT should consider all premiums associated with adding the work to the availability including the effect on the contractors' workload and the premium associated with the late addition of work.

3.7.6.3 Maintenance Figure of Merit. In addition the MT will utilize the Maintenance Figure of Merit to validate that new work most critical to mission accomplishment receives priority when allocating maintenance resources. Maintenance Figure of Merit does not apply to modernization items.

3.7.6.4 Option Items. In some cases the added work may have been covered by an option item that was included in the contract as a stand-alone work specification with a defined work scope that is not to be accomplished unless specifically invoked. Option items are used when there is uncertainty at the time of availability package lock as to whether or not specific, defined work is required. Requirements for use of option items are the same as those for Firm Fixed Price Contracts as defined in Volume VI Chapter 31 paragraph 31.5.3 of this manual.

- b. To achieve the contract objectives of obtaining satisfactory performance and full and open competition, certain basic standards in drafting specifications must be observed. They must be drafted in a clear, well-defined manner. Less than clear provisions may limit full and open competition in the acquisition process by preventing those making offers from competing on a “common” or equal basis. This occurs when those making offers interpret the specifications and arrive at different reasonable conclusions about what kind of performance they will be required to render. The result is that they submit offers reflecting different kinds of performance. In sealed bid acquisitions, bidding on an equal basis has generally been considered to require bidding documents that are so clear and precise that all bidders are offering essentially the same product or service. The outcome is that bids can be compared and selection for award made solely on the basis of price and other price-related factors. In negotiated acquisitions, which sometimes involve a balancing of technical merit and price, those making offers may submit markedly different technical proposals to meet the Government’s needs. Competition on an equal basis generally means that specifications must be sufficiently clear and complete to afford all potential bidders an equal basis to understand the Government’s basic requirements.

4.1.5 Restrictive and “Brand Name or Equal” Specifications. Specifications also must be written in an “unrestricted” manner. Specifications are “restrictive” if they include requirements that limit competition and are not necessary to ensure satisfaction of the Government’s basic needs. This kind of restrictiveness of competition may favor one contractor over another and it may also prevent the Government from getting the kind of performance which can best satisfy its needs at the most reasonable price. Where the contractor supplies ship repair materials or equipment, the work item planner should not specify the products of individual manufacturers. Instead, the work item planner should describe the technical specifications which the material or equipment must meet to obtain satisfactory performance. This will ensure free and open competition among suppliers and subcontractors and, ultimately, will result in lower costs for the Navy. If it is difficult or impossible to give suitable specifications for materials or equipment, the work item planner may stipulate that the contractor supply a specific manufacturer’s model “or equal” and state the salient characteristics that make it “equal” pursuant to reference (e).

4.2 WORK PACKAGE DEVELOPMENT.

4.2.1 Work Packages for Non-Private Sector Industrial Activity Contracts. In writing work item specifications, the Executing Activity (EA) planner(s) may frequently include requirements from multiple Ship Work List Item Numbers (SWLIN) in a single work item. Conversely, work requirements of a single SWLIN may be included in multiple work items; however, the most common and most desirable practice is to prepare a single work item to include all work requirements of a single SWLIN. During review, the specification must be checked to ensure that each SWLIN work requirement authorized for shipyard accomplishment is contained in the Specification Package. Appendices A through D provide formats that should be used by the planner when writing specifications and assembling solicitation/work packages for projects that are not covered by the **Private Sector Industrial Activity Contract**. Work items normally specify only what the contractor is to do rather than how to perform the work. There may be instances when adherence by the contractor to a specific manner of accomplishing the work will be required because of a requirement in a Navy document or manual. The procedures must be clearly defined for the performance of the work. Specifications must be written in a logical sequence of work operations (i.e., remove, disassemble, inspect, report, repair, reassemble, shop test, reinstall and ship test). Each specification shall clearly define the work requirements and be as self-contained as possible to enable the contractor to understand the requirements without having to research referenced data. Specifications must never upgrade equipment and installations to exceed the existing configuration of the ship. Furthermore, material requirements will be equal, as a minimum, to the original installation and service requirements. Appendix E provides guidance for work item planners charged with development of ship repair and modernization specifications.

4.2.2 Work Packages for Private Sector Industrial Activity Contracts. Work Package Preparation is discussed in Volume II, Part II, Chapter 2 of this manual.

4.2.3 Naval Sea Systems Command Standard Specification Program.

- a. Under reference (f), the Standard Specification for Ship Repair and Alteration Committee (SSRAC) is responsible for the generation, revision and control of Naval Sea Systems Command (NAVSEA) Standard Items (SI) commencing with SI -009-01 and Standard Work Templates. The SSRAC meets annually to review and approve changes to NAVSEA Standard Items, Standard Work Templates, and procedures for preparation and use of work templates. Specification improvement recommendations are welcomed and shall be provided to the SSRAC.

- b. Work items shall be written consistently so that identical work activities and requirements are specified at the same time they are included in a contract specification. Consistent language throughout a contract makes it easier to understand. Through continuous use, the phrases used take on a special meaning and gain acceptance within the industry. The SSRAC develops and publishes Standard Phraseology yearly. Specification writers should become familiar with the material in Appendix E. It shall be consulted frequently to ensure Standard Phrases are used properly. Like Standard Items, Standard Phrases are published by fiscal year designation. Specification packages shall be prepared using the standards when they are issued by the SSRAC chairman regardless.

4.2.4 Standardization Usage. Once a work item specification has been prepared, as is the case with the Master Specification Catalog, to address a specific set of SWLIN requirements, it shall be used whenever the same requirements are authorized for accomplishment on another ship of the class. In most cases, an original work item has the greatest chance of resulting in a contract change. The fundamental thrust of the NAVSEA standardization program is that tried and proven contract requirements are generally superior. Standardization and consistent usage of approved standards tends to strengthen the quality of specification packages over time by improving the ship repair industry acceptance of the standards used.

4.2.5 Expanded Process Control Procedures (EPCP) for Surface Force Ships Critical Systems. Contractor work accomplished during Depot (D) level or post delivery work executed inside a CNO, Continuous Maintenance Availability or Continuous Maintenance maintenance period on Critical Systems will require the use of an EPCP as specified in reference (g).

- a. For systems outlined in reference (g), an EPCP will be developed by the Prime Contractor and approved by the local Regional Maintenance Center (RMC) Engineering Department, unless a previously approved EPCP is used.
- b. EPCP will provide the tasking to be performed and the sequence in which it will be accomplished (similar to a Controlled Work Package).
- c. Navy Objective Quality Evidence will be utilized by the contractor to document steps accomplished during the work process. Navy Objective Quality Evidence may be found in Volume V of this manual.

4.3 SPECIFICATIONS.

4.3.1 Preparation of Specification Work Items. All specification work items must conform to the same basic format and will comply with the requirements and policies established by reference (f) and amplified by Appendix E. These documents establish the organization and responsibilities for development, revision and control of standard specifications. Specification work items are written to convey the Government's requirements to the contractor. They are extremely important for several other reasons. The specifications are the heart of the contract and serve as the basis for the formation of offers by the shipyards, the baseline for the evaluation of offers and, after award, the means for binding the contractor to required performance. In judging acceptable performance, the Government is bound by the contents of the specifications when testing or inspecting the contractor's work results. The specifications serve as the basis for determining whether desired work is a change to the contract or is already required.

4.3.2 The Specification Package. The specification package may consist of applicable NAVSEA Standard Items, Standard Work Templates and unique templates, as discussed in Chapter 2 of this Volume, that are contained in the Master Specification Catalog, resident in the Navy Maintenance Database (NMD) in the Planning Module. These Items and Templates are written to standardize the requirements across the Maritime Industry to specify action that is required by the contractor to accomplish the intent of the work authorized for shipyard accomplishment. The requirements for planning products and the specification package are identified in reference (h). This directive provides detailed guidelines on turning over work package products from the Planning Activity to the Procuring Contracting Officer (PCO) for solicitation and from the PCO to the Administrative Contracting Officer after contract award.

4.3.3 Master Specification Catalog. Master Specification Catalog is discussed in Volume II, Part II, Chapter 2 of this manual. Planning Activities/Executing Activities Planning who are responsible for the preparation of work item solicitation packages shall use the Master Specification Catalog databases to the maximum extent possible when

- f. Can the Government representative who accepts the required supplies or services tell whether the contractor has complied with contract requirements (e.g., are standards for measuring performance clearly stated)?
- g. Is the specification sufficiently detailed to permit the Government and the contractor to identify manpower resources, special facilities, equipment, subcontracts and similar requirements?
- h. Is information differentiated so that background information, suggested procedures, etc. are clearly distinguishable from contractor responsibilities? (Statements that do not directly contribute to an understanding of requirements should normally be avoided since they may create ambiguities, confusion and greater costs.)
- i. Are reference documents (e.g., specifications, standards and exhibits) properly shown and cited? Are they pertinent to the task(s)? Do they fully apply or only partially?
- j. Are milestone completion or delivery dates appropriately established? If “elapsed” time is used, is it clear concerning calendar days or workdays?
- k. Are proper quantities shown?
- l. Have data requirements (e.g., technical, financial and progress reports) been properly identified for such things as frequency, content, format and place of submission?

4.5.2 Review and Editing by Someone Other Than the Writer. Once the writer has completed the preceding step, it is a good practice to have someone else who has the necessary technical qualifications or editing skills, review, edit and critique the draft specification. The technical review and editing functions may be performed by different individuals.

4.5.3 Team Review and Modification. The last step is team review and modification. In many cases this will be performed by the Ship’s Maintenance Team and other government representatives as appropriate. The completed draft may be routed for review by contracting, legal and other personnel, as appropriate, and depending in part on the complexity or government’s and contractor’s liability or risk associated with the contractor’s performance in complying with the specification. Contracting and legal personnel often identify language or other aspects of the specification they know from prior experience will cause problems. The technical content must not be adversely affected by recommended changes to the specification. The process of team review and modification may be required a number of times before all recommendations and comments are adequately resolved. Once all necessary modifications to the specification are made, it is finished and ready for insertion into the solicitation work package and for the PCO’s action.

4.6 OTHER FUNCTIONS OF THE WORK ITEM PLANNER. In addition to writing work items and preparing cost estimates for them, the planner is responsible for starting other actions for successful performance of proposed modernization and repair work.

- a. The work item planner must determine the drawings and technical instructions (e.g., manufacturers’ TMs) which will be required for preparation of the work items and for the contractor’s guidance in accomplishing the required work. The planner must initiate requisitions for these publications sufficiently far in advance of the specifications’ cut-off date to permit their use.
- b. The work item planner is responsible for determining the ship repair materials and the GFM provided as alteration materials, if any, which the Government will provide the contractor. The purpose is to initiate requisition actions for these materials sufficiently far in advance of the overhaul period to allow for their timely receipt by the contractor.
- c. After award, a work item planner (or other cognizant RMC personnel) may have to secure for the contractor certain items of GFM which, because of changes to the job order, were not set forth in the original specifications. In addition, certain items that were available from commercial channels at the time the job order specifications were prepared may not be available when the contractor actually attempts to procure them. In such cases, the material may be obtained from Navy supply channels. However, it is preferable that the contractor procures the material from the Navy on a cash sale basis rather than the RMC provide it to the contractor as GFM. In a cash sale, the contractor maintains

complete responsibility for procuring the items from the appropriate Navy supply activity. The RMCs' only function is to certify that the material is not, in fact, available to the contractor through commercial sources and that it is required for accomplishing the job order.

