DEPARTMENT OF THE NAVY

IMPLEMENTATION
OF
ACQUISITION REFORM

April 1998

MEMORANDUM FOR ALL HANDS OF THE DoN ACQUISITION COMMUNITY

Subj: ACQUISITION REFORM WEEK 98

The Navy-Marine Corps acquisition team continues to find ways of working better and smarter to provide the operating forces with what they need at less cost. We are significantly changing the way we do business, the way we see ourselves, and the way we work with each other.

There is a continuing need for training and education and tools to help us implement the changes occurring throughout our system. As part of AR Week 98, you will be receiving materials geared toward providing just-in-time training and information you need to succeed in a performance-based business environment. TURBO SpecRight! is an electronic tool, which will assist DoD and industry in developing performance specifications and converting military specifications into performance specifications. An Integrated Product and Process Development interactive CD provides an introduction to the IPPD methodology and details areas such as quality function deployment, the six sigma quality process, robust design methods and activity based costing. An Integrated Product Team resource guide pulls together all the information and knowledge gained through three years of DoN experience. This CD also includes a system dynamics-based IPT simulation relating key variables to team performance and product results.

This Implementation Manual provides a detailed, consolidated overview of the numerous catalysts and initiatives for Acquisition Reform, encompassing all the changes and progress we've made this year. Background information as well as a description of the topic areas is provided. Current web site addresses and directives are cited within the topic areas and points of contact are listed to facilitate access to additional information. This manual provides a systems view of ongoing change, essential to our success as we forge ahead with the important work of acquisition reform.

The format of this manual, which is available on CD and the Acquisition Reform Home Page, http://www.acq-ref.navy.mil, is different from the one you saw last year. Important additions include an overview of AR Change Elements and Realizers. The Change Elements are a result of the recent Coopers & Lybrand AR Field Implementation Study, which shows Industry's commitment to Acquisition Reform and their feeling that significant Acquisition Reform has been achieved over the past four years. The Realizers section highlights lessons learned and success stories realized as a result of acquisition reforms throughout the Navy-Marine Corps team.

Continuous acquisition reform is creating an upsurge of information and knowledge that must be integrated into the acquisition system. This requires new competencies by

the workforce. Pulling from world-class practices, these integrative competencies include IPPD, Team and Organizational Learning, Strategic Cost Management, Systems Thinking and Knowledge Management. ASN(RDA) is committed to facilitating learning and providing the information and tools needed to build knowledge. What is left is for each of us to accept the challenge of learning how to build the acquisition system of tomorrow.

Alex Bennet
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DEPARTMENT OF THE NAVY
ACQUISITION REFORM

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Acronym List

DoN Acquisition Reform Vision

ACQUISITION REFORM IS A PROGRAM TO ACHIEVE DoD's MILITARY SUPERIORITY OBJECTIVE AT REDUCED PRICE WITH INCREASED RESPONSIVENESS TO CUSTOMERS.

Key elements of the strategy are to integrate the military and commercial industrial base, increase innovation, foster managed risk, encourage empowerment and establish cross-functional teams using world-class commercial practices. We will recommend revisions to law and policies and change the culture of the current acquisition environment to give program managers the freedom to succeed.

The Navy AR Strategy

- Communicate top-level Navy commitment to rapid implementation of AR
- Focus and facilitate reform efforts through change agent thrusts
- Develop an opportunity-driven agenda coupled to strategic management thrusts
- Build a continuous dialogue with industry to identify mutually beneficial opportunities and practices
- Facilitate rapid implementation by removing barriers and impediments
- Identify and deploy key process and product innovations
- Widely communicate expectations, successes and lessons learned
- Institutionalize change management within the Navy acquisition culture

DEPARTMENT OF THE NAVY
Changing the way it does business

Acquisition Reform Change Elements

The Department of the Navy is changing the way it does business. The new streamlined SECNAVINST 5000.2 eliminates unnecessary regulation, delegates decision authority to the lowest possible organizational level, eliminates non-essential military specifications and standards, and encourages maximum use of Commercial-Off-the-Shelf (COTS) equipment. In a DoN survey in March 1997, over 90% of the acquisition workforce respondees agreed there have been improvement in the acquisition process.

