JOINT POLICY MEMORANDUM

Subj: MANAGEMENT OF RESERVE GROWTH IN WORK SPECIFICATIONS FOR SHIP REPAIR CONTRACTS

Ref: (a) Accountability of Manhour and Material Reservation Standard Work Template (SWT) 042-001 Item No. 042-13
(b) CNRMC Instruction 7570.1
(c) NAVSEAINST 5400.108 Policy for Quality Management of Work on Non-nuclear Surface Ship Critical Systems
(d) NAVSEA Standard Item 009-60
(e) NAVSEA Standard Item 009-32
(f) NAVSEAINST 4790.8 Ships’ Maintenance and Material Management (3M) Manual

Encl: (1) Reservation Task Request/Control Form Tracking Log
(2) Reserve Growth Process Flow Chart

1. **Purpose.** To define policy and provide uniform administrative procedures for management, control and reconciliation of reserve growth in work specifications in accordance with reference (a). Therefore, reference (a) shall be implemented for all ship repair availabilities where reserve growth is utilized in work specifications.

2. **Cancellation.** This policy cancels reference (b).

3. **Discussion.** Historically, work specifications containing reserve growth have provided a means to accomplish anticipated repairs which could not be clearly defined in advance of the ship's availability due to operational restrictions or ship limiting evolutions (e.g., situations where assessments or ship check cannot be completed or were only partially completed). Anticipated reserve growth should be specifically defined and planned based on past historical conditions, using the most current information available. This instruction sets forth the requirements to be used in the execution of reserve growth in work specifications.
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4. Scope. The provisions of this instruction apply to firm-
fixed price and cost reimbursement type job orders/contracts.
The following requirements are provided for the use of reserve
growth in work specifications.

    a. Reserve growth may be included in work specifications if
there is a strong expectation there will be a technical
requirement for additional repairs based on past historical
conditions. When reserve growth is expected, the most current
information will be used in determining reserve allocations.
Reserve growth reservations must comply with condition (1) or
(2):

        (1) For unique work specifications where reserve growth
is used as a result of routine inspections and known
modifications from inspections, a reserve growth reservation may
be established for limited repairs based on historical data.
Reserve Growth reservations will be limited to Work Items that
support the following events:

            (a) Surface Ship Critical Systems (e.g., boilers,
diesels, main reduction gears, high pressure and low pressure
turbines) as defined per reference (c).

            (b) Critical path work. Those jobs that directly
affect the project team’s ability to complete the availability
on schedule as defined per reference (d).

            (c) Large scale preservation work (e.g., Tanks and
voids, underwater hull, topside, bilges, non-skid, intakes and
uptakes, and well decks) as listed in paragraph 3.7 of reference
(e).

            (d) Dry-docking items. These work items cannot be
effectively ship checked prior to actual docking and can greatly
impact schedule.

            (e) Lagging and insulation. All efforts should be
made to provide reliable estimates for known work, however
accurately estimating the amount of lagging or insulation may be
difficult until the full scope of repair and interference
removal are known.

            (f) AIT support services
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(2) For expected work that is based solely on historical
data, detailed man-hours and material estimates should be
provided based on past availabilities. The expected
requirements (e.g., pumping fluids, instrument calibration,
take repairs, etc) must be limited to those tasks that support
the prescribed event and shall be listed in paragraph 3 of the
Work Item. Using this methodology, Reserve Growth reservations
will be limited to Work Items that support the following events:

(a) AVCERT discrepancies
(b) Dock trials/sea trials
(c) LOA/LOE discrepancies
(d) Restoring systems and equipment from Inactive
  Equipment Maintenance status per reference (f).
(e) Support for pre-underway system and equipment
  checks per reference (f).