- d. To obtain material from the Navy Supply System, the contractor is required to submit a request to the RMC procurement personnel for requisitioning the material in accordance with reference (k). Detailed instructions for the assignment of a priority to a requisition are in reference (l).

4.7 PLANNING REVIEW. After completion by work item planners, the work items and cost estimates are assembled and reviewed by the Technical Analysis Report Analyst. The work items should be subjected to a close "technical and contract review" to ensure that:

- a. Coverage of work conforms to that authorized for the availability or project.
- b. All technical aspects of the work are itemized and conform to requirements established by NAVSEA technical instructions and other publications.
- c. All necessary drawings and instructions are referenced.
- d. Identical work (such as cleaning and painting in identical areas) is not set forth in two or more work items.
- e. Work items are definitive, clear and explicit, and conform to quality assurance requirements.
- f. Work items meet the requirements of Appendix E.
- g. The Government will provide the proper documentation to support the contractor's preparation of the proposal. The PCO will designate the method and number of drawings and specifications for distribution. Ensure that the Ship's Force and Maintenance Team is provided with a set of specifications and references as soon as possible and in no case later than the date the solicitation is issued.
- h. The planning coordinator may summarize the budget estimates for the required work on a form similar to that in Appendix C. Appendix D is used to transmit the completed work specifications when the package is prepared by a planning activity that is other than the PCO or the RMC. The Planning Department transmits the proposed package to the RMC Contract Department. Appendix F provides the Work Package Integration Conference Agenda and Checklist. This conference may be performed as the Work Package Integration Review for **Private Sector Industrial Activity** Contracts.

4.8 NON-SCHEDULED AVAILABILITIES. One of the RMC's most important functions is to provide a process for performance of emergency work on Navy ships or work which cannot be delayed until the ship's next scheduled availability. This work may be accomplished during any of the availabilities listed in Volume II, Part I, Chapters 3 and 4 of this manual.

4.8.1 Special Planning Procedures. While some non-scheduled availabilities can be handled the same way as scheduled availabilities, others present severe planning problems for RMC personnel. For example, the Maintenance Team and work item planner will frequently not have an opportunity to make a planning inspection of the work on the ship but will have to prepare work items or estimated costs solely on the basis of the ship's work requests or from descriptions of the work contained in dispatches from the ship. Where it is not possible to perform an inspection of the work item, the port engineer may find it necessary to telephone the RMC technical codes and describe the work to be set forth in the work items in order to minimize planning time. At this time, the planner should also begin priority procurements, if required, for GFM and drawings. In addition, the planner should check to see if the job or similar work descriptions already exist in the technical library. Unscheduled maintenance requirements mandate the establishment of special procedures. Frequently, the first notice of a non-scheduled availability will come in the form of a telephone call from the cognizant TYCOM or Operational Commander. If time is short, the available members of the ship's Maintenance Team together with the RMC representatives and planner should obtain the following information during this call:

- a. As complete a description as possible of the nature of the difficulties.
- b. Present location of the ship.
- c. Nature and urgency of the ship's current operating commitments.

VOLUME VII
CHAPTER 5
COST ESTIMATING

REFERENCES.

- (a) DCAAM 7640.1, July 2004 Edition - DCAA Contract Audit Manual (CAM), Chapter 9-1004.2
- (b) SWT 857-01 - Temporary Galley and Messing Facilities; provide
- (c) SWT 857-011 - Temporary Off Ship Berthing Equivalent to BOQ/BEQ; provide
- (d) Standard Work Template (SWT) 077-01 - Hazardous Waste Produced on Naval Vessels; control
- (e) NAVSEA SL720-AA-MAN-030 - Navy Modernization Process Management and Operations Manual

LISTING OF APPENDICES.

- A Standard Cost Estimate
- B Estimating Check-Off List
- C Category I Standard Item Hard-Core Labor Considerations
- D Excaliber Contractor Other Direct Labor Factor Calculation (6 Month Period)

5.1 **INTRODUCTION.** The Federal Acquisition Regulation establishes the requirements for proposal evaluations. An independent Government cost estimate is one method that can be used in the evaluation of bids and proposals. Cost estimates form the basis for management decisions by Fleet and Naval Sea Systems Command (NAVSEA) customers in the planning, programming and budgeting of repair and modernization work, including repair work brokering decisions, and in determining the developmental costs for ship alterations. Contracting activities require cost estimates for new procurements prior to issue of a solicitation, for modifications to a contract after award, for resolution of entitled claims and to close out contracts that have been terminated.

5.2 **TYPES OF ESTIMATES.** There are five types of estimates that Regional Maintenance Centers (RMC) commonly produce in conjunction with ship repair and modernization contracts. These include Pre-Contract Award, Post-Contract Award, Preliminary Costs, Contract Costs, Predicted End Costs and Costs for Contract Modifications.

5.2.1 **Pre- and Post-Contract Award Estimating.** Pre-award estimating can be associated with either competitive or noncompetitive procurements. Estimating non-competitive procurements is less complex because the identity of the contractor is known prior to award. Estimating for competitive awards can be more complex because of the uncertainty associated with the identity of the contractor. Estimates prepared for either competitive or noncompetitive procurements will be made using the Standard Government Estimating System. In both cases, the approach to preparing the labor hours and material estimate is the same.

5.2.2 **Preliminary Cost Estimate.** The preliminary cost estimate is the estimate prepared in terms of labor and material quantities required, without reference to labor rates or the cost of materials. This is the estimator's fully refined estimate, normally expressed in terms of man-hours and material required to accomplish the specific work identified in the work item. Contingencies for growth and other uncertainties are not considered in the estimate. To get the contract cost estimate, labor and material costs must be incorporated into the preliminary estimate. Material rates to be applied to material quantities required should be based on current prices. The rates to be applied to the labor estimate are dependent on the competitive environment. In the case of noncompetitive procurements, the rate used is that applicable to the contractor who will do the work. In the case of competitive procurements, a composite rate must be determined.

5.2.3 **Contract Cost Estimate.** Prior to award of a contract, the Contracting Officer must be satisfied that the contract price is fair and reasonable. An integral part of this process is comparing and analyzing the contractor's price to an independent estimate prepared by the Government. This estimate is referred to as the Government estimate for the contract or the "Contract Cost Estimate" and is determined by adjusting the composite rate to reflect current market conditions. The Contract Cost Estimate is determined by applying the appropriate composite rate to the preliminary labor estimates and current material prices to required material quantities. The composite rate must be adjusted to reflect current market conditions as discussed above. The sum of the labor and material estimates is the Contract Cost Estimate.

5.2.4 Final Cost Estimate. The original Contract Cost Estimate is retained as a part of the contract file. After contract award, the Contract Cost Estimate is adjusted to reflect the successful contractor's current labor rates. The contracting officer will determine the current Other Direct Labor Factor (ODLF) applicable to the contractor and apply it to the contractor's current forward pricing rate to determine the labor rate to be used in establishing the Final Cost Estimate. This labor rate, in lieu of the competitive composite rate, is applied to the Preliminary Cost Estimate to calculate the Final Cost Estimate. The difference between the Final Cost Estimate and the contract award price represents the potential profit or loss of the contractor that should be maintained throughout the performance period, as stated in the Doctrine of Equitable Adjustment. A contractor that "buys-in" to a contract should not be allowed to recover the loss through excessive prices in contract modifications after award. Likewise, the Government must not attempt to reduce the contractor's potential profit by allowing insufficient consideration for changes after award.

5.2.5 Predicted-End-Cost. The Predicted-End-Cost (PEC) is the RMC's estimated cost of all ship work, which consists of several factors. PEC equals the Award Price/Base Cost plus the estimated cost of other items that are not covered by the Award Price/Base Cost. Other items can include such elements as fees, growth, new work, Government Furnished Material (GFM), messing and berthing and boat repairs, if these were not included in the Award Price/Base Cost. Advance planning funds or funds that are provided to other activities should not be included in the estimate. The PEC does not establish financial obligations on customers, but rather is the RMC's estimate of what the availability is most likely to cost. The RMC may be required to adjust the PEC when it is obvious that circumstances (i.e., buy-ins, potential for major growth/new work, etc.) exist that would inhibit the determination of a realistic PEC. These extenuating conditions shall be clearly reported, documented, assigned a dollar value and considered in the computation of a realistic PEC.

5.3 CLASSIFICATION OF COST ESTIMATES. There are five classifications of cost estimates: Class A, C, D, F and X.

5.3.1 Class A - Detailed Cost Estimate. An extensive cost estimate based on detailed engineering drawings, material lists and man-hours by required skills and trades. The level of detail addressed in a Class A estimate should be to the maximum extent feasible. It is comparable to a fixed-price offer developed by a Naval Shipyard (NSY) or a manufacturing estimate prepared in private industry. Variance is not expected to exceed 10 percent.

5.3.2 Class C - Budget Quality Estimate. Class C estimates are considered to be the best-cost estimate attainable for ship repair. It is the recommended level of estimates of cost developed by a field activity to be used in budget submissions. They are normally prepared for ship repair work prior to the start of availability. Variance is not expected to exceed 15 percent. Class C estimates are the expected level of estimation by both the **Private Sector Industrial Activity** contractor and the Government Planning and Estimating Teams supporting the Independent Government Estimate, Continuous Execution Increment Planning and Review Process, Technical Availability Repair and Definitization processes. As a result, the **Private Sector Industrial Activity** planning floor, Shipbuilding Specialists and Planning Yard Representatives shall provide Class C estimates.

5.3.3 Class D - Feasibility Estimate. Class D estimates are required prior to completion of the design or preparation of detailed specifications, reflecting the uncertainty associated with having incomplete information available for estimating purposes. It is usually exploratory in nature and is prepared to perform trade-offs and cost effectiveness analysis. Variance is not expected to exceed 20 percent.

5.3.4 Class F - "Ballpark" Estimate. Class F estimates are known as "ballpark" estimates. This is a quick cost estimate prepared in the absence of minimum design and cost information and is based on gross approximations. It is calculated by escalating previous costs to current dollars, using empirical costs for similar work and adding factors for expected changes in design, processes procedures and other economic considerations. Acceptable when higher-level estimates are not possible due to insufficient time or incomplete information. Variance is not expected to exceed 40 percent.