The acquisition process is one in transition as we implement acquisition reform and mature many reform initiatives. DoN has embraced the use of teams and integrated product and process development, and is focussing on total ownership cost, which includes designing platform systems using open system architecture allowing for follow-on technology insertion. DoN is partnering with industry to develop, acquire and support technologically superior and affordable systems. The successful acquisition team must spread across functional and government-industry boundaries.

Changes to legislation and the way we do business fall into seven areas: Commercial Practices, Processes and Products; Open Communications; Performance Based Business Environment; Electronic Commerce, Electronic Data Interchange; Risk Management; Teaming/Partnering; and Affordability. These areas are broadly defined.

Commercial Practices, Processes and Products. Utilizing the practices and methods of industry in the government acquisition system to the maximum extent practicable. This includes the use of commercial processes and products.

Open Communications. Improving on the traditional "arm's length" government-contractor relationship of years past where there is a free flow of information in order to maximize the opportunities for providing the warfighter's needs on schedule and on budget, while maintaining the public trust. Building up a culture, technology and leadership, which support rapid, free, accurate and honest communications among all individuals and organizations necessary for maximum performance of the enterprise.

Performance Based Business Environment. A "state of being" where government/contractor relationships capitalize on commercial practice efficiencies to improve the military acquisition and sustainment environment. In this new environment, solicitations and contracts describe system performance requirements in a way that permits contractors greater latitude than under historical acquisition methods to use their own design and manufacturing ingenuity to meet needs.

Electronic Commerce/Electronic Data Interchange. Set of electronic systems and protocols over which you can electronically exchange information across a wide spectrum of interactions between government and industry.

Risk Management. Deliberate and conscious identification and management of various risks inherent in an acquisition program to ensure program success by meeting all goals of performance, cost, schedule and flexibility. It includes the process of identifying, analyzing, and tracking risk drivers, assessing the likelihood of their occurrence and their consequences, defining risk-handling plans, and performing continuous assessments to determine how risks change during program life.

Teaming/Partnering. Utilization of teams to improve decisions, program execution and organizational effectiveness. Organizations working together in a collaborative, cooperative manner, developing a trust-based relationship to achieve mutual benefits.

Affordability. Philosophy and approach to acquisition which uses total budgets and requirement trade offs to make decisions on acquisition program prices and in which acquisition managers strive to achieve those target prices by world class techniques.

Following are (1) a guide to the change elements that are part of Acquisition Reform, with reference citations provided in brackets, and (2) a matrix showing how these change elements fit into the larger picture of Acquisition Reform.

Acquisition Reform at Work: Did you know . . .

Contracting
 • DoD is improving pre-solicitation phase communication to provide potential suppliers greater understanding of Government's needs and Government greater understanding of supplier capability (including conferences, bulletin boards, requests for information, Comm Advocates Forum, draft RFPs). *[FAC90-29; FAC90-32; Navy Cardinal Point 3-2 and 4-3]*
  • The Navy is streamlining RFPs to eliminate unnecessary SOW complexity and contract clauses. *[AF Lightning Bolt #1, 4 and 10; Proc PAT - (Early CAS, DFARS Case 95-D015/DAC 91-11); Navy Cardinal Point 4-3; AMC Pam 70-25]*
  • DoD is eliminating Military Specs and Standards and moving to performance-based requirements in the solicitation process. *[PL103-355, sec8104; FAC90-32; DoDD5000.1 (D.1.I); DoDD5000.2 (3.3.3.1); SECDEF memo, 29 Jun 94; SECDEF memo, 6 Dec 95; USD(A&T) memo, 8 Dec 95 (SPI)]*
  • RFPs include a strict minimum number of critical performance criteria that will allow industry maximum flexibility to meet overall program objectives. *[DoDD5000.1 (D.1,f); DoDD5000.2 (3.3.3.1)]*
  • FASA and subsequent memoranda require use of Past Performance/Best Value Evaluation Criteria in source selection decisions using past performance information to select the best sources. *[PL103-355, sec1091 (FASA); FAC 90-26; DoD5000.2 (3.3.4.2); USD(A&T) memo 28 Apr 95; AF Lightning Bolt #6; Navy Cardinal Point 4-2]*
  • Time and effort required by both Government and industry, from solicitation to contract award, has decreased by streamlining the pre-Award process through implementation of IPT type activities (Alpha contracting), oral presentations, use of automated tools, EC/EDI, and electronic source selection. *[Proc & CAS PATs - USD(A&T) memos 28 & 29 Jun 95; DDP memo - 14 Jun 95; DFARS cases 95-D009,010,015,016/ DAC91-9&11; FARA, sec4102; AF Lightning bolt #10; Army Thrust Area VI; Navy Cardinal Point 2-2 and 4-3]*
  • Use of EDI will streamline the procurement process by initiating, conducting, and maintaining business-related transactions between the government and its suppliers without hard copy media. *[FAC90-29; DepSecDef Memo, 28 Apr 94; AF Lightning Bolt #10; Army Thrust Area III and IV; Navy Cardinal Point 4-1]*
  • Performance based service contracting utilizes SOWs for services ("what" not "how") thereby minimizing reliance on intrusive process-oriented inspections and oversight. *[OFPP Policy Ltr 91-2, 9 Apr 91; Army Thrust Area II]*
  • DoD is improving communications related to potential disputes during contract execution by including the use of ADR, avoiding unnecessary litigation. *[PL 104-320 (Administrative Dispute Resolution Act of 1996); FAC 90-39 (XXIII)]*
  • FASA requires contracting officers to take advantage of commercial warranties to promote greater use of commercial products and buying practices and to decrease acquisition lead times. *[PL 103-355, sec 8002 (FASA); FAC 90-32; FAR 46.804; FAR 46.709]*
  • DoD acquires only technical data and computer software rights necessary to satisfy needs; contractor retains rights if data is developed at private expense. *[PL 103-355, sec8106; DFARS Part 227.71/.72; DFARS Case 91-8]*

