

VIRTUAL TOWN HALL MEETING
May 7, 1998
QUESTIONS AND ANSWERS

This document contains the questions posed during the Virtual Town Hall Meeting held on May 7, 1998 at the Naval Media Center. Many of these questions were answered on the air by senior acquisition leaders. The responses are preceded in the text below by the name of the responder. The remaining questions, that were unable to be addressed during the broadcast, were disseminated to the Acquisition Reform Team Working Group (ARTWG) members and other appropriate activities for resolution. These responses are preceded by the name of the activity that provided the reply.

Additional questions are being addressed and will be appended to this document as answers become available.

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General

- What instruction can be implemented to stress the importance of IPTs at Patuxent River? The Contracts Department is not invited to participate in planning sessions with the technical team. However, we are expected to process the request within a short period of time after receipt. I would like to be informed of upcoming changes in the procurement arena. (VTH – NAVAIR Contracts)

➤ *NAVAIR: Using the IPT is the recommended approach to doing procurement planning as can be seen from the excerpt I have attached, but we do not mandate that requirement. In addition to the Procurement Initiation Document (PID) Guide, NAVAIRINST 4200.37 and 4200.34A also support this concept, and include the PCO as a part of this team. The NAVAIR/NAWCAD primary POC is Ms. Elveta McKinney, AIR-1.3.2, 301-757-9028.*

The specific sections of the PID describing the recommended process are located in Section 3.4.2 (Selection of Procurement Team (PT) Members and Section 3.4.4 (Procurement Planning Meeting or Conference. This document is available on the Internet at URL www.navair.navy.mil/air10/air13/97_pid.pdf.

- Acquisition reform has helped us to evaluate the way we ask a contractor to meet the Navy's needs. For instance, we've found that MIL-SPECs are not necessarily the best way to describe the products we need. Yet, within government it appears that we still do business the old way. For instance the mandate that R&D sites use a common accounting system. This idea may seem grand at the high levels of government, and surely has value; but, at a working level it compromises integral business processes and threatens the very existence of customers at our at our site. I make that statement based on a system that is eventually being implemented at our site, DIFMS (Defense Industrial Financial Management System), which has numerous deficiencies in the key accounting requirements. To do the type of cost analysis that is being taught through the DAWIA education, the base personnel must have reliable, timely financial information. When a site is forced to use a common system, such as DIFMS, there may be loss of the expediency of the financial information as well as a compromise in data integrity due to the loss of specific business practices for that site. The initiative to study cost as an independent variable will become difficult as the proposed system takes away control that a NWCF (Navy Working Capital Fund) activity has over its cost. What is being done at your level to understand these issues and to ensure the integrity of local accounting and financial reporting needs at the various R&D sites? I would be happy to engage discussion on this topic in further detail, if you so desire. (NAVAIR)

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- *Secretary Douglass: I am as troubled as you are about the mess we are in with our accounting systems. Unfortunately they belong to the comptroller, not to me. I have recommended that our Under Secretary look into the issues where the acquisition community is being hampered by old and outmoded accounting systems and he has promised to do it. For now, however, good people like you will just have to do their best and make what we have work. If this new system you mentioned is actually a step back and not ahead, I hope others will come forward to complain so we can get some top level comptroller attention to the problem.*

TOPIC 2 – ENERGIZING TOC

AR Savings/Metrics

- How do we, as Navy acquisition professionals, know that the LCC savings achieved by programs, like the T-45, go back into Navy or DoD budgets for future year investments, instead of becoming future year budget cuts? (VTH – PEO(CU))
 - *Secretary Douglass: Clearly I know where the caller is coming from because, sitting in my position, I've seen our acquisition people do some pretty remarkable things. For example, on the DDG program, we went to a multiyear contract and we saved between \$1.5 billion and \$2 billion. We felt that most of that money should go back into the modernization account of the Navy. Now unfortunately, that doesn't always happen. Sometimes it has to go to pay O&M bills, readiness bills and other things that come up in the overall management of the budget. It is particularly troublesome to us when we in the Navy do acquisition reform and we carve out large amounts of money from our program, and the money goes outside the Navy and the Marine Corps to other program offices or to other services. There is no clear, absolute answer to it other than the fact that it's been my experience that the Congress is aware of the amount of money that we are saving through Navy Acquisition Reform, and they tend to plow it back into our programs. If we lose money, it's more internal to the Navy or in our budget debates with OSD in my perception. I hope the caller realizes that all of us up here are doing what we can to make sure that a minimal amount of that occurs. But you know, when these readiness bills come up, I think in some ways, we ought to be proud to say that those of us in Navy acquisition have made life better for our sailors and marines at sea by allowing readiness and quality of life to be paid for out of acquisition savings.*
 - *Ms. Commons: I agree with Mr. Douglass. In many cases, from a financial management standpoint, we would love to be able to pour those resources back into the program from which they came. However, we do have to look at the overall Navy and we have many, many issues within the Department of the Navy that we have to resolve. And that is key. We need your continued help to identify cost savings. We cannot do that*

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alone. You are the people who are out there on the front lines every day looking at your program. You know where the savings are. And we depend on you very much to help us identify savings that we can solve some of the problems within the Department of the Navy.

- *Secretary Pirie: I would just like to say that I really believe it's important to create the right set of incentives and agree that we can plow savings back into the agency and reward the people who take the initiative and have the courage to make the savings, we will improve the incentives and we'll improve the way the system will work. I'd like to see more of it. We have, indeed, saved a great deal of money in the past - - for the Navy by the base closure process and business. And so I think we really need to worry about incentives.*
- *Secretary Douglass: This is especially important to the acquisition community when programs save money in the near term but they have outyear bills they have to pay. You can imagine how difficult it is for us when we generate savings and people don't fund our outyear problems.*
- Are we benchmarking with world class companies to improve our business metrics and practices? (VTH - NAVAIR)
 - *RADM Hickman (COMNAVSUP) – We have been looking at Caterpillar to explore how they are handling component repairs. In addition to Caterpillar, the SUP-21 Re-Engineering team has conducted a streamlined benchmarking with on site visits and interviews with FedEx, WWGrainger, Xerox, GSA, Avall, Hershey Foods, Pfaltscraft, AMP, and LMI. The team collected several key themes from their re-engineering effort that are being used in the SUP-21 vision for the future of Navy Supply. Additionally, SUP-21 also interviewed over 250 customers and conducted focus groups to assess the customer's desire for Navy Supply. They key customer themes were also woven into the fabric of the SUP-21 Vision.*

Contracting – General

- My question concerns Blanket Purchasing Agreements (BPAs). We've realized at least 40% to 60% savings using the BPA process. I wanted to find out what the Navy's position is on greater utilization of BPAs through GSA? (VTH – NAVSEA Test and Evaluation Office)
 - *Secretary Douglass: We're in general in favor of it. The BPA as a tool has been around for a long time. It allows us to set conditions in which we can make broad orders with a contractor at a certain rate. I know NAVSEA has been using them for a number of years. And I congratulate you and laud you for using them. We have interestingly enough run into a few problems in having our people use the ones with GSA in the sense that some contractors have complained that they were cut out of the pattern and didn't feel they had a chance to compete. Other than that, it's been very successful. We obviously are going to continue to work in this area as much as we can.*