5.3.5 Class X - Directed or Modified Estimate. An estimate provided by other Government activities or as directed by higher levels of authority. It is generally a total cost restriction without a developed design, engineering or a detailed cost estimate. A directed estimate is also a modification of any previous cost estimate, Classes A through F, to conform to budget reductions or restrictions on cost which is not based on a change in the scope of work required.

- c. Delegate funds administration authority to individuals at the appropriate level to ensure that the individuals are personally aware of the necessary detail to establish total accountability. Funds administrators shall be enabled to provide absolute technical input to funds control. Financial management remains the responsibility of the activity comptroller.
- d. Ensure that subordinates delegated the authority to act as funds administrators are authorized in writing, by name, clearly specifying the extent of the authority and the responsibility delegated.
- e. Ensure that designated funds administrators are familiar with the statutory responsibilities inherent in the administration of funds, including the provisions of the Administrative Control of Funds addressed in references (h) and (i). These individuals must also be knowledgeable of principles concerning the administration of the appropriations as contained in reference (i), Chapter 2, understand the administration of allotments and operating budgets as contained in reference (i), Chapter 3, reference (j) and the principles and procedures concerning the use of various requests for work and services contained in reference (k).

6.5.2 Comptroller. The activity's Comptroller has the responsibility for financial management and shall report directly to the CO of the Activity. Depending on the activity, the senior person in the finance office is normally the Comptroller or the Budget Officer. The Comptroller shall obtain guidance to resolve any questions on the interpretation of these laws.

- a. The Comptroller is the allocation holder who has three basic functions:
 - (1) Budget Formulation including those actions performed in development, review, justification and presentation of the budget estimates.
 - (2) Execution encompassing budgetary actions required to effectively and efficiently accomplish the programs for which funds were requested, as authorized by appropriate authority.
 - (3) Managerial Accounting providing management with financial information necessary to support the preparation of budget estimates and facilitate the budget execution process. The process shall ensure all funds are administered in accordance with the law, administrative policies and regulations of higher authority.
- b. The Comptroller shall be responsible for recording commitment and obligation transactions in the designated accounting system (STARS) chargeable to OBs, Project Directives or Work Requests, performing periodic reviews of un-liquidated obligations and unmatched disbursements, validating expenditures and advising the funds grantor of excess funds available for recapture.

6.5.3 Fund Administrators/Funds Managers. Individuals who are delegated authority in writing by the CO to authorize, commit, obligate and expend specific funds related to a specified authority and responsibility are agents of the Comptroller. These individuals provide technical input to financial management and can be held accountable and personally liable for over-commitment, over-obligation or over-expenditure of the funds administered.

- a. Any individual who is duly authorized by the CO as a Funds Administrator will familiarize themselves with the policies directives that are outlined in paragraph 6.3 of this chapter. In particular:
 - (1) Clearly understand the statutory responsibilities inherent in the administration of funds, including the provisions of the Administrative Control of Funds addressed in reference (h) and (i), Appendix A.
 - (2) Be informed of principles concerning the administration of the appropriations as contained in reference (i), Chapter 2.
 - (3) Understand the administration of allotments and operating budgets as contained in reference (i), Chapter 3, reference (j) and the principles and procedures concerning the use of various requests for work and services contained in reference (k).
- b. Funds Administrators will manage the funds, in whole or in part, as specified by the Comptroller and that have been allocated to individual projects in accordance with the delegated authority for the CO.

- c. Duly authorized individuals are required to request additional funds from the grantor of funds. Likewise, the individual will advise the grantor of funds when funds in excess of requirements are available for recapture.

6.6 RESPONSIBILITIES FOR SHIP MAINTENANCE FUNDING MANAGEMENT BUSINESS RULES. The goals of the Entitled Funding process are to reduce premiums paid for maintenance while at the same time improving the ability to respond to maintenance and operational requirements. The funding business rules for the Maintenance Team in managing the controls required to support all maintenance for a given ship are established in Volume VI, Chapter 31 of this manual.

6.6.1 Maintenance Team Funding Business Rules Responsibilities. The Maintenance Team identifies budget needs based on requirements in the Current Ship's Maintenance Project, Class Maintenance Plan, the Baseline Availability Work Package and historical data. The Maintenance Team identifies the total funding requirement to support the ship during the execution year, along with advance and availability planning and funding requirements for availabilities to be executed in future years. It also establishes the allocation of the "controls" or "phasing" plan that the team will utilize to support the ship.

- a. The Maintenance Team, with TYCOM N43 concurrence, has the ability to shift controls between the Chief of Naval Operations (CNO) availability and Continuous Maintenance budget lines in order to most efficiently accomplish required maintenance and modernization.
- b. The Maintenance Team, with TYCOM N43 concurrence, has the ability to adjust the Maintenance and Modernization Business Plan in response to changes in ship operations, planned maintenance periods and other business case reasons provided the intended distributions do not exceed the total remaining annual budget requirement allocated for that ship. This redistribution will be documented via a revised quarterly phasing plan, which will be submitted to the RMC, for approval and adjustment of the Maintenance Team controls. If funding controls permit, the Maintenance Team is permitted to accomplish maintenance that falls below the Maintenance Figure of Merit threshold provided the maintenance is accomplished during the most cost effective maintenance period available.
- c. Depot level maintenance will normally be screened to the **Private Sector Industrial Activity (PSIA)** contractor. The Maintenance Team may go to other contracting vehicles when there is no **PSIA** contract in place or:
 - (1) The contractor and Government cannot agree on cost and scope.
 - (2) The contractor does not have the capability or capacity.
 - (3) Indefinite Delivery, Indefinite Quantity/Commercial Industrial Services (or Simplified Acquisition Purchases and a qualified vendors list) is available.
 - (4) Other organic RMC assets are available and have the capability for the work.
 - (5) Work is to be accomplished outside of homeport area.
 - (6) Work is to be accomplished by an Alteration Installation Team.
- d. When work deferral reduces the total cost of the job or maintenance completes with a cost under-run and funds can be recaptured, the funding controls will normally remain under the control of the respective Maintenance Team. If the funds are needed for critical work on another ship or to cover a funding shortfall at the TYCOM/Fleet level, the RMC, with TYCOM concurrence, may redistribute or recapture controls from all or selected Maintenance Teams. The change will be documented in a revised quarterly phasing plan and the Maintenance Team(s) should provide to the RMC, and TYCOM, an impact statement and recommended plan to mitigate the effects of the plan change.
- e. **PSIA** contractors normally submit cost reports to Maintenance Teams on a bi-weekly basis. The Maintenance Team will utilize these reports to assess the cost performance of the **PSIA** contractor and address items of concern to the RMC.

6.6.2 Regional Maintenance Center Funding Business Rules Responsibilities.

- a. Based on input from the Maintenance Teams and the TYCOM regarding modernization requirements, the RMC Commander will develop a consolidated spending plan for the execution year.

VOLUME VII
CHAPTER 7
AVAILABILITY AND PROJECT MANAGEMENT

REFERENCES.

- (a) NAVSEAINST 5370.1 - Standards of Conduct and Statements of Affiliations and Financial Interests
- (b) NMCARS 5233.9000 - Documentation of Significant Contract Events
- (c) NAVSEA SI 009-04 - Quality Management System
- (d) NAVSEA SL720-AA-MAN-030 - Navy Modernization Process Management and Operations Manual
- (e) NAVSEA Technical Specification 9090-100 - Planning Yard (PY) Representatives
- (f) NAVSEAINST 4710.8 - Cost and Performance Reporting for CNO Scheduled Ship Maintenance Availabilities
- (g) NAVSEA OP-4 - Ammunition Afloat
- (h) NAVSEA SI 009-01 - General Criteria; Accomplish
- (i) NAVSEA SI 009-08 - Fire Fighting and Fire Prevention
- (j) NAVSEA SI 009-07 - Procedures and Equipment Required for the Prevention of Fire
- (k) DFARS 252.217-7015 - Compliance With OSHA Regulations
- (l) NAVSEA S9086-7G-STM-000 - NSTM Chapter 997 (Drydocking of Naval Vessels)
- (m) 10 USC 7311 - Repair or Maintenance of Naval Vessels: Handling of Hazardous Waste
- (n) FMP Manual Section 4-11 - Procedures for Ships Selected Records
- (o) FAR 4.802 - Contract Files
- (p) NAVSEA SI 0009-60 - Schedule and Associated Reports for Availabilities over 9 Weeks in Duration
- (q) FAR 52.232-16 - Progress Payments Clause
- (r) 31 USC 1517 - Prohibited Obligations and Expenditures
- (s) 31 USC 1301(a) - Application
- (t) DFARS 252.217-7012 - Master Ship Repair Agreement (MSRA) Liability and Insurance

LISTING OF APPENDICES.

- A Arrival Conference Agenda
- B Fire Fighting and Fire Prevention Conference Agenda
- C Drydocking Conference Agenda
- D "Activity" Progressing Method Example
- E Progress Guidelines

7.1 **PURPOSE.** This chapter provides general guidance concerning the statutory and contractual requirements for management of availabilities and emergent work on Fleet units. In this chapter, the term Project Manager refers to the individual that has been assigned the administrative and statutory authority for the management of an availability or an assigned project that is to be or has been awarded as a contract. This chapter focuses on the management team and in particular addresses the fact that the Project Manager and the Contracting Officer (Procuring Contracting Officer (PCO) and Administrative Contracting Officer (ACO)) for the assigned project or availability must have a strong communications network through various commands and individuals who assist them in exercising their responsibility.

7.2 **GENERAL.**

- a. The awarded contract establishes the rights and obligations of the contractor and the Government. The Government's actions or inactions in performing responsibilities such as providing Government Furnished Information and Government Furnished Material (GFM) to support the contractors' schedules, approving or disapproving of contractors' requested contractual actions, responding to contractor reports and participating in conferences to discuss technical and contractual issues as well as performance, could have a significant impact on the contractors' ability to perform contract requirements. These responsibilities make the Government an active participant in the management of the contract.

- b. The execution of any availability or contract with the private sector requires personnel with special training in their select area of responsibility when it applies to the administration of contracts.

7.2.1 Areas of Responsibility. Two of the more important general areas of responsibility are:

- a. Personal conduct in working with the contractor to ensure that the terms and conditions of the contract are complied with.
- b. The necessity to validate observations and maintain accurate records of these observations in “significant events” logs that include action that was taken to resolve the issues.

7.2.2 Standards of Conduct in Availability Management. All personnel engaged in matters related to contractual action must be familiar with and comply with the Standards of Conduct, avoiding not only situations involving an actual conflict of interest, but also any appearance of such a conflict. Personnel performing certain functions in the Regional Maintenance Centers (RMC) must submit the Status of Filing Report, RCS NAVSEA 5370-2, by 15 November of each year in accordance with reference (a).

