DEPARTMENT OF THE NAVY
NAVAL SEA SYSTEMS COMMAND
1333 ISAAC HULL AVE, SE
WASHINGTON NAVY YARD, DC 20376-0001

IN REPLY TO

CNRMC
7570
Ser C400/127
23 Jul 13

NAVSEA 02
4205
Ser 02/249
23 Jul 13

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.

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

(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, intake 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

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.

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,

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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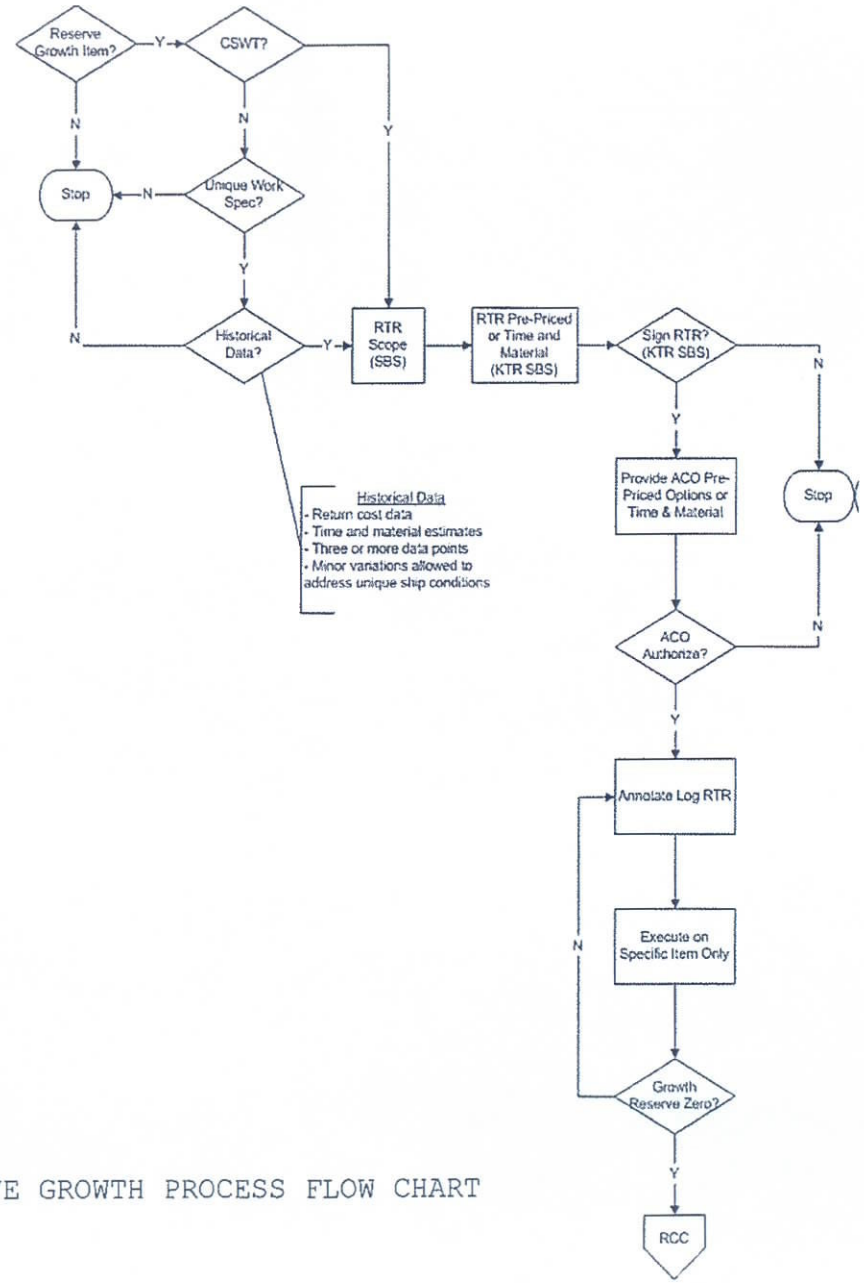
RESERVATION TASK REQUEST/CONTROL FORM
TRACKING LOG

Ship: USS Neversail (FFX 100)			Avail Type: LOA Assist			Avail ends: 3/11/2008					
WORK ITEM /MOD NO.	Request NO	PARA. NO.	TITLE	HOURS USED	MATL$ USED	ACO AUTH HOURS	ACO AUTH MATL $	KTR INT	PM/SBS INT	ACO INT	DATE
980-90-002	1		PROVIDE INSULATION/LAGGING		(5,420)	5,280	9,580				
980-90-002	2		RIG FM VALVES	(72)	(50)	3,848	9,530				
980-90-002	3		RIG COMPRESSORS/ELBOWS	(144)	(50)	3,704	9,480				
980-90-002	4		PUMP #2 WASTE DRAIN TANK	(38)		3,666	9,480				
980-90-002	5		STRAIN FREE #3 FP INLET PIPING	(104)	(150)	3,562	9,330				
980-90-002	6		PROVIDE SAFETY NET FOR #2 AMR ESCAPE TRUNK		(1,593)	3,562	7,737				
980-90-002	7		ELEC TO SUPPORT A/C FLUSH	(8)	(25)	3,554	7,712				
980-90-002	8		RIG IN #3 AMR BALANCE DOOR	(24)	(50)	3,530	7,662				
980-90-002	9		PROVIDE AND INSTALL GTM SOFT PATCH GASKETS		(6,733)	3,530					
980-90-002	10		REPAIR #2 WASTE HEAT COOLER	(16)	18,339	3,514	12,590				
980-90-002	11		HAND SCRAPE & WIRE BRUSH 3 & 4 SUCT. ELBOWS		(1,928)	3,514	10,662				
980-90-002	12		REPLACE SHELL & PIPING INSULATION IN #3 SSDG ENCL	(336)	(2,500)	3,178	8,162				
980-90-002	13		#2 PUMP ROOM JP-5 PPG MOD		(5,466)	3,178	2,696				
980-90-002	14		CALIBRATE POT WATER TLIS	(28)	(50)	3,150	2,646				
980-90-002	15		INSTALL HANGAR SUPPORT ON #4 SW	(16)	(50)	3,134	2,596				
980-90-002	16		TROUBLESHOOT GROUNDS IN #2 LPAC	(14)		3,120	2,596				
RCC 157			DELETE BALANCE			0	0				

ENCLOSURE (1)



RESERVE GROWTH PROCESS FLOW CHART

ENCLOSURE (2)