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- *Elliott Branch: The real advantage of the GSA BPA authority is our ability to tailor BPAs to our Navy requirement and leverage our national buying power. The policy statement that my office has issued on BPAs simply says, especially in the area of Information Technology, that you're encouraged to use them but that we ask that you go to the direct Program Manager who's put in a number of enterprise-wide BPAs before you start your own BPA. If the direct BPAs cannot satisfy your requirements, we certainly encourage you to put a BPA in place and then make that BPA accessible to the entire Navy community. That way we can continue the strategy of leveraging our national buying power.*
- Can you provide a summary of the policy and implementation of "fair" contractor performance reporting and use of contractor past performance in awarding contracts? (VTH - MARCORSSCOM)
 - *NAVSUP: Using past performance in source selection continued to be governed by the FAR, DFARS, etc. These regulations provide the basis for fair use of past performance in source selections. The Contractor Performance Assessment Reporting System (CPARS) process provides the contractor an opportunity to review and comment on the CPARS evaluation and rating. This contributes to "fair" contractor performance reporting and use of contractor past performance in awarding contracts.*

Contracting-Performance Based Specifications/SPI

- It is understood that performance based specifications in new contracts are good. Within the context of the Single Process Initiative (SPI), what would a performance based block change be? (SSP)
 - *NAVSUP: A performance based block change would be the DOD's approval of a contractor's request to the use of his own internal procedures/practices or a non-government standard on all existing contracts, for all services. SPI is the vehicle to apply acquisition reform principles, such as getting away from the "how to" standard, to existing contracts which may call out many military specifications and standards.*

Contracting – Purchase Cards

- What is ASN's strategy for utilizing Purchase Cards as payment for processing Task Orders under IDIQ's? (NAVFAC)
 - *NAVSUP: ASN desires that the purchase card be used to the maximum extent practicable. Usage includes both as a method of purchase for micro-purchases (\$2500 and below) and as a method of payment up to \$100,000 against properly executed contractual documents. Procedures are already in place for use of the card as a method of payment up to \$100,000 (see NAVSUPINST 4200.85C). (http://www.nll.navsup.navy.mil/nll/brow_nll.cfm?type=COM&ID=BROWSE) — Instructions to search specifically for 4200.85c. Users should select Instruction from the drop down menu for selecting a category. In addition,*

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users should add 4200.85c in the area provided for a keyword. This will pull up all the parts of the 4200.85c.)

- What is ASN's strategy for Purchase Card use above \$2500 for Services, and \$2000 for Construction to accommodate Davis-Bacon issues? (NAVFAC)
 - *NAVSUP: Procedures are already in place (see NAVSUPINST 4200.85C) for the use of the card as a method of payment up to \$100,000 against properly executed contractual documents for Services in excess of \$2500 and Construction in excess of \$2000 should include appropriate contractual clauses to accommodate Service Contract Act and Davis-Bacon issues.*
(http://www.nll.navsup.navy.mil/nll/brow_nll.cfm?type=COM&ID=BROWSE — Instructions to search specifically for 4200.85c. Users should select Instruction from the drop down menu for selecting a category. In addition, users should add 4200.85c in the area provided for a keyword. This will pull up all the parts of the 4200.85c.)
- With micro purchases increasing, what effect will this have on future programming? (VTH – FISC Jacksonville)
 - *RADM Hickman: I believe the number of micro purchases will come down. The technique will definitely change. The caller was concerned if she would have a job for the next 18 years. I think the numbers will come down and efficiencies would be gained through automation. We will still need contracting expertise and oversight professionals.*
 - *Further information: The number of micro-purchases made via traditional purchase methods (i.e. purchase/delivery orders) will most definitely decrease as more micro-purchases are made with the purchase card. It appears as though the caller is concerned about job security. Since we most certainly will gain efficiencies via the use of the purchase card, 1105 series personnel would be wise to start thinking about their futures. The purchase card will not however, eliminate our need for 1102 series personnel.*

COSSI

- Are there any valuable lessons learned yet from the Commercial O&S Savings Initiative (COSSI)? (SSP)
 - *ASN(RDA)ARO: An important lesson learned is that we need to do a better job in ensuring that Program Managers have funding available to transition to Stage II if Stage I proof of concept activities are successful. If we are unable to fund Stage II production, contractors will be unwilling to make Stage I investments in the future and more importantly, we will not be able to reap our projected O&S cost savings. A solution to this problem is that program resource sponsors will be required to endorse future COSSI proposals along with the Program Manager.*

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COTS

- No service really knows for sure if they will be able to support, or can afford to support, the COTS/NDI equipment that we are putting in our systems and ships. Do you consider this a big risk and what are you doing to elevate it? (NAVSEA)
 - *NAVSEA: The opportunity to infuse highly advanced technology at a reduced cost, and hold the designer responsible for the support is our approach to keeping the life cycle issues under control. The challenge is not the risk of infusing COTS. The challenge is to perform good design, configuration management, and develop sound business case approaches that avoid obsolescence and facilitate modernization, or in other words, to plan for the changes that will occur. COTS/NDI are potentially high risk. The key will be for the government to learn how to work effectively with industry to maximize performance and supportability. The DD 21 approach requires and enables new support methods that will include effective use of COTS/NDI, to meet our challenge and reduce risk.*
 - *NAVSUP: Budgeting for COTS must take into consideration the obsolescence of both the equipment and its support. Often, equipment is no longer manufactured, yet they are still supported (i.e., 486 PCs). Budget cycles must marry up to equipment life cycles or a new or modified, flexible financial system must be established. The Aegis program office has raised this issue to ASN, but specific data from fielded equipment is not yet available.*

- As I understand it the DD-21 might pre-position on station for two to three years with rotating crews. How will you support the COTS/NDI equipment? (NAVSEA)
 - *NAVSEA: The DD-21 program will employ a Full Service Contractor concept to support all equipment. The FSC will determine the optimal design and deployment cycle with associated life cycle engineering and support needed to accomplish mission requirements. There are no distinctions for COTS/NDI. All equipment must contribute to a reliable, supportable ship.*
 - *NAVSUP: Budgeting for COTS must take into consideration the obsolescence of both the equipment and its support. Often, equipment is no longer manufactured, yet they are still supported (i.e., 486 PCs). Budget cycles must marry up to equipment life cycles or a new or modified, flexible financial system must be established. The Aegis program office has raised this issue to ASN, but specific data from fielded equipment is not yet available.*

- With DOD moving heavily toward COTS usage in new weapon system developments and legacy system upgrades, how is supportability of COTS being addressed over the life cycle? (SSP)
 - *NAVSUP: Supportability is being addressed over the equipment's life cycle on a case by case basis via the contract. Each system or equipment*

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must be scrutinized more closely than MIL-SPEC programs because of the dynamic commercial support infrastructure, technology turnover, etc. Assuming a willing contractor, each contract must be tailored to support the system or equipment's unique support characteristics. Closer teaming between government and industry is a must.

- Is there a defined step-by-step process to determine reliability of CANDI items prior to establishing contract award? (NAVAIR)
 - PEO(TAD/SC): *Yes. A complete listing of Commercial and Non-developmental Item (CANDI) documents, including the CANDI Home Page, can be found on the "ACQWeb" (OUSD(A&T) Home Page (<http://www.acq.osd.mil/acqweb/acqweb.html>) by using the "Search Bot" and entering "CANDI" in the search box. Specifically, the questioner is referred to the Defense Standardization Program's (DSP) Standardization Document 2, Buying Commercial and Non-developmental Items: A Handbook, which addresses market research/investigation and product assurance methodologies in detail. It offers guidance on commercial and NDI acquisitions and the information is applicable to all types of material: systems, subsystems, assemblies, parts, and items of supply. The document is accessible for downloading at: <http://www.acq.osd.mil/dsp/documents/sd-2.html>.*
 - NAVSUP: *At this point, there is no step-by-step COTS reliability determination process. Several activities are developing COTS cost, reliability, and obsolescence models. Because these are all being developed, none have been proved out.*