7.2.3 Improper Actions. While participating in the management of a contract, personnel must avoid certain actions even if not specifically prohibited. Command instructions provide in-depth guidance on personal conduct including regulations concerning fraud, waste and abuse. Personnel involved in Contract Administration or Availability Management shall avoid any actions that might create the appearance of:

- a. Using a Government office for private gain.
- b. Giving preferential treatment to any person or entity.
- c. Impeding Government efficiency or economy.
- d. Losing complete independence or impartiality.
- e. Making a Government decision outside official channels that might affect public confidence in the integrity of the Government.

7.2.4 Documenting Significant Events. This is one of the most significant actions that every member of the availability management team shall comply with. Significant events are personal observations of conditions or actions by or to any party to the contract which would affect the performance of the contract.

- a. Reference (b) requires that “significant events” be recorded to assist in maintaining adequate documentation to be used to verify, qualify or refute matters relating to a contractor’s claim or Request for Equitable Adjustment (REA). The documentation of “significant events” is required for all contracts in excess of \$5 million or for which a claim is expected. A claim can be expected against any contract associated with ship modernization and repair. All Government personnel who are responsible for observing a contractors’ performance, production processes, observing “G” check points and monitoring operational tests and evaluations shall document their observations and maintain a continuous real time notebook of significant events. Notebooks shall be turned over to the ACO, via the Project Manager, at the completion of the availability.
- b. The contracting officer retains this documentation in the “Significant Events” file. All Government personnel involved in the performance of such contracts shall maintain this continuous real time notebook to record significant events that occur during the contract period.
- c. The significant events file and related documentation allows the Government to support or refute claims, terminations of contracts, settlements and determinations or to provide evidence for litigation to investigative bodies, as required. They also include written records of nonconformities in work progress and accomplishment. Contract related documentation such as correspondence, meeting minutes, labor records, material purchase orders, project schedules, schedule updates, productivity data and project monitoring information form the basis for the assertion or rebuttal of a claim. This information is beneficial in documenting the contractors’ performance reported in the Contractors Performance Appraisal Reporting System (CPARS) submitted at the conclusion of the performance period.

- d. The individual's significant events notebook should be a ledger-type, bound notebook having sequentially numbered pages. Events shall be recorded in black ink as they occur. Each recorded event shall indicate the date, time and a brief but complete description of the event. No page shall be removed. Mistakes shall be deleted with only a single line through the text and initialed, permitting an unobstructed view of the mistake. This notebook and related memoranda will become a part of the "Significant Events" file and will be marked "FOR OFFICIAL USE ONLY."

7.3 PROJECT MANAGEMENT.

7.3.1 Project Management Team. The Project Management Team as defined in Volume VI, Chapter 41 of this manual is included in the advanced planning processes as well as the contract type to be awarded. The Project Team for availability must be designated well in advance to preserve the continuity of the planning and execution phases of the acquisition process. The Project Manager, Comptroller, Support Staff and the Contracting Officer and their assigned teams shall coordinate their actions. The overall Project Management Team is accountable, and in some cases liable, for administering the contract and associated contractor and Government actions following award and throughout the contract execution phase as specified in the period of performance. The Government's Project Management Team shall insure that the contractors' performance complies with the specific terms and conditions of the contract and that the services are provided at a fair and reasonable price.

7.3.2 Project Manager. The Project Manager is the individual who is responsible for the management of the Project Team during an availability or emergent unscheduled work. The Project Manager is assigned by the Commanding Officer (CO) of the RMC and is the coordinator of the on-site shipbuilding specialist team. The authority of the Project Manager shall be clearly defined, identified to all concerned, and in particular the Contractor in relation to contract administration. Duties of this position include but are not limited to the following:

- a. Acts as business agent with other activities on availabilities and contracts assigned that includes ensuring that Type Commander (TYCOM) funds are utilized properly.
- b. Maintains liaison with customers, the ships Maintenance Team, Ship's Force Representatives, RMC functional departments, financial/accounting personnel and contractor.
- c. Acts as assistant funds administrator (when designated in writing from the RMC CO) for assigned availabilities and contracts.
- d. Coordinates planning and cost estimating and design specification preparation and scheduling.
- e. Reviews specifications to ensure completeness and conformance with authorized work.
- f. Arranges and conducts the Arrival Conference, weekly progress conferences and attends or arranges for RMC representation at all conferences pertaining to assigned availabilities and contracts.
- g. Evaluates all Technical Analysis Reports (TAR) and supports the Contracting Officer in contract negotiations.
- h. Evaluates and acts on the reports received from other members of the availability management team.
- i. Manages ship repair and modernization work items, job orders and contracts assigned by progressing and evaluating all work to anticipate, prevent and minimize delays, resolving all problems that affect the end cost, quality, schedule and performance of assigned availability or contract.
- j. Prepares reports on current status of assigned project or contract.
- k. Coordinates the on-site work effort in observing the contractor's in process production performance and operational testing events for projects assigned to the team.
- l. Acts as the availability management team point of contact for outside agencies seeking information relating to the project, the contractors performance or technical issues under review.
- m. Attends on-site meetings to provide comprehensive information to all concerned and to remain current in all aspects of the project.
- n. Reviews all work accomplished by assigned Shipbuilding Specialists to ensure compliance with regulations, directives, instructions and policies as well as to ensure that intended work is practical and necessary.

- o. Identifies and initiates action to correct, prevent and minimize delays, resolving all problems that affect quality, schedule and contractor performance.
- p. Reviews contractors work schedules, manning curves, material ordering/receipt schedules and special tasking/equipment requirements. Evaluates contractors' proposals prior to and during contract execution. Takes corrective actions to eliminate conflicts and prevent work stoppages.
- q. Performs all administrative duties and actions normally assigned to a supervisor.
- r. Maintains a Significant Event Log.
- s. Participates in the "Hot Wash Up/Lessons Learned Conference" following the completion of a major availability and in support of availability planning, execution and close out.
- t. Provide written reports to the Contracting Officer for Award Fee Evaluations **Private Sector Industrial Activity (PSIA)** contracts.
- u. Prepares CPARS for Chief of Naval Operations (CNO) Availabilities.
- v. Project Manager records to be passed to the Contracting Officer should include but are not limited to the following:
 - (1) Correspondence files containing copies of all correspondence to the Contracts Office both internal and external.
 - (2) Work authorizations for growth and new work. Work authorizations may be in the form of naval messages, Speed Letters, letters, other transmittals or documents. In the case of growth work, the authorization may be verbal, a memo at a meeting or a telephone call. Verbal authorizations should be documented with a Memorandum for the Record.
 - (3) The Project Manager shall maintain a ledger notebook to assist in funds administration. For each contract modification initiated in the work package, the Project Manager shall show the title of the item, cite the proper funding authorization and account and show the Government estimate. The ledger shall show funds committed and obligated for each contract modification and other financial transactions and provide an indication of funds available for future use. When changes occur during the negotiation process, the funds reserved or obligated shall be changed to reflect the current funding status. Periodically, at least monthly, the Project Manager shall reconcile ledger accounts with the Contracting Officer and Comptrollers' accounts to ensure that funds are not over obligated or expended.
 - (4) Material requisitions for GFM with prices.
 - (5) Project orders and economy act orders issued to other Government activities.
 - (6) Completion reports.
 - (7) Departure reports including summary costs of individual work items.
 - (8) All significant events logs from the shipbuilding specialist.

7.3.2.1 **Material Expediter.** The RMC will normally assign a material expediter to monitor the GFM that has been ordered for an availability or project. The material expediter, working with the RMC Material Personnel, Fleet Logistics Center (FLC) Representatives and contractor should be able to provide the current status of GFM, but will challenge the system to improve delivery dates or identify alternative sources to satisfy production schedule requirements.

7.3.3 **Ashore Ships Maintenance Manager.** As defined in Volume VI of this manual, the Ashore Ships Maintenance Manager for each ship is responsible for identifying the extent of modernization and repair to be addressed in the specification package to be awarded to a private contractor. The Ashore Ships Maintenance Manager works with the Project Manager in the day-to-day activity of work execution that is being performed on the ship by all activities. The Project Manager and the TYCOM shall approve new work items that have the potential to impact the schedule, finances or other aspects of the progression of the availability and the completion date. Generally, the Project Team supports accomplishing additional work items or contract modifications through the contracting

7.5 SUPPORT STAFF.

7.5.1 Functional Support Staff. Typically the waterfront receives significant support from technical and functional specialists who support several availabilities and special projects.

7.5.2 Design Coordinator. When workload permits, an engineer or engineering technician, accountable to RMC Chief Engineer, will be assigned the responsibility of coordinating requests for all design assistance to resolve technical problems identified during performance of the contract that are not the responsibility of the Planning Yard (PY). The waterfront design coordinator assigned to the availability or project arranges for the appropriate engineering discipline to investigate the identified problems and provide engineering guidance. Maintains a significant events log and when appropriate provides reports to support Award Fee Evaluations and CPARS.

7.5.3 Planners and Estimators. Government trade skilled and technical personnel are assigned to prepare work specifications, in accordance with Chapter 4 Appendix E of this Volume (4E specification procedures), and planning estimates. They are also responsible to identify material requirements for a solicitation when responsibility for this task is not assigned to a contractor as in the case with the PSIA contract. They may also be tasked to assist with the preparation of TARs for work items to support the Contracting Officers negotiations. These personnel may be required to prepare work specifications for essential growth and new work authorized during the performance of an existing contract or may be required to perform work on-site in order to resolve production problems.

7.5.4 Combat Systems Managers/Representatives. Electronics Engineers or Electronics Technicians with experience in the various disciplines involved in combat systems are assigned to availabilities that include significant combat systems requirements. These specialists monitor the contractor's performance of work and testing in the combat systems work package. The combat systems representative provides expert advice in the anticipation, identification and resolution of problems that may occur during the maintenance, repair and alteration installation phases, as well as during the grooming and complex systems level testing phases. RMCs may assign Electronics Engineers or Technicians as Combat Systems Managers for the availability. The Combat Systems Managers take a more active role by accomplishing duties similar to those of Production Controllers/Ship Surveyors/Shipbuilding Specialists in addition to those of Electronics Engineers or Technicians for combat systems work items during an availability or project. Combat Systems Managers responsibilities include the following:

- a. Provide current information relating to assigned work items to the Project Manager. This may also include reports to the ship's assigned Port Engineer for Combat Systems.
- b. Attend meetings to resolve production problems, develops scope of work requirements, assists in the development of TARs to support the Government negotiation positions, assesses contractor capabilities, work progress and performance, provides technical support to the ACO, participates in claims avoidance and provides other technical support as required.
- c. Interface with members of the Ship's Force to provide current project information, notifies cognizant personnel of scheduled evolutions, solicits required or desirable Ship's Force participation and provides technical advice.
- d. Receive and investigate contractor reports, writes and receives answers to Liaison Action Reports, provide interim answers to Test Problem Reports, assist in developing the Government's technical response to contractor requests, assist the TAR writer by providing engineering support and in developing the Government cost estimates, assist in preparing necessary contract modifications, estimate the delay and disruption that may occur because of a contract modification, provide the ACO support in negotiations and maintains records of actions taken.
- e. Observes "G" POINTS for electronic systems and equipment identified in the work specifications when they are presented by the contractor, witnesses required equipment or system tests and accomplishes random in-process inspections (PVIs) at the work sites to determine contractor compliance with the requirements of the specification. Documents the contractor's failure to satisfy contractual responsibilities.
- f. Determine the physical progress, as a percentage of work completed, of each work item and each contract modification assigned. This information is updated weekly in a comprehensive progress report that is used in calculating the contractor's entitlement to progress payments as well as in evaluating the contractor's schedule performance.