5. Procedures and Responsibilities. Project Managers have the
overall responsibility for the authorization and management of
work accomplished utilizing reserve growth in work
specifications. Project Managers or their designated
representative shall establish a work item Reservation Task
Request/Control Form Tracking Log for each work item containing
man-hours and material reservations utilizing enclosure (1) and
review weekly reports provided by the contractor in order to
maintain the Tracking Log. A reserve growth process flow chart
is provided in enclosure (2) to aid in the administration of
reserve growth funds. The following steps will be used for
developing Reserve Growth reservations:

a. It is the Project Manager’s (PM) responsibility, to work
with the Project Team, to scope work specifications associated
with reserve growth. The required method for providing the
scope will be via the use of Reservation Task Request/Control
Form (RTR form) identified in reference (a). The RTR form shall
list the exact scope of work to be accomplished with an
accounting status log from enclosure (1) listing those requests
negotiated, or rejected.

b. An authorized Contractor’s representative and Project
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Team representative shall reach agreement on man-hours and
material dollars represented by the work effort. The Project
Manager or Shipbuilding Specialist and the contractor
representative shall sign the reservation request annotating the
agreed upon man hours and material dollars. All reserve growth
work requirements must be authorized by the ACO (or their
designated representative) and determined to be fair and
reasonable before work may begin. The RTR form has to be signed
and approved by all parties.

c. The agreed upon contract scope on the RTR form shall not
be exceeded. Any changes to the RTR require notification using
a Condition Found Report (CFR) and a Request for Contract Change
(RCC). In effect, the contract scope identified on the RTR form
represents a fixed agreement and the contractor has no authority
to exceed the values.

d. Work statements shall be defined to the maximum extent
possible including the location and equipment to allow the
contractor to anticipate trade types, subcontracts and material
required.

e. When the initial growth reserve identified in the work
specification is exhausted, any additional in scope growth
requirements shall be accomplished by writing an RCC.

f. Reserve growth not utilized during the period of
performance shall be deleted via the RCC process and not moved
to another work item if not used within the scope of the
original reservation work specification. After the scheduled
period of performance for a work item is complete, a
modification shall be written to delete the remaining level of
effort balances and de-obligate the remaining funds off the
contract. Special care should be given to de-obligate funds
that will not be fully expended prior to entering the next
fiscal year.

g. It is the Project Manager’s responsibility to forward a
completed tracking log (enclosure (1)) of each work item
containing all amounts of level of effort
available/used/remaining, and copies of all RTR forms of work
efforts accomplished through reserve growth to the ACO/Contract
Specialist within ten days after availability/contract
completion for the contract file.

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6. Historical Documentation. The Project Team's PM shall provide the RMC's Contracts Department with either pre-priced specific options, or man-hours and material estimates based on the last three similar availabilities to verify the historical requirement. Project teams shall provide valid historical cost return data for similar work, allowing for minor variation based on the ship's specific condition. This is accomplished as follows:

   a. Review historical cost returns, lessons learned, and other pertinent data to determine the appropriate Reserve Growth values that may be applied to work specifications.

   b. Utilize enclosure (1) for providing the RMC's Contracts Department with the necessary estimates to justify the Reserve Growth reservations.

   c. If requested by the RMC's Contracts Department, provide the analysis used to determine the estimates on enclosure (1).

7. Notes

   a. The Standard Work Template (SWT) in reference (a) is non-deviational.

   b. The reserve growth for Light Off Assessment (LOA) work specification should be reserved for use within 14 days of LOA.

   c. Reserve growth may be included in work specifications if there is a strong expectation that repairs will be accomplished based on past historical conditions, and using the most current information available. Reserve growth in work specifications should capture a material history of repairs, and the cost of those repairs in NMD for future reference.

   d. Dry dock related items in paragraph 4. Scope; This includes modifications to scaffolding used for dry dock support work, such as hull preservation.

   e. Work specifications directing the contractor to accomplish a defined quantity of a specific Task (i.e., replace 100 square feet of hull plating including attached structural members, install 1,000 square feet of bulkhead insulation,
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repair 75 square feet of terrazzo, etc.) are not to be confused with Reservation Tasking. These paragraphs are meant to be completed in their entirety. The contractor should have obtained all the material to complete the stated requirements only needing direction from the RMC Project Manager as to location, which will normally be "as directed," utilizing a Condition Found Report (CFR).

DAVID J. GALE
RDML, U.S. Navy
Commander

Jerome F. Punderson
Director of Contracts

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SURFMEPP
NAVSHPYD and IMF Pearl Harbor HI
NAVSHPYD and IMF Puget Sound WA
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ENCLOSURE (1)
RESERVE GROWTH PROCESS FLOW CHART