Earned Value Management vs. Activity Based Costing

- What is the relationship between EVM and ABC? How will they be implemented so as to be complimentary and not redundant or conflicting? (NAWCTSD)
 - ASN(RDA)ARO: *EVM is a method used for managing cost performance while ABC is an accounting approach designed to better understand costs by assigning costs to all activities in a process. Since the accounting system is an input to an EVM system, the use of ABC will enhance the precision and usefulness of EVM data.*

Funding Stability

- How do we identify what is in the out years of the PRL line item (WSS)? How can we defend it to OPNAV if we do not know what we have? (NAVAIR)
 - NAVAIR: *Starting with the Fiscal Year (FY) 1999 President's Budget submission, Operations and Maintenance, Navy (O&M,N) funding for Program Related Logistics was broken out by Program Executive Officers for Tactical Aircraft, (PEO(T)); Program Executive Officer for ASW, PEO(A)); and AIR-1.0. Within each PEO and AIR 1.0 budget control, funds were identified by platform and/or system and PMA. These budget*

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controls were provided to the APEO(L)s and the PEO/AIR-1.0 BFM's who concurred with the funding allocations. The PEOs/AIR-1.0 provided funding allocations to their PMA offices who developed spend plans for fiscal years 1998 through 2003. The PMA spend plans were provided to AIR-3.8 via the PEOs and AIR-1.0 and were used by AIR-3.8 to update the Workload Planning System (WPS).

The PRL budget controls for PEOs/AIR-1.0 platforms/systems were updated to reflect decisions made by the Department during the POM process. These updated controls were the basis NAVAIR's input into the FY 2000/2001 Department of the Navy budget. Again this data was provided to the APEO(L)s and PEO/AIR-1.0 BFM's. PEO/AIR-1.0 provided this information to their respective PMAs who developed spend plans based on their funding allocation for fiscal years 1999 through 2005. These spend plans were provided to AIR-3.8 via the PEO/AIR-1.0. AIR-3.8 used these spend plans to develop required budget exhibits and will use them to update the WPS and the Health of Naval Aviation (HONA).

- Why are there few attempts to vertically cut Navy programs? Most decisions are made to deal small cuts across the board as well as looking to downsize the civilian workforce. (VTH – NAVAIR 3.1.2F)
 - *Secretary Douglass: Vertical cuts are something that I have been strongly supporting for the last couple of years. But they are extremely hard to do. I can think of at least two different situations where we, after a lot of work, were able to get consensus between the acquisition community and the Comptroller to make vertical cuts only to find that when our decision got down to OSD or over to Congress, we weren't really allowed to do that. The reason for that is, we all know, it's very, very hard to kill a program of any magnitude. Having said that, we have been successful at vertical cuts in the smaller programs, and we're just going to have to continue to do it. If you look across the broad spectrum of Navy/Marine Corps acquisition, we have more programs than we can afford. We are going to have to do vertical cuts.*
- On occasion, Program Offices initiate efforts to provide a better product within cost and schedule only to have the initiative stopped by the Comptroller usually by taking the money away. What changes are underway in the relationship between Comptroller and Program Offices to extend acquisition reform to the budget process? (VTH – PEO(SUB))
 - *RADM Cook: We've found within PEO-T that working with Bill Shaeffer and others within the RDA Business Office has been very helpful in ironing out difficulties between the program offices and the program officer. I'll supplement this partial answer by forwarding your question for a more thorough written response.*

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Life Cycle Costs

- I have a question regarding Mr. Dalton's 16 April 98 CAIV Policy Guidance Memo. I think we have a significant challenge to address one of the bullets of Tenet #1 in the CAIV Guidance Memo (Project long-range availability of resources in all affected appropriations based on resource sponsor priorities). The concern I have with this Policy is, budget allocations, for planning purposes, do not currently exist beyond the FYDP. We critically need this allocation in order to implement CAIV at the IPT level. The lack of this allocation has two impact of concern to us at the deckplate level. #1) Without this allocation, we don't know today if we can afford the Life Cycle Cost thresholds in the signed APB. This is particularly true for the O&S costs that are well beyond the FYDP. #2) Without this allocation, the system cannot support making a wise investment now in EMD in order to reap greater savings over the life cycle in O&S costs (or in production costs beyond the FYDP, or in the indirect linked costs included in the TOC). A good example here is R&M. Hypothetical example: If we spend an additional \$4M and one month now in EMD on improving R&M, we could save \$20M over the life cycle in O&S. We need to know what our program budget constraints are. We need this to do CAIV to achieve our life cycle costs (especially O&S) thresholds and objectives in the APB. Without allocation beyond the FYDP, we don't know if the DoN can afford the LCC thresholds in our signed APB. We need to be able to make these smart investments, but we need the beyond-FYDP allocation to enable the system to support them. I recommend charting a path to address this with all stakeholders – ASN(RDA), NAVCOMPT, N8 and OSD. We volunteer to contribute our deckplate perspective and needs from the IPT level. (VTH – PMA 265)
 - *Secretary Douglass: When we talk about total ownership costs, we often talk about them in terms of CAIV, Cost As an Independent Variable. The "C" in CAIV is total ownership cost. The caller's point was that on some of our weapons systems, the bulk of the ownership costs are in the out years. And because of that, the savings are also in the out years. The caller was commenting about the extreme difficulty of getting money even in relatively small quantities in order to save large amounts outside the FYDP. He would like to know what your perspective is on that? Do you think we are going to be able to get the system to react to this kind of situation where we need to invest a little now to save a lot later?*
 - *Ms. Commons: I agree with Secretary Pirie that it is very difficult to put money up front to create savings out there in the future. It is an issue of leadership, but quite frankly, I believe the leadership, if we can identify specifically and talk to those savings and the reason we need those funds up front, that we will be able to do that. It is very important that you give us sufficient justification, that you work with us to make sure, that we understand what it is you're looking for us to fund and clearly identify those savings out there in the future.*
 - *Secretary Pirie: Even more importantly, not just to the question of the system but the question is one of leadership. That is, having the courage,*

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in fact, to spend money now to reap savings later. The Navy will get the benefit of those savings. I must say that in a period of downsizing, it's a really tough decision to make – savings in the long run. We'll have to do that. People have to have the courage to step up to the problem.

- *Secretary Douglass: To just close this one out, one of the aspects of your question was, what benchmarks do we use to set these goals? How much now, how much should we save later? And because this is hard, I'm going to tell you this is where your leadership comes in. You obviously have lots of it. Do what you think is right, and that will get us started on the right foot.*
- *VADM Lockard: I'd like to go back to the first question that Mr. Douglass addressed there, the total cost of ownership. One of the things that we're are trying to do to make money available up front in the process in order to make an investment to get those long-term savings is we carved out a sizable sum of money. Then we've asked our program teams to come in with their ideas and we have a board evaluate those ideas. And if, in fact, we believe as a corporation that the return on investment is worth the expenditure of funds, then we distribute the funds to the team. We set a tracking system in place that over time ensures that we got the return on the investment we expected. This year we set aside \$35 million that we used to address the team ideas relative to saving, longer term through TOC productions. Because we were so successful this year, next year we've set aside \$100 million to the total ownership problem. We're letting the program teams come forward with their ideas and once again, the board will evaluate them. If they have merit and they have promise for a substantial return on investment, then we're going to distribute the funds against those ideas so that we can, in fact, realize the long-term reduction in TOC.*
- *Mr. Zeitfuss, AAV: I'd like to second the caller's initiative. The main reason we were able to achieve the cost avoidances that we have been able to achieve in operation and maintenance is because we negotiated a value engineering type clause that incentivizes the contractor to include an increase to our contract for development for the potential of out year savings. The lion's share of the \$255 million came about from two contract mods. One which enabled us to increase the development costs for the transmission, but then enabled us to become common with the transmissions that are in 12,000 tactical trucks in the fleet. This commonality helped us a lot. It also enabled us to switch to a different suspension system manufacturer that gave us a tremendous amount of savings. The ability for program managers to be able to go somewhere to get this increase in funds is critical to use being able to manage total cost.*