- g. Monitor the GFM and CFM report to anticipate actions that may be necessary to preclude schedule impact by unsatisfactory material delivery dates. Assist the FLC or RMC Material Department in visually identifying and verifying receipt of GFM. Initiate material orders to replace unsatisfactory GFM or to provide items with unique Government control and authorizes the contractor to make cash purchases from the Naval Supply system when it is in the best interest of the Government.
- h. Monitor the contract guarantee period to help determine whether failure of equipment or systems covered by the guarantee clause is the responsibility of the Government or the contractor. Ensure that the work determined by the ACO to be the responsibility of the contractor, whether it is covered by guarantee or was an exception to the completion of the contract, is repaired in accordance with the specification requirements. Provide cost estimates for incomplete work so that the ACO can ensure that appropriate contract funds are retained in the event that the work must be deleted from the contract requirements or be re-procured.
- i. Provide lessons learned and feedback related to deficient or inefficient work specifications or work authorizations to the appropriate planning group for use in improving future procurements.
- j. Maintains a Significant Events Log.
- k. Coordinate the efforts of the MSRA/ABR and each combat systems related AIT.
- l. The Combat Systems Manager is the primary point of contact for combat systems technical issues during the availability that arise with other technical organizations.
- m. Participate in the "Hot Wash Up/Lessons Learned Conference" following the completion of a major availability and in support of availability advanced and pre-planning, integration, execution and close out.
- n. Provide written reports to support Award Fee Evaluations and CPARS.

7.5.5 Manager - Environment Compliance and Occupational Safety and Health Act. The Manager for ESH may have subordinate Safety Inspectors and Environmental Compliance Representatives in addition to the Shipbuilding Specialist who also perform similar observations. The ESH Manager assists the availability management team in understanding and recognizing obligations of the contractor and the Government. The Safety Officer shall be the first point of contact in matters relating to the safety of people and equipment; environmental issues, such as oil spills or other contamination of the water; asbestos and ceramic fiber insulation control and all HW control. Any personnel injuries occurring at the work site (whether Government or contractor, military or civilian) shall be immediately reported to the Safety Officer. Unresolved issues noted in the daily safety and housekeeping walk-through or as required by contract shall be referred to the Safety Officer for assistance or resolution as appropriate. All observed or suspected safety or environment violations or any related issue shall be brought to the immediate attention of the Manager for ESH. The Manager for ESH reports directly to the CO of the RMC on safety-related matters and on environmental and other related matters. The Manager for ESH maintains a significant event's log and provides written reports to support Award Fee Evaluations and CPARS. Detailed information on this subject is contained in Chapter 10 of this Volume.

7.5.6 Technical Representatives from Other Activities. Throughout the availability there are typically a large number of other Government activities that are participants in the execution phase of a contract. It is essential that these activities be identified prior to commencement of the performance period and they must comply with all of the contractor's security requirements prior to gaining access into the production facility. These activities should designate one individual as the Point Of Contact to facilitate coordination of their work or involvement with the contractor's production, to interface with the RMC Contracting Officer, Project Manager and Ship's Maintenance Team/Maintenance Manager, and for coordination and attendance at appropriate progress and production status meeting.

7.5.7 Planning Yard Technical Representative. The PY provides technical liaison services regarding PY drawings or technical documentation. The PY Technical Representative provides additional information or interpretation of PY drawings and technical documents, resolves requests for drawing changes, waivers or deviations and initiates drawing changes when the change is approved by the PY. PY liaison requirements are addressed in reference (e).

7.6 AVAILABILITY PERFORMANCE.

7.6.1 Preparation for a Contracted Availability. The Contracting Officer that is charged with the responsibility and accountability, in accordance with Federal Acquisition Regulation (FAR) and Defense Federal Acquisition Regulation Supplement (DFARS), to assure that the contractor is prepared to execute the availability or project in accordance with any previous agreements and the specific terms and conditions of the specifications for the availability. The level of effort that is required to administer a contract depends on numerous factors that include the completeness of the advanced planning effort, the type of contract, level of effort and complexity of the modernization package, performance period versus size of the total work package including forces afloat work and key events and seasonal consideration during the production phase. Once the work package is defined and the contract solicited when required, outside of the PSIA concept, there is sufficient cause to involve the other participants in preparations for the availability at the earliest opportunity. Contract administration personnel should be assigned as early as possible. If the availability is not with a PSIA contract, the Project Manager and as many other key personnel as possible shall be assigned to the availability in time to participate in the contract award phase.

7.6.2 Pre-Award Survey. In some instances, the PCO may direct a full or modified pre-award survey to assess areas where past performance has been less than satisfactory as noted in previous CPARS or other documents. When the PCO directs a full or limited Pre-Award Survey of the apparent low bidder, RMC personnel may be assigned to participate in the survey, particularly for those contractor(s) selected for award of Master Agreement for Repair and Alteration of Vessels job orders. An in depth Pre-Award Survey is most often not required for contractors who hold a PSIA Contract or MSRA or ABR due in part to their compliance with the Agreement Process plus the familiarity of the PCO and ACO with the capabilities and past performance of the contractor. This familiarity with a specific contractor does not relieve the PCO of the accountability attendant to making the award. The Project Manager shall participate as a minimum. In addition to being able to comment knowledgeably on the contractor's qualifications and readiness for performance of the work, the survey team members may gain additional insights about the contractor's approach to accomplishing the work which will facilitate the management of the contract.

7.6.3 Readiness to Start. A "Readiness to Start" report is required by reference (f) and shall be prepared by the assigned Project Manager. In some projects or availabilities it may be necessary to obtain written pre-availability agreement(s) initiated by the executing activity with the customer(s) or other Department of Defense activities and the status of any required agreement(s) should be addressed as well.

7.6.4 Work Specification Review. Where there is a PSIA contract, the Ship's Management Team/Ashore Ships Maintenance Manager and other personnel assigned for availability management shall review the work specifications as well as all references to understand the full scope of the work package details and to identify discrepancies and areas of concern. For non-PSIA contracts, the Planning Activity and other personnel, as required, should conduct the specification review procedures that are outlined in Chapter 4 of this Volume. The planning objective should be to have the executing activity participate in the pre-award specification review. If such participation is not possible, at the earliest opportunity personnel charged with administering the specifications of the contract shall review and familiarize themselves with the specification package. Every detail that could have a negative impact on the performance schedule, quality of work or cost must be identified early so that intelligent decisions can be made to remove work from the contract, modify work requirements in the contract or add essential work necessary to accomplish the intent of the work authorized. Personnel may be able to recognize potential contract deficiencies from familiarity with the contractor's practices or from experience with a class of ships or a particular ship. Early action on the part of the Government helps to minimize the impact of contract modifications on the contractor's schedule and the final contract price.

7.6.5 Ammunition Off-Load Prior to an Industrial Availability. In general, to obtain maximum safety during industrial work periods, all or most of the ammunition should be off-loaded prior to the commencement of work during a scheduled availability unless there is a specific waiver approved. The specific off-load requirements will be in accordance with the instructions of the TYCOM, the Senior Officer Present Afloat, the Commander of the Naval Base or Naval Station and local port regulations. Ships and crafts entering contractors' facilities for a period in excess of six weeks shall offload all ammunition and other explosive materials except for those for Anti-Terrorism Force Protection. Navy units entering contractor's or Naval Station facilities for industrial work periods of less than six weeks will provide data required for necessary waivers in accordance with reference (g). The message should identify appropriate work boundaries with respect to ammunition storage areas (e.g., ammunition

and other HAZMAT must be separated from hot work by one compartment, tank or void (two bulkheads or two decks), a minimum of 20 feet and when such work does not result in heating the exterior boundary surface of the separated compartment, tank or void).

7.6.6 Fuel Off-Load Prior to an Industrial Availability. Surface force ships and aircraft carriers should enter any significant availability with a maximum fuel load of 15-20 percent unless there is an approved waiver to enter with more fuel onboard. The extent of this requirement will be determined by the nature and magnitude of work to be accomplished. Tanks that will be directly involved or in known or anticipated hot work boundaries should be at low suction levels. It is difficult, very costly and disruptive to off-load and transport or even shift fluids during any availability, especially in a contractor's facility that has the potential to result in a REA or even a claim for delay and/or disruption. The RMC shall advise the ship of specific off-load or transfer requirements sufficiently in advance of the availability start to allow the ship to schedule and accomplish the required effort.

7.6.7 Berthing of Ship and Crew.

- a. Messing and berthing, transportation and other related issues that impact the quality of life of the crew must be anticipated during the availability planning period and provisions made to satisfy the requirements in accordance with current United States Fleet Forces Command instructions. The designated Planning Activity or Maintenance Team (MT) have the responsibility to determine if the authorized work package will render the ship or a part of the ship uninhabitable. If any off-ship berthing is authorized, the Project Manager must verify that there is adequate funding and consult with Ship's Force prior to making final arrangements for acceptable berthing and messing for the duration of the uninhabitable conditions.
- b. Any requirement to be satisfied by the contractor must be included in the specification work package. If the availability is to be conducted in the contractor's facility, arrangements must be made for a safe and timely transfer of the ship into the contractor's facility and for the immediate connection of utilities and services. The MSRA and PSIA Contract requires the contractor to make provisions for the personnel assigned to the ship to have access to the ship at all times. Contract requirements shall state that the contractor not interfere with the normal berthing and messing of personnel attached to the ship. If the crew will be berthed off of the ship, written agreements should be established clearly identifying what is being provided, the responsibilities of the provider of the facilities and the responsibilities of the crew. Normally, the crew will be responsible for all routine maintenance and housekeeping that would be accomplished on the ship. Conditions existing in the facilities prior to use by the crew must be carefully documented to resolve questions that may arise when the crew leaves the facility. It is the RMC's responsibility to ensure a smooth transition with a minimum loss of time for the crew during the move and to validate arrangements for transportation of the crew to and from the ship when the crew is berthed off of the ship or to and from meals when the ship is unable to prepare meals because of authorized contractor work in the messing facilities or support systems.

7.6.8 Contractor's Assumption of Responsibility. If availability is to be accomplished in a contractor's facility, the contractor's responsibility for the ship will commence when the contractor's tugs accept the ship's lines or the contractor's line handlers accept the ship's lines at the contractor's pier. Except as otherwise specified in the contract or job order, the contractor will furnish all necessary labor, material, services, equipment, supplies, power, accessories, facilities and other supplies and services as are necessary for accomplishing the work specified in the job order.