Specifications and Standards

- Relying on commercial specifications and standards is extremely risky. I understand ASN is considering a sunset clause to inactivate all specs and standards by 1 October 99. What is being done to ensure specifications and

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standards that are technically important are not being haphazardly cancelled?
(NAVSEA)

- *NAVSEA: NAVSEA and the Navy Acquisition Reform Office are still in discussion concerning this issue. It is important to understand, though, that the policy is not to "Cancel" any specifications that have not had their assigned disposition completed by the end of FY 99. These uncompleted documents will be made "Inactive for New Design". These documents may still be updated technically and may be used for reprocurments of components, but not for new ship designs. If needed for a new ship design, then the document will need to be re-instated. This process would be similar to creating a new specification.*
- *NAVSUP: The documents which will be inactivated on 1 Oct 99 are only those which have not had the scheduled disposition action accomplished that was designated at the beginning of MILSPEC reform in 1995. These documents could still be used to support existing equipment, but not for new designs. However, the document may be proposed by contractors as a solution for meeting requirements in a solicitation, and may be updated as necessary. Also, if a need for the document is demonstrated and justified, the document could be reactivated.*

- A recent study of commercial ship procurement indicates that commercial firms use very specific technical bid packages and not performance specs. What is being done to get the word out to our program managers on industry standards? (NAVSEA)
 - *NAVSEA: The program managers operate within the DoD policy mandating the use of performance specifications or non-government specifications. At every major milestone, they must satisfy the Milestone Decision Authority that they are conforming to this policy. In areas where they can not, they must obtain a waiver. It can often be difficult to obtain a waiver and the program managers would usually prefer to avoid this. It is the engineering community's role to support the Program Managers with an understanding of the warfighters needs, the possible technical solutions to those needs, and the latest industrial practices. Commercial and Government specifications have always included both performance oriented and product oriented specifications, as well as process oriented in some technical fields. The engineering support organization to a program office is tasked with providing a specification that meets current acquisition policy and the needs of the warfighter.*
- How do we rely on industry standards on a Warship when they are the minimum requirement? (NAVSEA)
 - *NAVSEA: It is assumed that the underlying issue of the question is that industry standards are not sufficient to support the hostile environment in which a warship operates nor provide the survivability and reliability features required of a ship that goes in harms way. The DoD and Navy policy for specifications indicate a preference for performance*

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specifications over commercial specifications. The issues associated with warships as opposed to commercial ships may be accommodated within a performance specification. This does require a new way of approaching the engineering problem, and it is not a trivial exercise to do this well, but there are distinct benefits to the Navy.

- Are waivers required for non-exempt MIL-Specifications and Standards that are to become part of a maintenance only - no new production / design efforts - RFP?(VTH – PEO(CU))
 - *Mr. Porter: We in the Navy exempted a number of MIL-SPECs from having to be waived into new procurements. The idea is to force ourselves to be using Performance Based specifications as we move forward in the reform era. So the answer would be in my mind whether it's a maintenance contract or any other type, you've got to seek approach from your Milestone Decision Authority.*
 - *NAVSUP: Waivers are not required for reprocurement, which would generally apply to maintenance requirements with no new design or production requirements. However, to ensure that we are trying to convert to a performance based environment, all reprocurement actions at the NAVICP over \$300,000 are being reviewed to see if there would be cost benefits to converting the technical data packages.*

Total Ownership Cost

- How can we be responsible for the total ownership of a ship, when we do not own it, we do not control the operating budget, and we do not operate the ship. Isn't this responsibility without accountability? (NAVSEA)
 - *NAVSEA: I agree this is a difficult challenge. Each ship or weapons systems program has an assigned life cycle manager that is responsible for cradle to grave oversight of that particular ship and/or system. We, in the HQ community, must engage the full range of players in the Fleet, the comptroller organizations, the Warfare sponsor offices, etc. in discussions regarding Total Ownership cost reduction. No one person or organization has the entire answer to the TOC problem. We have to create an environment for meaningful TOC discussions that address high priority fleet reliability and maintainability issues and get solutions for these same issues into the budget planning process. This takes a concerted effort on the part of all the stakeholders for a particular platform or system and I look towards the program manager as assigned life cycle manager to take the lead in orchestrating these types of discussions and planning sessions.*
- The resource sponsors are not interested in reducing the operating costs of fielded systems. They are only interested in better performance. How do we change this paradigm? (NAVSEA)
 - *NAVSEA: That is only one perspective on the problem and I am not in total agreement with the statement. It is a clearly stated goal in the ASN*

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(RD&A) strategic plan that we have a responsibility to make sure all requirements are well-defined, fully justified and financially feasible. Warfare sponsors have to make hard decisions every day on how Navy TOA will be allocated. Within the POM process, we can make their jobs simpler by identifying innovative ideas that demonstrate we can reduce the outyear costs of ship/system maintenance and “free-up” TOA for modernization efforts. This is the cornerstone of the DoN TOC philosophy. I would encourage each Program Manager to bring forward their unique and innovative solutions, even if there is an up-front investment requirement, to stimulate discussion between the acquisition and warfighting communities on funding meritorious proposals.

- How do you reduce life-cycle costs when your up-front R&D and procurement budgets keep getting slashed? (NAVSEA)
 - *NAVSEA: Another difficult question. I have pledged my personal support for sponsoring unique and innovative ideas that will reduce TOC as part of the budget planning process. I have had discussions along these lines with the Comptroller and N4 organizations. They are also willing to review TOC investment strategies as part of the POM process. In fact, a working group is currently in session at the Acquisition Center of Excellence to develop policies to provide guidance as part of the POM planning process aimed at stimulating investment in and implementation of TOC initiatives.*

- What is the Navy going to do about getting tools out here to help us figure out TOC? We can't get the right training and tools to make TOC decisions, yet we are held accountable? The real problem with TOC is that we can't tell what the right numbers are from an affordability point of view. Paul Anthony talked about buying cars and related the need to look at cost of ownership, but he could also have said something about the cash flow analysis to figure out if we can afford the bank note. That cash flow analysis cannot be done at the PM level. We need good starting points from our OPNAV people. But the OPNAV guys still think in terms of individual platforms and it seems that no one looks at cash flow from the top down. So, how do you think affordability analysis is going to be done so that we can get the right starting numbers by appropriation over time so we can give you the properly designed program? If we do not get this right, we will always be whip-sawed by each POM cycle. The TOC question is a good problem. How do you think we can accommodate the seeming conflict between our desire to implement AR (with necessarily fewer reporting requirements) and the need to capture the real costs of operating our systems. That is, if we move to more CLS and just write performance based contracts, won't we lose sight of the actual costs of logistic support activities that we need to understand and manage TOC? (VTH Chat)
 - *MARCORPS: I don't disagree that the system is broken. But I think the trend to go to COTS will drive us toward a more realistic analysis on the TOC side. When the resource allocators accept COTS, they are taking*

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with the fact that platforms are not thirty iterations, but 5-7 year iterations. N4 and N8 will have to figure out how to work together so that the investment streams and the O&S streams are considered together or we won't be able to afford the Navy.