7.6.9 Security.

- a. Force Protection and physical security within the contractor's facility is the contractor's responsibility in accordance with the requirements outlined in the contract or job order. The contractor must establish and maintain a personnel identification system, control visitor access to the facility and control the receipt and removal of property from the facility. Government personnel, when in the contractor's facility, must comply with the contractor's security regulations. If the Government wants physical security arrangements other than those the contractor is required to provide, then the requirement must be authorized by the funds grantor, funded and added to the contract requirements. Additional security requirements could include such items as security guards in Ship's Force parking areas, barriers to preclude access to the ship by unauthorized waterborne craft or the patrol of water approaches to the contractor's facility.

Therefore, the contractor should specifically be advised that the Government is not ordering acceleration, that the responsibility for acceleration, if it is undertaken, remains solely with the contractor and that any acceleration ordered by the Government will be in the form of a contract modification.

- g. In addressing schedule adherence with the contractor, the Government must also assess the impact of Government actions or failures to act, when required, on the contractor's performance. If the Government is responsible for even a small portion of the perceived delay or for disruption which has caused the delay in performance of scheduled work, then that issue should be addressed in a contract modification to properly compensate the contractor for the required acceleration to recover and maintain schedule adherence.
- h. If the contractor alone is responsible for failure to produce as scheduled and such failure is viewed by the RMC as significant enough to place availability completion in jeopardy, then the Government concerns should be conveyed in writing to the contractor. Such a letter can be referred to as a "View with Concern" or "View with Alarm" letter, depending on the degree of severity of the contractor's situation. In the letter, the RMC should identify the areas of concern and how the Government "views" the situation and offer perceived reasons for the situation. The contractor should also be requested to provide a written response to the letter, identifying action the contractor proposes to take to prevent delay in completing the availability. Where the contractor insists that work can be completed on schedule without acceleration or other measures involving added cost, the Government cannot direct the contractor to perform otherwise. Any direction contrary to the contractor's plan will generally result in an REA or a subsequent claim.
- i. While the contractor is trying to recover from poor schedule adherence, the Government should be as cooperative as possible, doing all that needs to be done to make it possible for the contractor to recover on its own. If it becomes clear that the contractor is not performing in a manner that will allow completion on schedule, a meeting should be convened with the contractor's top-level managers and the contracting officer. At this meeting, the contracting officer should again convey the Government's concern over the contractor's lack of progress and discuss the specific issues of concern. The contractor should be requested to address the specific issues causing problems, including the contractor's view of the cause of the problem. If the contractor identifies the Government as the primary cause of the schedule slippage, the issues raised must be addressed by the contracting officer. If the RMC agrees with the contractor that the Government is a party to the schedule delay following review of the contractor's contemporary schedule and cost documentation, then action must be taken to compensate the contractor for the impact. If the Government does not agree with the contractor about responsibility for the schedule slippage, then the contracting officer must make this view clear to the contractor. The meeting should result in an agreement about the actions to be taken to ensure availability completion on schedule. In the very worst of cases, termination should be considered. Otherwise, the results of the meeting should be documented in a letter from the contracting officer to the contractor. This letter should document the relative positions of the parties to the contract where there is disagreement and document the agreement made. This letter serves to place the matter on a business-like footing, documents the contract file for future reference and should be used in future pre-award surveys in assessing the contractor's past performance.
- j. Personnel attached to the ship may not unduly interfere with the contractor's work or the contractor's employees. The contractor is obligated to accomplish the work specified by the contract within the dates specified by the contract. Therefore, when progress is impeded by some action or lack of required action on the part of the Government that will cause delay or disruption in the contractor's scheduled work, the contractor will generally be entitled to an equitable adjustment in contract price and delivery schedule. This will be resolved by awarding the contractor compensation in the form of additional time or additional money or both as agreed by the parties.
- k. A detailed schedule of the work to be accomplished by Ship's Force should be developed as well as the work that will be accomplished by other activities not under the control of the RMC. The complexity of this schedule will be determined by the resources that the ship can apply, the magnitude of work and interfaces and the perceived need. Automated scheduling systems may be made available to the ship. However, as a minimum, a simple bar chart schedule or GANTT chart should be developed and

maintained by Ship's Force to assist in working around the contractor's schedule whenever possible. On occasion, Ship's Force will not be able to work around the schedule, and in such cases, the RMC must work with the contractor for resolution and coordination. Reference (p) requires the contractor to provide a representative whose only function is to coordinate Ship's Force work with contractor work. In addition to the representative being required to meet daily with the Ship's Force coordinator, the representative among other things, is required to submit weekly a report of conflicts where programmed Ship's Force work interferes with the contractor's schedule. When the RMC or the Ship's Force becomes aware of approaching disruptive events (e.g., work schedule conflict, planned power outages, drills, visits, Change of Commands) the contractor should be notified immediately to mitigate the impact on the contractor's schedule by allowing time for a shift of resources.

7.9.2 Progressing. A project or availability that is not planned cannot be controlled. Once the project has commenced, project control is possible only when one knows the status of the project at a given point in time. The process of creating the project schedule baseline established the benchmark against which schedule progress is measured. The dynamic nature of a ship repair availability necessitates change. Some of the primary factors, which influence such change, include added and deleted work, delays, strikes, weather problems, changes in sequence and acceleration in the work, among others. "Updating" involves the periodic review of the project plan, schedule and progress to provide a complete and accurate report of actual versus planned progress. It can be utilized as a basis for the purpose of determining the amount of periodic progress payments to which the contractor is entitled. It may also serve as a basis for allowing the parties to schedule their remaining work in order to achieve the overall schedule objectives.

- a. The pertinent information to be gathered and analyzed during each update period includes the following:
 - (1) Commencement and completion dates for all activities commenced and/or completed during the update report period.
 - (2) Current progress of activities which commenced in prior update periods, indicating actual completion dates or, if still in progress, the remaining time duration.
 - (3) The determination of what activities need to be re-sequenced, added, deleted or modified to clarify or reflect a change in plan or operation which to maintain requires schedule detail for proper monitoring and controlling.
 - (4) Fragments, which have been incorporated into the network diagram, to reflect delays and/or changes.
- b. RMCs are required to develop an independent assessment of progress for use in comparison with the contractor's production progress report. A progress report is developed by determining the ratio of the planning estimate for labor and material separately for each work item compared to the planning estimate for labor and material for the total contract. This will establish a weight factor for the labor and a weight factor for the material for each work item. Every attempt should be made at the outset of the availability to reach agreement with the contractor on the relative value of each work item for progressing purposes. To ignore a contractor's justified concern about potential progress payments could be extremely harmful. In every case where there is a significant disparity between the Government's weight factor and that of the contractor, the RMC should investigate the cause and adjust the factors as needed. Contractors may attempt to front load the contract for progressing purposes to maximize early cash flow. In this regard, the weight factors for items scheduled for early accomplishment may be inflated. On the other hand, the contractor may have good justification for a weight factor significantly in excess of the RMC developed factor. Where the contractor has adequate justification for a weight factor, the RMC factor should be adjusted. In those cases where the RMC does not agree with the contractor, the Government weight factor must be used.
- c. The total of all weight factors for labor added to the total of all weight factors for material should equal 100 percent. The actual percentage of completion of work is then determined independently for labor completion and material for each work item. Material progress assessments are made on the basis of the estimated dollar value of satisfactory material received by the contractor. The percentage of completion of the labor for each work item is multiplied by the labor weight factor established for that work item, and the percentage for material for each work item is multiplied by the material weight

7.12.2 Exceptions to Completion of the Contract. The exception list developed at the Availability Completion Conference will be reviewed by the Project Manager and the ACO to determine if the contract should be declared complete with the exceptions remaining to be completed. The Project Manager reviews the list with the MT/Ashore Ships Maintenance Manager and Project Management Team to identify items that should be deleted from the contract. Items that should be deleted are those items requiring Long Lead Time Material for completion or items that cannot be completed because of factors beyond the control of the contractor. Work item specifications and TARs are then prepared to support negotiation of contract modifications to delete the work from the contract and reduce the contract value. The on-site team also provides estimates for the outstanding items on the exception list so that the ACO can ensure that adequate funding is retained to complete the outstanding items. The redelivery date of the ship is established by the ACO when agreement is reached by all parties on the disposition plan for all exception items.

7.12.3 Availability Completion. When the RMC considers the ship ready for redelivery to the Fleet, the TYCOM is notified. The TYCOM generally concurs if, in the TYCOM's judgment, the exception list does not include outstanding work which would prevent the ship from being fully capable of accomplishing its mission or an accumulation of smaller items which would seriously affect the ship's safety or operations. When agreements of the Availability Completion Conference have been met (if applicable for the class of ship), the TYCOM will accept redelivery of the ship to the Fleet, the contract is declared complete with exceptions and the availability is officially ended.

7.12.4 Contract Guarantee Period.

- a. When the ship is redelivered to the Fleet, the contract guarantee period begins. The PSIA contract guarantee period is typically 60 days. For fixed price contracts, the contractor must correct deficiencies in the work performed or in the materials supplied for a period of 90 days. The guarantee period on the items that were exceptions to the completion of the contract will start when the RMC accepts the completed work. Defective contractor work or material deficiencies identified after completion by Ship's Force or others must be reported to the RMC promptly. RMC Representatives investigate the deficiency, and, if it is determined to be a contractor-responsible deficiency, the ACO notifies the contractor in writing. If it is reasonable to do so, the Government must allow the contractor access to the ship to correct the noted deficiencies. If the ship is in port and accessible, the contractor has the option to accomplish the repairs or arrange for another contractor to accomplish the repairs. If the contractor corrects the defect directly or by the use of a subcontractor, then a new guarantee period begins when the repairs are accepted by the RMC. The total guarantee period for any item under a fixed price contract cannot exceed a maximum of 180 days.
- b. If the contractor fails to arrange for the correction of the deficiencies, then the ACO will arrange for the defects to be corrected by other means and execute a contract modification with the contractor for an equitable reduction in the contract value. The defects can be corrected by various Government resources, including Ship's Force or by another prime ship repair contractor. If the ACO contracts with another contractor to correct the defect, then the new contractor is responsible for a new contractor 90-day guarantee period when the repair is accepted by the RMC.
- c. In the case of split availabilities, the contract guarantee period may begin prior to redelivery of the ship to the Fleet if the Navy uses the equipment provided or the repaired item prior to redelivery.
- d. Throughout the guarantee period, the Project Manager must maintain contact with the ship and monitor the contractor's completion of exception items and the correction of guarantee defects. Disputes about guarantee work items must be resolved by the ACO.

7.12.5 Completion Reports. The RMC reviews the records and compiles a number of reports at the conclusion of the availability, the completion of the guarantee period and the closing of the contract.