- *PEO(SC/AP): This information is readily available on the Naval Sea Systems Command, Cost Engineering and Industrial Analysis Division's (SEA 017) Total Ownership Cost (TOC) Home Page: <http://www.navsea.navy.mil/sea017/toc.htm>. This site has TOC background and documentation, presentations, processes, Navy implementation guidelines, responsibilities, the TOC reduction plan, databases and tools, definitions, TOC element structure, templates, TOC points of contact, Websites, and frequently asked questions.*

TOPIC 3 – EVOLVING THE INFRASTRUCTURE

AR – Why?

- I am not in the contracting field. Why does AR affect me? Why do I need to spend time away from my desk doing this kind of stuff? (NAVSUP)
 - *NAVSUP: The term "Acquisition" means much more than contracting. Acquisition is defined as the planning, design, development, testing, contracting, production, introduction, acquisition logistics support, and disposal of systems, equipment, facilities, supplies, or services that are intended for use in, or support of, military missions. Although your function may not be contracting, you are supporting one or more of the various functions that support the military missions. Therefore, you are involved in acquisition just as much as a person in the contracting field. Contracting is but a small slice of the acquisition process. The AR initiatives were designed to reach out into every field of acquisition and bring together the very best world class practices.*

- In my involvement in acquisition reform, I've seen that at the working level there are lots of people that are ready to embrace change, but in many instances, senior management is hesitant to accept change and take the risk. My question is – it seems that there is a fear of the risk. Is the Navy or DOD planning any kind of training classes or are these classes available to help people learn to embrace this change and to manage the risk, similar to the way you teach an individual how to use a keyboard before you turn them loose and say I want you to access the Internet? (VTH – San Diego)
 - *Secretary Douglass: That's an interesting question. Dr. Kaminski used to call the phenomena you are describing as the hourglass effect. People at the top were willing to do acquisition reform but in the middle management structure you run into the neck part of the hourglass. We do have training programs. I can tell you from my point of view, I am willing to take the risk. Sometimes around town I'm referred to as the kamikaze ASN because I take more risks than some people think I should sometimes. In the end I think it's as much training as motivation or as much motivation as training.*

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But we're all going to keep trying. And it does take courage. It takes risk to make a phone call like yours.

Outsourcing

- What kinds of services and/or functions are being looked at for outsourcing opportunities? (NAVSUP)
 - *NAVSUP: Outsourcing (now Competitive Sourcing) achieves 30-40% savings every time an A-76 Study is successfully completed. We have examples within NAVSUP and Navy-wide. NCTS Stockton, Family Service Center San Diego, Guam Fuels have followed this FY with this well-established trend. However, the key is in a successful A-76 Study. Only the participants of the study can make an A-76 successful, but supporting the program, establishing and adhering to a reasonable time line, writing a performance based, needs oriented Performance Work Statement (PWS), and a Management Plan including a Most Efficient Organization to execute the PWS. The Navy needs the savings from the program and your support will ensure the savings trend line continues.*

The Navy has a five-year plan to compete 80,000 Full Time Equivalent (FTE). In FY97, 10,500 FTE were announced to Congress from competition under A-76, 15,000 FTE over FY98, 20,000 FTE were projected over Fy99/00, and the remainder or 15,000 FTE in FY01. The FY97 and FY98 A-76 studies were primarily Base Operating Support (BOS) functions such as Public Works, Child Care, Base Supply Operations, Pest Management, Berthing BOQ/BEQ, Mail Services, Motor Vehicle Operations, Morale Welfare and Recreation, and Administrative Support Services. There were over 50 different functional categories included in the BOS functions under competition. NAVSUP conducted a claimancy wide review of functions during FY97 and identified approximately 2000 FTE in the following areas for competitive sourcing (outsourcing) based on commercial compatibility, potential savings, and risk.

Functions currently announced to Congress with active A-76 studies include Fuels Management, NAVICP BOS, Advanced Traceability and Control, Household Goods Functions, and HAZMAT functions. Retail Supply functions at the FISCs are scheduled for start-up in FY99.

- *DACM: The DoD guidance for the completion of this year's Commercial Activities Inventory requires each position, military and civilian, to be reviewed to determine if it is inherently governmental or if it can be competed. This highly detailed billet by billet review is based on the functions performed and will be occurring during June and July of this year. N12 has the lead for this effort.*

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- The Department of the Defense plans to study 150,000 civil service positions over the next five years for possible contracting-out to the private sector. It is DoD's position that savings of 20% will result from these competitions. This figure, however, is based on competitions conducted during the early days of downsizing and streamlining. Now that DoD's civilian workforce has gone from over a million employees to approximately 740,000 employees, do you believe that 20% efficiencies can still be achieved? (VTH – Federal Managers Association)
 - *Mr. Douglass: Well, I don't know whether I believe it or not to tell you the truth. It sounds to me like the fellow that sent that in has some concerns about it, and I certainly will tell him that I have my concerns as well. Privatization is often confused with private, public competition. I think there are some studies as Dan Porter and others have said, that in the competition arena, you re-engineer the whole process. It's possible that you can get fairly significant levels of savings. But just pure privatization, where there is no competition, where you just say we're just going to outsource this, I'm not sure that those percentages always hold true. So, I'm a little doubting on this, and probably my mindset is somewhere where that caller was. I think we have to be cautious. I have always been against this policy of putting huge negative wedges in our budget betting based on some study of 10 years ago. That's proven to be very difficult. And the facts of life are that we're paying for those negative wedges largely out of programs and not out of the savings that people through would occur*
 - *Ms. Commons: I have to say that certainly I have some skepticism about the 20% savings, but again, it is important that we try to achieve savings within the Department of the Navy to try to modernize and recapitalize our equipment and weapons systems. We need to do that for the acquisition workforce as well. So I think it is something that we're going to have to continue to work and achieve as much of a savings as we can.*
 - *RADM Robinson: I'd just like to piggyback on what Mr. Douglass said regarding the approach that we need to take. We really do need to take a holistic approach here. One of the concerns we have is what do we truly need to retain for the long-term inside our own Navy house to ensure that the products that we provide to the fleet and that we service once the fleet has them really do work, work effectively, and work effectively together and work safely. I think the approach that we need to take and the one that we're attempting to demonstrate now with our pilot project with the Naval Surface Weapons Center Crane Division, is that we're looking at the total picture in that operation from top to bottom, and bottom to top, to do a business process re-engineering with some targets for the organization to attempt to achieve. If we just go straight A_76 or cost comparison kinds of studies without looking at the whole picture, I think we may, in fact, in the long-term do a disservice not only to our ability to provide the right technical products but also to the fleet user who is going to really use our products. I think I can speak for the other Systems Commanders, I know*

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that VADM Lockard has done a lot of this in NAVAIR as well. We believe this is the most effective way to go. Regrettably, sometimes it doesn't move as quickly as some would like, but I think in the long-term if we apply ourselves this way, we will get the best result.

- It has been argued that Government workers salaries lag behind private industry employees. How will privatization and outsourcing save money? (VTH – PEO(CU))
 - *Secretary Douglass: I think my salary lags considerably behind what I could get on the outside. It always has. So I agree with the caller. The answer is that outsourcing doesn't always save money. There are some cases in which outsourcing is more expensive than doing it in the Government. So there is no universal answer. But, in theory, a lot of people believe that when you get into an outsourcing exercise and you reengineer the process of whatever it is you've trying to accomplish, you use a new process that takes fewer people, and so even though you pay the fewer people more money in the end, it costs you less. There is also some argument about the fact that in private industry, if a requirement ends, the companies cut down on their workforce but in the Government, it is very difficult for us to do that. We can't just lay people off without a RIF. So those are the classic arguments. I think it's important for people to know that there is no universal situation and every case has to be evaluated. That's why the Congress passes the law that says we have to do A-76 examinations when we do outsourcing.*

- Naval Ordnance Plan, Louisville, KY, and Newark AFB Depot were privatized. A recent GAO report showed that operating costs for the privatized facilities/replacements exceeded government costs 20M/year. Why is this the case when the facilities were closed to save funds? (VTH – NAWC-AD Pax River)
 - *NAVSEA: (PLEASE NOTE: This question was only answered with NAVSEA's perspective. Information regarding Newark AFB privatization cannot be addressed by NAVSEA.) The Navy and DoD are on record stating that they do not agree with GAO findings with regard to cost savings from privatizing NOSL Louisville. The Navy's analysis of the BRAC options showed that privatization-in-place would save the Navy \$57 million over 5 years. It was on this information that the Navy based its decision to privatize the workload in-place rather than transfer the workload to other Navy sites. The Navy continues to believe that this analysis is correct.*

Regionalization

- Please address the effect of Regionalization and its effect on the Acquisition work force; in particular, the Professional Development Program. (NAVFAC)
 - *DACM: Under Regionalization, various personnel function will be transferred to the regional service centers. Based on feedback from the*

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acquisition training representatives in our February conference, some local HROs will retain various aspects of the DAWIA program, i.e., training, while others will transfer these functions to the regional centers. Recommend you discuss your HROs plans with your servicing personnel office.

- Is the AR effort a major part of the regionalization effort or is it an after thought? (VTH – NAVFAC San Diego)
 - *Mr. Douglass: I think regionalization might be characterized as I characterize the revolution in business affairs. It's an extension of acquisition reform concepts to infrastructure management. When you look at what are the functional things that are going on in a region and look and say why do we have 15 or 20 welding shops, why can't we do down to a smaller number and service all the customers in that region? TO me that's a revolution in business affairs, but it's the same concepts as acquisition reform only applied more or less outside the acquisition arena. I believe there is significant money to be made I this. One of the manufacturers of our modern executive jets brought to my attention that there is a base here in the Washington area in which there are six different maintenance organizations that maintain his airplane – a Navy, a Marine Corps, an Air Force, an Army, a FAA, and I believe the last one was a white house – but it might have been Coast Guard. But at least six different military of federal maintenance organizations all maintaining exactly the same airplane at the same air base. Now that just doesn't make any sense to me at all. It's that same concept that we're trying to get at in regionalization.*
 - *RADM Nash – I think regionalization and acquisition reform and all these things are trying to do is improve the effectiveness of the United States Navy. A lot of the focus is on cost savings, but I think we'll be better off when we finish with all this. We've got to keep the end in mind as we move through all this and understand all the linkage between all the different parts that we're working on and make sure what we ended up with is what we started out to do. I'm convinced we have a ways to go, but I think we'll be better off when we put it all together.*

Reorganization

- When we re-engineer/reorganize, do we look at the added layers of more infrastructure in the organizations? Are they more efficient? (VTH – NAVFAC)
 - *RADM Rempt: Suggested the caller provide input to chain of command or resort to IG hotline.*
 - *DACM: Would disagree with the notion of resorting to a hotline here. As part of the Government Performance and Results Act Goal #9 that requires a reduction in the acquisition workforce and streamlining layers of management, the SYSCOMs have provided many examples showing substantial reductions in management layers. If the caller meant*

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something other than management layers by “layers of infrastructure,” we don’t know how to answer the question. The reorganizations that have occurred in the SYSCOMs are allowing them to do larger amounts of work with fewer resources, so by that definition, they are certainly more efficient.

Section 912

- How will the required reductions in the acquisition workforce affect me? Who will be cut under this initiative? (NAVSUP)
 - *NAVSUP: There are several initiatives underway in DOD, which may result in a reduction of our acquisition workforce. However, it is unclear at this time if cuts will be made; and if so, how many, where, and when they will be taken. Should we be required to reduce our acquisition workforce, we would try to reassign, relocate, or retrain employees where it’s practicable. If we were unable to retrain or place the affected people, Voluntary Early Retirement and Separation Incentive Payment would be used. The Reduction-in-Force procedures would be initiated only as a last resort.*
 - *DACM: Since this question is associated with Section 912 of the FY98 authorization legislation, it is referring to the 25,000 position cut mandated DoD-wide. SECDEF had the authority to reduce the number to no lower than 10,000. The report just recently went to Congress with the expectation that, DoD wide, we would lose approximately 20,000 full time equivalents in FY 98. That assessment was based on the planned reductions already in place in the components. There has been no additional reduction planned due to Section 912, nor was a specific reduction goal passed to the Navy. It is exceedingly difficult to change course in an execution year.*

- Reducing infrastructure appears to be the flavor of the month for paying for future systems and ships. In your opinion are we relying too much on industry and will they come through in a war? (NAVSEA)
 - *NAVSEA: NAVSEA, like all of the Navy, is not relying solely on industry to carry out our missions. There will remain an “essential core population” in the public sector, which will work with the private sector to ensure that our warfighting capabilities are never compromised.*

- How can you cut infrastructure without increasing your procurement accounts to pay for contract support? (NAVSEA)
 - *DACM: Navy budget officials expect that money would be transferred from the personnel accounts to other budget lines to pay for contract support, but the savings are expected from the competition itself. In other words, when a government organization competes for a function, it creates what is called a Most Effective Organization. Traditionally, this achieves a 20% reduction in and of itself. Of course, those estimates are based on non-technical workload. We have no data to support such MEO*

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savings at, for example, our labs and warfare centers. In those cases where the contractor wins a competition, the average savings (again, no data are available on technical workload) are 40%. Since the competitions from the 70s and 80s indicated that approximately 50% are won by the government, the assumption is that, overall, a 30% savings will occur.

- Congress directed a number of reports that are due out in the near future. Can you discuss the thrust of the Navy response with respect to future downsizing of the acquisition workforce? What is the definition of “Acquisition Workforce” for the Navy? (NAVAIR)
 - *DACM: The Department of the Navy has consistently stated that arbitrary downsizing of the acquisition too rapidly will put our modernization programs at risk and endanger military readiness. Our acquisition workforce has reduced over 46 percent since FY89 and expects to reduce by 55% by FY 03. This reduction has been steady and planned to ensure that we meet our acquisition commitments to our fighters while minimizing, to the maximum extent possible, disruption to the acquisition community. It is Navy’s position that forcing large reductions beyond those planned for in the President’s Budget would be inconsistent with the cost effective management of our acquisition systems and would adversely affect military readiness. The definition of the “Acquisition Workforce” for the Navy is contained in SECNAVINST 5300.36 as derived from DoDI 5000.38. There is an initiative ongoing to redefine the AWF based on DAWIA experience to date, with the intent of providing a definition universally applicable to all the services and the 4th estate in a more uniform manner. Doing so will make comparisons between services and the 4th estate more equitable and uniform.*

- Refreshing the workforce with new graduates is in direct opposition to the downsizing effort. The maturity of the acquisition workforce has increased dramatically while younger workers are forced out of each organization by downsizing. One area that would improve this situation is Government retirement incentives. The forgiving of the 2% penalty (less than 55 years of age) is always discussed but never implemented. Recently I’ve heard of adding 5 years to total years served as an alternative to the 2%. Are any of these a possibility for the acquisition workforce? What is the plan of record for refreshing the workforce? Have field activities been provided adequate Intern positions (engineering, financial, contracting, QA, etc.) to meet the demand resulting from the bow wave of expected retirements over the next five years? (VTH Chat – SUPSHIP Groton)
 - *Mr. Eaton: The current plan for refreshing the acquisition workforce is through the Acquisition Intern Program. ASN(RDA) last year or the year before increased the intern numbers to ensure that the SYSCOMs and PEOs have the new talent required.*