7.13 INSURANCE.

7.13.1 Introduction. NAVSEA's insurance policy differs from most Government agencies since NAVSEA is basically a self-insurer beyond contractually specified deductibles for which the contractor is responsible. In general, there are two types of insurance coverage. The first covers loss, damage or destruction to the vessel, its equipment or materials; the second covers third party and collision, protection and indemnity liabilities. It is essential to remember that insurance claims are different from contract claims. Specifically:

- a. Require direct physical damage to vessel from external cause.
- b. Excludes delay, disruption, faulty work and materials, cost of sea trials and consequential damages.
- c. Excludes fixed overhead.
- d. Excludes overtime, unless authorized.
- e. Excludes cost of money.
- f. Can pay negotiated profit influenced by degree of contractor fault and based upon profit of all yard work.
- g. Reimbursement not to be based on estimates, but on return costs for labor performed and bills paid for material.
- h. Can settle outside contract price (targets).
- i. Deductible is not a contract cost.

7.13.2 Master Ship Repair Agreements/Private Sector Industrial Activity Contracts - Loss or Damage to Government Property. Reference (t) does not refer to any Navy Syndicate Forms (i.e., the coverage is self-contained). The contractor is directed to exercise reasonable care and use best efforts to prevent accidents, injury or damage to all employees, persons and property in and about the work and to the vessel or part on which work is being done. The term “reasonable” is normally defined in terms of criteria established by the National Fire Protection Association. Of course, any specific contract requirements will govern. Issues regarding Insurance should be directed by the Contracting Officer and the Counsel for the RMC. For example, the requirements are very complex and the Department of Defense is self insured as noted in the following:

- a. The contractor will not, unless otherwise directed or approved in writing, carry or incur the expense of any insurance against any form of loss or damage to the vessels or to the materials or equipment to which the Government has title, or which have been furnished by the Government for installation by the contractor. The Government assumes the risks of loss or damage to the vessels and such materials and equipment. The Government does not assume any risk with respect to loss or damage compensated for by insurance or otherwise, or resulting from risks with respect to which the contractor has failed to procure or maintain insurance, if available, as required or approved.
- b. Further, the Government does not assume risk with respect to and will not pay for any costs of the contractor for the inspection, repair, replacement or renewal of any defects themselves in the vessel(s) or such materials and equipment due to the following:
 - (1) Defective workmanship or defective materials or equipment performed by or furnished by the contractor or subcontractors.
 - (2) Workmanship or materials or equipment performed by or furnished by the contractor or subcontractors which does not conform to the requirements of the contract, whether or not any such defect is latent or whether or not any such nonconformance is the result of negligence.
- c. In addition, the Government does not assume the risk of and will not pay for the costs of any loss, damage, liability or expense caused by, resulting from or incurred as a consequence of delay or disruption of any type; or willful misconduct or lack of good faith on the part of any of the contractor’s directors, officers, and any of its managers, superintendents or other equivalent representatives who have supervision or direction of all or substantially all of the contractor’s business or all or substantially all of the contractor’s operations at any one plant. However, for such risk assumed and borne by the Government, the Government will be subrogated to any claim, demand or cause of action against third persons which exists in favor of the contractor, and the contractor will, if required, execute a formal assignment or transfer of claims, demands or causes of action. Moreover, nothing in the above will create or give rise to any right, privilege or power in any person except the contractor, nor will any person (except the contractor) be or become entitled to proceed directly against the Government or join the Government as a codefendant in any action against the contractor brought to determine the contractor’s liability, or for any other purpose. In addition, the contractor will bear the first \$50,000 of loss or damage from each occurrence or incident, the risk of which the Government otherwise would have assumed under the provisions specified above.

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CHAPTER 12

CONTRACTED SUBMARINE PRESERVATION SYSTEM REPAIRS

REFERENCES.

- (a) NAVSEA Standard Item 009-32 - Cleaning and Painting Requirements Accomplishment
- (b) NAVSEA T9081-AD-MMO-010 & 020 - URO MRC SSN 21 Class
- (c) NAVSEA 0924-LP-064-8010 - URO MRC SSN 688 Class
- (d) NAVSEA T0700-AA-PRO-010 - URO MRC SSBN/SSGN 726 Class
- (e) NAVSEA T9081-AE-MMO-010 - URO MRC SSN 774 Class
- (f) NAVSEA MS 7650-081-091 - Submarine Hull Inspection
- (g) NAVSEA MS 6310-081-015 - Submarine Preservation
- (h) NAVSEA 0924-062-0010 - Submarine Safety (SUBSAFE) Requirements Manual

12.1 PURPOSE. To ensure compliance with the Unrestricted Operations (URO) Maintenance Requirement Cards (MRC) Program when accomplishing contract preservation work on submarines. Reference (a) provides standard preservation requirements whereas references (b) through (h) provide submarine specific preservation requirements. This Chapter provides information for the Supervisor of Shipbuilding (SUPSHIP) contracting work on Submarine Preservation Systems to ensure that specific submarine URO MRC requirements are met.

12.2 SCOPE. This chapter provides requirements for Intermediate Maintenance Activities and Navy Contractors to be used in maintaining, repairing, and replacing preservation systems on non-nuclear components and spaces of U.S. Navy submarines. Technical questions regarding the structural URO MRCs or Submarine Preservation shall be directed to Naval Sea Systems Command (NAVSEA) 07T12.

12.3 APPLICABILITY. This chapter is applicable when contracting maintenance on preservation systems of all submarines in service.

NOTE: SUPERVISOR IS RESPONSIBLE TO ENSURE COMPLIANCE WITH ALL URO MRC PROGRAM REQUIREMENTS AND TO ENSURE THAT A URO MRC MEASURED PARAMETER IS NOT VIOLATED.

12.4 SUBMARINE PRESERVATION REQUIREMENTS FOR CONTRACTING. Submarine preservation work has additional requirements to ensure continued safe unrestricted operations until the next inspection. The URO MRC Program contains these requirements. URO MRC inspections and repairs shall be accomplished in accordance with references (b) through (g). The URO MRC Program is invoked by reference (h) and the Submarine Class Maintenance Plans. Preservation system repairs are a URO MRC attribute and are to be accomplished in accordance with reference (g). It is the responsibility of the SUPSHIP to ensure that all URO MRC requirements are met when invoking reference (a) for contracts. Reference (a) has been updated to contain submarine specific painting requirements, however SUPSHIP shall review references (b) through (h) to ensure all submarine safety requirements are accomplished. This may involve requiring structural inspections, repair and reporting.

12.4.1 Structural Integrity. Maintaining the protective capability of the coating system applied to areas that are listed on the Equipment Guide List of the URO MRC inspection and monitoring program is critical to maintaining structural integrity during the periods between inspections. For this reason, complying with requirements for coating system application for all aspects of the preservation process is essential. Other systems that impact the URO MRC 003 program are Special Hull Treatment application process, including Mold-In-Place, maintenance of Impressed Current Cathodic Protection systems and anodes, and installation of various types of tiles (acoustic, damping, etc.).

12.4.2 Tanks. Preservation work in submarine tanks and enclosed spaces is usually scheduled to occur when the tanks are opened and entered to perform URO MRC 003 structural inspections. Any time a tank is entered, if the scheduled URO MRC 003 structural inspection is not being performed, a structural visual examination in accordance with reference (f) shall be performed. There are specific qualifications for performing these inspections; requirements are contained in references (b) through (f).

12.4.3 Blasting. Any URO MRC 003 and URO MRC 002 item being blasted and painted must have the URO MRC 003 hull survey inspection and URO MRC 002 inspection performed prior to blasting and prior to repainting. When blasting and repainting an item, ensure that URO MRC structural repair sites are not contaminated with paint overspray until repairs have been completed. Upon completion of structural repairs, the affected areas will be abrasive blasted to SSPC-SP-10 prior to paint application unless otherwise specified.

12.5 REPORTING.

12.5.1 Existing Conditions. Report existing paint conditions and all preservation work performed as required by reference (g). This report and all preservation in-process Quality Assurance and Quality Control documentation are considered URO MRC Objective Quality Evidence. Submarine as-arrived coating inspection requirements are per reference (g) Attachment 7.

12.5.2 As Arrived Conditions. Report as-arrived coating inspections on Submarine Tanks/Voids/Free floods, Sail, Superstructure, and Interior Miscellaneous Inspection Worksheet, reference (g) Form 1, or Submarine Underwater Hull Inspection Worksheet (3.0 Form 2) electronically using the Corrosion Control Information Management System (CCIMS) database located at the following web address: <https://ccims.dc3n.navy.mil> or as a legible hard copy to SUPSHIP. Sample copies of preservation data forms and information on reporting requirements are provided in Section 8 of reference (h). Preservation feedback must be submitted for validation by email notification to preservation.SUBMEPP.ftc@navy.mil at the time the URO MRC report is due. This feedback is considered URO MRC 003 Objective Quality Evidence.

12.5.3 SSN 21 and SSN 774 Class Submarines. For SSN 21 and SSN 774 Class submarines, excessive use of mechanical tools (grinders, sanders, chippers, abrasive blasting, etc.) must be minimized to avoid metal loss due to lack of corrosion allowance. Overly aggressive blasting which causes metal thickness loss over the amount required for surface profile should be avoided. Any areas of potential metal loss by corrosion or mechanical means must be investigated in accordance with URO MRC 003. Mold-In-Place/Special Hull Treatment removal shall be accomplished only by water jetting. Removal by mechanical means is not allowed.

12.6 SUBMARINE PRESERVATION WAIVERS AND DEVIATIONS.

12.6.1 Requirements. Submarine Preservation Waivers and Deviations shall be in accordance with reference (g) section 9. URO MRC Program Waivers and Deviations requirements are as follows:

- a. Nonconformance requests that result in a change of the URO MRC inspection periodicity (not authorized by the URO MRC), a change in a URO MRC technical requirement, or deferral of required work during accomplishment of the URO MRC require NAVSEA approval. Local (Chief Engineer or Type Commander) approval is not authorized for these non-conformances.
- b. To support operational commitments, Commander, Submarine Force Atlantic (COMSUBLANT) and Commander, Submarine Force Pacific (COMSUBPAC) may authorize temporary periodicity extensions (not already authorized by the URO MRC) after consultation with SEA 07T. The periodicity extensions should be limited to the next availability or in port period, where a Submarine Fleet Maintenance Activity is available, and shall be documented by a Major Departure from Specification in accordance with Volume V, Part I, Chapter 8 of this manual. The Departure from Specification shall then be submitted to NAVSEA for approval.

12.6.2 Notification. The cognizant NAVSEA (SEA 07T) and Type Commander codes shall be notified in writing within two days of any URO MRC related decision made by an inspection activity that will result in a change of periodicity, a change of technical requirements, or deferral of required work.