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- *RADM Strong: You ask a question that I also am concerned about. I have worked in the NAVAIR arena and have watched our field activities come down in size over 40%. My readings of the general sentiments in Washington are that we will continue to downsize, particularly in areas where work can be privatized. The experts in the field say we do have sufficient intern positions overall to meet projected future demand. The devil may be in the details, however, and we will all need to work hard to ensure we properly distribute the intern positions and that we quickly make know up the chain of command when we see an area where we do not have sufficient new employees.*
- *Mr. Eaton: From where I sit as a PEO, I have heard of no plans to provide significant retirement incentives. Frankly, these programs are usually driven by supply and demand. Attrition in many organizations has kept pace with demand. In ours, probably because of BRAC-dictated moves. I will ask the ASN staff if they know of any incentives.*
- With the downsizing in the acquisition work force, which is now about 50% since 1989, our people down at the deck plates are finding that their time is increasingly dear to them. They find they have less clerical support, less support from programs support outside their programs, and very, very high demands for training. (VTH). They have to read their web sites. They have to learn more about acquisition reform. They have to read new programs that are coming out of OSD. (VTH – Question restated by Secretary Douglass)
 - *Secretary Douglass: This person was simply making a plea to us, the leadership of the Navy, to be aware that the burden of work on a day-to-day basis on the people at the deck plates is increasing. And it's harder and harder for them to find quality time to actually do their core responsibilities, which is get their system implemented for the Navy or the Marine Corps when they have these other demands on them. We appreciate you calling in, and your idea got on the air. I'm mindful of this, and I know our other leaders are as well.*

Training

- What does the 40 hours of training mean to the acquisition workforce? What kinds of training count toward that requirement? Where will funding for all this training come from? (NAVSUP)
 - *NAVSUP: The mandate for 40 hours of training comes from the highest possible level within the Department of Defense and Department of Navy. Secretary Cohen committed DOD to a goal of creating a world class learning organization by offering 40 hours or more annually to the DOD acquisition-related workforce in National Performance Review goal #4. DON issued a draft policy on continuous learning for the defense acquisition workforce within Navy in support of this goal. We live in an era of almost constant change. In order to master new technical and business knowledge and react to new information we have to educate ourselves in new concepts, methods and procedures.*

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In many cases, additional funding will not be required to meet the 40 hours of training. Training tools such as developmental assignments, seminars, conferences, correspondence courses, computer-assisted instruction (Learning Center, CD-ROM, INTERNET, etc) distance learning via satellite, audio and video tapes, etc., are currently available and are not being fully utilized.

- *DACM: There is a proposed continuous learning policy in draft form which requires 80 hours of continuous learning activities every 2 years for all certified DAWIA personnel. Although not finalized, the policy is very flexible and allows the employee and management to identify various learning activities which "count" toward the 40 hours. Employees are already participating in many of these activities, including attendance at assignment specific training at DAU or courses required for high level certification . . . these are centrally funded by DAU. College courses also count . . . funding for these is provided centrally through our tuition assistance program. There are a host of other no-cost or low-cost activities which probably will count when the final policy is issued, such as conference attendance, seminars, brown bag luncheons, rotational assignments, etc. Certainly attendance at the no-cost RD&A-sponsored Acquisition Professional Community Conference to be held November 3-5, 1998 in Adelphi, Maryland will count toward the 40 hours.*
- During AR Day II, we reported an area that was not working well in our organization and provided these recommendations. DAWIA Classes are excellent but difficult to get into. Certified personnel go to bottom of list. I recommend that the DAWIA training opportunities be expanded and priority assignment criteria be reviewed. Can you report the status of this area of concern and our recommendations? (VTH – NUWC – Keyport)
 - *DACM: DAWIA requires that you get certified at the next higher level before you enter that level . . . therefore, certified people should be working on their next certification level. Next to uncertified people, they have the highest priority for DAU classes. Since the Navv is not using all existing quotas in DAU classes, you should check with your training rep to see if there are seats available in upcoming classes. Later next month, you will be able to apply for DAU courses on-line through our web site, www.register-now.cms.navy.mil. This way you can ensure that your registration requests gets into the queue as early as possible, thus improving your chances at getting the particular course you want.*
- What about a person who is in a DAWIA position and needs training for their next grade and can't get into the class? Big problem. Also, limited number of training classes held locally – involves travel and funds. (VTH – NAVAIR)
 - *DACM: See answer above. We work very hard to bring as much training as possible to the job site. If there are adequate number of individuals*

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who need a particular course at your location, make sure you notify your training rep so they can request an on-site course. We have already set-up a regional training center in Patuxent River, MD and have approval to establish a second site in San Diego to open in FY-99. The San Diego site will also have a computer classroom which will be available for acquisition workforce members to use when they take web-based DAU courses. Watch for more information about the San Diego Center later this summer.

- Are there any plan to help make quotas available to DAWIA courses for lower level personnel (7-12) who are not in DAWIA positions but work in acquisition organizations? We are often told that you have to be in a DAWIA position to apply for these courses, but you need these courses to be competitive for DAWIA positions. (VTH – PEO(CU))
 - *Mr. Hauenstein: It was set up the way it was so that we would get the people that needed the training the most first. So that is the reason that the acquisition identified professional folks that are sitting on acquisition-identified positions are the ones that get priority for training. I think the answer to this question may be in how we redefine our work force. As I mentioned earlier, I think what we're going to end up doing is having a primary acquisition professional work force and probably some type of a support force connected to it. And there will have to be some arrangements made for training of that support force. But by now and large, now if you're not in an acquisition position, it's very difficult – if not impossible – to get acquisition training because we're training the acquisition folks first. The specific money that was allocated and appropriated for the DAWIA applies to people in those positions. So I don't really see any plan in the future right away to let non-acquisition work force folks go to acquisition training.*

- I recently discovered through our training folks here in San Diego that there was a memo that your office (DACM) put out on the 15th of January. It talks about a disparity in funding for tuition for acquisition work force personnel. The disparity being between Military and Civilian. In your Memo you mentioned you were going to try to seek legislative relief for that problem. I wanted to see if there were any updates on that situation. (VTH – San Diego)
 - *Mr. Hauenstein: I don't have anything to update other than to tell you that we are trying to do it. This is an unfortunate circumstance that exists because when the DAWIA legislation was written, it was not recognized that there was a military law in effect that precluded us paying 100% tuition for military folks. My own position has been that we should be able to pay DAWIA training for military just as we do for civilians. But it will require us to change – a legislative change to that low so that it recognizes the DAWIA takes precedence over the previous legislation.*

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- *Ms. Krasik: We have to work to do that. We are trying to come up with a package that will provide that military training as well.*
- *Secretary Douglass: I hope that we are looking into a program where these people can be in a stand-by or wait list mode or something like that. I know that not all of the quotas get used and people get sick just before the course starts. So there should be some way that we could make available to our people who want to be DAWIA certified and want to get into these slots an avenue for them to get trained.*

TOPIC 4 – EMERGING TOOLS AND TECHNOLOGY

Paperless Acquisition

- The Standard Procurement System (SPS) was supposed to make things easier at our activity. However, what is being done about the inadequate training and getting field activities the computer resources to support the system. What is being done to fix this? (NAVSEA)
 - *NAVSEA: With the introduction of any new system, time, patience and developing a good working knowledge of SPS will result in savings to the Government in both time and money. The NAVY SPS CMO office is responsible for providing adequate training. Your activity needs to provide information to the NAVSEA SPS Program Manager concerning training requirements including your perceptions of inadequate training. The NAVSEA SPS Program Manager will ensure that adequate training is requested from the Navy SPS CMO Office. For computer resources, each activity was requested to provide revised SPS budget information for hardware and software requirements. This information is being reviewed with NAVSEA 00IT and after the identification of the NAVSEA Information Technology SPS Architecture is defined in late August 1998, orders will be placed to procure adequate PC's and servers.*
 - *NAVSUP: The Standard Procurement System (SPS) is being deployed with training provided by American Management Systems (AMS), the SPS contractor. The training provided early in the program, during the summer of 1997, was acknowledged to be less than satisfactory, and AMS revamped the program completely. Current training is greatly improved. Each student is required to provide an evaluation at the conclusion of the training. AMS and Program Management Office personnel read each evaluation and all issues raised are reviewed. If you have particular concerns about current training, please contact your SPS Training Forum representative or Configuration and Implementation Board (CIMB) member.*

We understand your concern about computer resources. The SPS Program was established to provide only software, maintenance, and training. Infrastructure is the responsibility of the claimants. This assumption has proved to be the most difficult part of deployment, because many of the sites have not been ready to accept the software.