- a. A copy of the notification shall also be forwarded to SUBMEPP (Code 1832). Any subsequent waiver or deviation requests shall be sent to NAVSEA for review and approval or disapproval.
- b. An official signed copy of all NAVSEA approved waivers or deviations shall be included with the Data Report Form when forwarding URO MRC inspection results to SUBMEPP and other addressees.

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CHAPTER 13

SHIPBOARD CONTRACTING STRATEGY AND UTILIZATION

13.1 **PURPOSE.** This chapter provides guidance on contracting for shipboard maintenance and modernization work.

13.2 **SCOPE.** This chapter applies to all activities conducting shipboard maintenance or modernization work in Continental United States (CONUS) and Hawaii. Shipboard maintenance and modernization work includes repairs, modernization, installations, alterations or engineering technical services if there is a potential for system/boundary entry, testing or impact on other ship operations; or if there is a requirement for coordination and integration of multiple contractors and government activities.

13.3 **APPLICABILITY.** This chapter does not apply to:

- a. The reactor or primary plant systems under the cognizance of Naval Sea Systems Command (NAVSEA) 08.
- b. Fleet Ballistic Missile systems under the cognizance of Submarine Strategic Program.
- c. Space Systems under the National Security Space Acquisition Policy.
- d. Naval aircraft and avionics equipment.

13.4 **OBJECTIVE.** The objectives of the Comprehensive Contracting Strategy for shipboard maintenance and modernization are:

- a. Alignment of contracting actions amongst Navy requirements officials and contracting and technical warrants.
- b. Solicit contracts for shipboard work only via warranted Navy contracting officers, and ensure they include appropriate technical content.
- c. Improve maintenance contracting “situational awareness”, thereby reducing unnecessary contract proliferation, redundant or niche contracts by identifying existing contracts that could service the need or identify national contracting strategies for similar services.
- d. Coordinate and vector proposed contracting to the proper authorities for procurement, administration, task order management and oversight.
- e. Ensure proper utilization and balance of Alteration Installation Team, Indefinite Delivery/Indefinite Quantity (IDIQ) and **Private Sector Industrial Activity (PSIA)** contracts to ensure the Navy has procurement options and leverage in the maintenance and modernization market place.
- f. Proper execution oversight.

13.5 **BACKGROUND.** The Fleets, Deputy Assistant Secretary of the Navy (Ships), and Naval Sea Systems Command have embarked on a joint initiative to develop a Comprehensive Contracting Strategy for shipboard maintenance and modernization that compliments the Navy’s use of **PSIA** contract vehicles as the primary means for accomplishing shipboard work in the private sector. This strategy is an effort to reduce the amount of coordination required during work execution on the waterfront and to reduce the inefficient use of available contracting resources in procurement and administration. This strategy emphasizes the four principles outlined in the paragraphs below.

13.5.1 **Optimal Use of Surface Force Ship/Aircraft Carrier **Private Sector Industrial Activity** Contracts.** The first strategy is the optimal use of Surface Force Ship/Aircraft Carrier **PSIA** contracts to accomplish as much maintenance and modernization work within their organic capability in order to gain learning curve efficiencies, facilitate predictable contractor loading, reduce premium prices paid and spread contractor overhead across a larger business volume.

13.5.2 Indefinite Delivery/Indefinite Quantity Contracts. The second strategy is the determination of the right types and numbers of IDIQ contracts required to supplement PSIA contracts so that viable options are available if PSIA contractors are unable to provide suitable coverage, encounter capacity constraints, cannot meet required schedule or exhibit unreasonably high costs.

13.5.3 Industrial Capabilities. The third strategy is the identification of industrial capabilities where the Navy will exclusively use IDIQ contracts to accomplish maintenance and modernization work beyond PSIA capability and develop procurement strategies that most efficiently meet such needs.

13.5.4 Contracts Portfolio. The final strategy is the cataloguing of these contracts in a "Portfolio of Shipboard Production Contracts" managed at the local Regional Maintenance Center (RMC). The local RMC shall be the point of entry for servicing all shipboard maintenance and modernization production requirements, and shall match (whenever possible) requirements to an existing Portfolio Contract.

13.6 OVERVIEW. The elements of the Comprehensive Contracting Strategy for shipboard maintenance and modernization include:

- a. Breadth: any contracted shipboard work (maintenance, repair, modernization, or alteration) that requires system/boundary entry, testing or impact to routine shipboard system operations. Exceptions:
 - (1) Non-permanent change installations (Temporary Alteration, Engineering Development Model and prototype installation).
 - (2) Non-intrusive shipboard technical reviews (ship checks, design reviews, logistic reviews/audits, etc.).
- b. Contract types: PSIA, Original Equipment Manufacturer, IDIQ/Commercial Industrial Services, Alteration Installation Team contracts, Performance Based Logistics repair contracts.
- c. Contract access: The "Portfolio of Shipboard Production Contracts" maintained at RMCs to serve all organizations performing shipboard work.
- d. Shipboard production work execution only with Portfolio Contracts.
- e. Portfolio content managed through the Contracts Governance Council Process.
- f. The Contracts Governance Council (CGC) is the standing body that manages the Contracts Portfolio and provides maintenance and modernization procurement oversight for the Fleet Maintenance Board of Directors (FMBoD). The CGC works to continuously improve this process and the Contracts Portfolio.

13.7 RESPONSIBILITIES.

13.7.1 Fleet Maintenance Board of Directors. The Fleet Maintenance Board of Directors (FMBoD) shall:

- a. Charter the CGC and provide oversight to all processes associated with the Comprehensive Contracting Strategy for shipboard maintenance and modernization.
- b. Render final approval or disapproval for any contractual actions unresolved by the CGC.

13.7.2 Contracts Governance Council. The CGC shall implement the Comprehensive Contracting Strategy for shipboard maintenance and modernization by managing the approved Contracts Portfolio available for customers with shipboard work requirements.

13.7.3 Systems Commands and Program Executive Offices. The Systems Commands and Program Executive Offices shall use contracts in the Contracts Portfolio (including PSIA) for any maintenance or modernization work that is performed on board ships or crafts, or if the work will require substantial integration with other executing activities.

13.7.4 Fleet Maintenance Activities. All CONUS and Hawaii maintenance activities shall ensure all contracted shipboard maintenance and modernization work is done using a contract in the Contracts Portfolio (including PSIA).

13.8 CONTRACTS GOVERNANCE COUNCIL.

13.8.1 Structure. The CGC is a standing body co-chaired by Commander, Naval Regional Maintenance Center (CNRMC), NAVSEA 21 and NAVSEA 02. It is responsible for the continuous improvement of the Contracts Governance process and for providing strategic guidance for the Navy's overall ship maintenance and modernization contracting strategy.

13.8.2 Contracts Governance Council Process. The governance process encompasses shipboard maintenance and modernization contracts used on Fleet assets in CONUS and Hawaii (all customers and all locations). The focus of the CGC is non-nuclear work. Maintenance and modernization of nuclear propulsion systems and supporting sub-systems, as well as SUBSAFE systems and sub-systems, are not applicable under the CGC's cognizance.

13.8.3 Contracts Governance Council Membership. The CGC will consist of senior members representing the following government maintenance and modernization organizations:

- a. CNRMC (Co-Chair)
- b. NAVSEA 21 (Co-Chair)
- c. NAVSEA 02 (Co-Chair)
- d. NAVSEA 00L (Legal Council)
- e. NAVSEA 02A, 02B, 21A, 024, PMS 400F, PMS 470, PMS 505
- f. Naval Regional Maintenance Center (NRMC) Code 300 and Code 400
- g. RMC Code 300 and Code 400
- h. Additional members may include:
 - (1) Fleet Forces Command N43
 - (2) Commanders Pacific Fleet N43
 - (3) Other RMC personnel
 - (4) Submarine Force, Surface Force and Aircraft Carrier Type Commanders (N43)
 - (5) Warfare Centers
 - (6) Program Executive Offices
 - (7) Naval Space and Warfare Command (SPAWAR) 04
 - (8) Naval Supply Fleet Logistics Center

13.8.4 Contracts Governance Council Policy. The CGC seeks to implement and support policy from the Assistant Secretary of the Navy Research, Development and Acquisition and this manual for Comprehensive Contracting and Depot Work Integration for ship maintenance and modernization contracting as follows:

- a. Operate the CGC to oversee contracts that support, plan and execute shipboard maintenance, modernization and sustainment production work.
- b. Manage the portfolio of approved shipboard contracts maintained by CNRMC.
- c. Focus on RMCs to implement standard policy throughout the non-nuclear maintenance and modernization enterprise. This includes any repairs, modernization, installations or alterations where potential exists for systems or boundary entry, work control or tag-out procedures.
- d. Discuss acquisition strategy and how future spirals of **PSIA** Contracts will be developed.

13.8.5 Contracts Governance Council Products. The CGC will provide:

- a. Management of authorized contracts portfolio to optimize the number of contracts needed to complement **PSIA** contracts.

- b. A quarterly summary report to CGC Membership. The RMCs shall provide metrics to support the quarterly reports per the Basis for Measurement provided by the CGC.
- c. Business rules for implementing CGC governance at the RMCs.

13.8.6 Contracts Governance Council Expectations. The CGC expects to impact cost and benefits in the following manner:

- a. Increase standardization in the execution of contracts across all RMCs.
- b. Optimize the number of contract vehicles required for shipboard work.
- c. Improve waterfront work integration.
- d. Increase discipline in the contracting process.

13.8.6.1 Contracts Governance Council Monthly Meetings. USFF N431 (Fleet Maintenance Acquisition Manager) will chair the monthly meetings of the CGC. The CGC will render one of three possible actions:

- a. Option year renewal(s) of existing contracts.
- b. Solicitation and award of new contracts.
- c. Incorporation of existing contracts not yet in the Contracts Portfolio.

13.8.6.2 Contracts Governance Council Consideration. The CGC shall approve or disapprove the request(s), or return the request to the requiring agent for clarification or alternate sourcing consideration.

13.8.6.3 Contracts Governance Council Decision. CGC approvals and disapprovals shall be by unanimous decision. Any request for which a unanimous decision can not be achieved will be referred to the “expanded” FMBOD for resolution. The Expanded FMBOD includes the permanent FMBOD members as well as a flag officer or senior executive of the requiring agent’s organization. The Expanded FMBOD will resolve the request.

13.8.6.4 Meeting Administration. CNRMC Business Office will prepare the agenda for the CGC, coordinate all CGC actions, replies, and record the minutes of the meeting. USFF N431 will send a status report to the CNRMC’s Business Officer informing him/her of the disposition of each request for CGC action within five days of the monthly CGC meeting.

13.8.6.5 Quarterly Briefing. USFF N431 will brief the FMBOD quarterly of actions taken by the CGC, and present any unresolved contract action requests for disposition by the FMBOD. The quarterly summary report to the FMBOD will include:

- a. Any changes to the Contracts Portfolio.
- b. Summary statistics on CGC actions.
- c. Any changes made to the review process.
- d. Any problems encountered.
- e. Any recommendations for process improvement.