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NAVSEA has been given FY98 OPN funding from ABM to support NAVSEA's SPS hardware acceleration.

Point of contact for SPS is Diane Lucas, Navy SPS Component Management Office, (717) 605-2930, diane_lucas@navsup.navy.mil.

- What is the relationship between SPS and JCALS, specifically the workflow portions of each? How will they be implemented so as to be complimentary and not redundant or conflicting? (NAWCTSD)
 - *NAVSUP: There is currently no relationship between SPS and JCALS. SPS is a client server product in a stand-alone mode. Interfaces are being developed to legacy logistics systems currently supported by the Automation of Procurement and Accounting Data Entry (APADE), and are anticipated to replicate those of the Integrated Technical Item Management and Procurement System (ITIMP). Interface to JCALS is not anticipated at this time. If this interface is a requirement, please advise your SPS Configuration and Implementation Management Board (CIMB) member, who will forward the requirement for Navy review. Point of contact for additional information is Diane Lucas, Navy SPS Component Management Office, (717) 605-2930, diane_lucas@navsup.navy.mil.*

- Who is working on a policy to accept electronic signatures and when will we get approval to use electronic signature? (NAVSEA)
 - *NAVSEA: The lead for Electronic Signatures in the acquisition area is the EA-21 Project Office. Other players with them are OPNAV (N4 & N6 staffers), the SYSCOMs, the Fleets, and other Echelon Two Commands. Within NAVSEA, 00IT staff has been working with SEA 01 staff, but we are waiting for some policy and software changes to implement a digital signature application.*

- How do we support electronic technical manuals on board a ship for the next 30 years since the systems that they were developed with will probably not be in existence? (NAVSEA)
 - *NAVSEA: We started the process of developing electronic technical manuals (ETM) over eight years ago. During this short time we have seen many technological changes that have impacted our methods and processes for building and maintaining electronic documents. In the next 30 years the impacts caused by changes in technology will be significant and dramatic. It is doubtful that anyone can anticipate the complete path of where technology will lead us, but what we can anticipate is that change will happen. We have learned many things in the past eight years about how to mitigate the advances in technology, so as to help us make the right choices for our system for ETM development and maintenance. Our main emphasis is on keeping our data portable and interoperable. We do this so that no matter what happens, our data can migrate with the changes in technology. Our current "system" of ETM production and*

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distribution system will be iteratively upgraded in the out years to keep pace with new requirements for this purpose. These are fact of life considerations that must be planned for and funded out of the process used to develop changes for the shipboard systems. It is our responsibility as managers to continually assess the state of the technology, COTS initiatives, etc., in order for us to continue to support the fleet platforms. This includes being aware of new, more efficient, cost-effective methods to deliver updated technical documentation to the fleet and other support activities.

- If the Navy is so interested in going paperless, why is the new Cost Performance and Reporting System (CPARS) written for collecting and processing paper? (NAVSEA)
 - *NAVSEA: The Contractor Performance Assessment Reporting System (CPARS) is an automated information system (AIS) centrally funded by the ASN(RDA) Paperless Acquisition Office. CPARS are prepared, submitted, and retrieved on an on-line, password protected, secure web site: <http://www.nslcptsmh.navsea.navy.mil/>*

The CPARS AIS will have connectivity with the DoD Past Performance Information (PPI) warehouse, so that Contractor Performance Assessment Reports (CPARs) can be shared across Services. The CPARS AIS will also have connectivity with the DoD Standard Procurement System (SPS). The January 1998 DoN CPARS Guide (the current Guide) was promulgated prior to the launching of the automated system. The automated system was launched on 9 April 1998, and follows the January 1998 DoN CPARS Guide. The DoN CPARS Guide will be updated in a future timeframe to reflect the AIS.

- Why is the Navy interested in going to the SSIC number system for electronic filing? (NAVSEA)
 - *NAVSEA: The Navy is not "going to" the SSIC system for "filing." The Navy has always used the SSIC system for information on what records to keep (archive) and which ones to discard. The SSIC numbering system merely points you in the direction to go with your records. That is why the SSIC number is included on all NAVSEA correspondence. If one merely puts any old SSIC on their correspondence, instead of the correct one, they are defeating the sole purpose of the Navy's archiving process. The Navy-Marine Corps Records Disposition manual, SECNAVINST 5215.5D, (latest issue April 1998) gives one information on what they must keep, by law; where it is to be stored, or how long it must be kept. Each office in NAVSEA should have their own filing plan, which addresses what constitutes a record and how long it is to be kept. Those codes who are using their own system of filing must still retain paper records for archiving! Imaging systems do not replace records management. If you produce records, which must be kept, the only way you will know that for*

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certain is if you consult the SECNAVINST. And the Federal Records Centers do not accept electronic records!!! Imaging is great for individual offices in replacing paper files, but it DOES NOT SATISFY the law.

- During AR Day II, we reported an area that was not working well in our organization and provided these recommendations. The Simplified Acquisition Threshold is working well, but the threshold is too low. We recommended that 1) raise micro purchase threshold to \$5K and 2) raise simplified threshold to \$200K. Can you report the status on this area of concern and our recommendations? (VTH – NUWC, Keyport)
 - PLEASE NOTE: This question was answered in NAVSEA'S perspective.
Raising the micro purchase threshold will cause a further increase in the bank card actions which are NOT being reported currently. Many of those actions are reportedly with small business, but the total runs into millions of dollars and results, in part, in questions as to why SECNAV assigned goals are not being met. Increasing the micro purchase threshold will only aggravate an untenable situation.

 - Concerning the thought of raising the simplified acquisition threshold, I recommend that the elements in below \$100,000 be stratified as well as those between \$100,000 - \$200,000 to determine if a change is at all necessary and what would be achieved by such a change. Percentages in each category would tell us something. Otherwise, ALL actions below the \$200,000 threshold will be automatically subject to Small Business Set-aside unless it is to be treated as a dissolved Set-aside.*
 - *NAVSUP: Both of the recommendations that you offered will require a legislative change. Proposed legislation has been offered to raise the micropurchase limit to \$10,000. However, the legislation was put on hold until a thorough review of the effects of the change on small, small disadvantaged and women owned businesses can be accomplished. I can't comment on your recommendation to raise the simplified acquisition threshold to \$200,000. I don't know to whom the issue was originally briefed. However, in actuality, simplified acquisition procedures can be used up to \$5 million dollars for the acquisition of commercial items in accordance with FAR 13.5 and NAVSUP Policy Letter 98-19. This effectively raises the simplified acquisition threshold. FAR Parts 10, 11, and 12 strongly encourage the acquisition of commercial items. Members of the "Acquisition Team" should describe requirements in terms of commercial items, perform market research, and obtain those commercial items available in the commercial marketplace using the procedures of FAR Part 13.5.*