Engineering
  • DoD is using an open systems approach as part of their integrated business/engineering strategy to choose specs and standards adopted by industry standards for selected system interfaces. *[DoD5000.2 (4.3.4); USD(A&T) memo 29 Nov 94; USD(A&T) memo, 10 Jul 96]*

• DoD is using quick prototyping in software development to demonstrate the feasibility of functionality, which will later be refined for inclusion in the final product. *[DoDD 5000.1 (D.1.h); MIL-STD 498; DoD TAFIM, vol I (3.10)(4.2.2)]*

• Use of performance based acquisition reduces oversight of contractor configuration management practices over the design solution allowing technology updates and other changes without extensive contract change. *[DoD Deskbook - (DoD Standardization Practices; Principles of Configuration Management); AMC-P-715-17, PBBE]*

• In performance based acquisitions, review and approval of ECPs has been streamlined to those affecting DoD's performance requirements with concurrent elimination of CL II ECPs. *[MIL Specs & Standards Reform PAT - MIL-STD-973D]*

• Using simulation as a replacement for some engineering tests will not require building hardware prototypes. *[DoDD5000.1 (D.2.f); Army Thrust Area IV]*

• SECDEF may issue a waiver allowing survivability/lethality testing below end-item level of components, systems and subsystems. *[PL 103-355, Sec. 3014 (FASA)]*

• T&E programs have been restructured to allow concurrent Developmental Test & Evaluation, Op Test & Evaluation, live fire, and modeling and simulation activities previously conducted by different agencies. *[DoD 5000.2 (3.4); Army Thrust Area IV]*

• MIL-STD-100 is being revised to eventually convert to ASME Y 14.100, streamlining commercial engineering drawing practices by reducing the level of detail required in drawings due to the revision of MIL-T-31000 to conform with MIL-STD-961D, and also using CALS CITIS will help resolve issues of data detail required. *[Revised MIL-STD-100]*

• DoD is using EDI to streamline engineering design and testing enabling the government and contractor to interface in a standardized manner and to operate in an integrated database environment. *[Navy Cardinal Point 1-3 and 4-1]*

Finance

• The scope of DCAA audits will be tailored based upon risk assessment methodology and this process will be discussed with contractor executives annually. *[ICAPS (Internal Control Audit Planning Summary) - FY 94]*

• FPRAs will be tailored for smaller contracts where facility wide agreement Is possible to include renegotiating elements of FPRA. *[CASPAT (Chapter 13); DCMC One Book (DLAD 5000.4) - Part 5, Chapter 3]*

• Contractors with DCAA approved billing systems will be able to directly submit cost vouchers to DFAS. *[DFARS 242.803]*

• Exemptions were created for cost or pricing data required for services and modifications to commercial items and for noncompetitive buys of commercial items. *[PL 103-355, Subtitle IB; FAC 90-32; FAR Case 94-721 (FAR 15.804)]*

• FASA recognized reliance on unnecessary cost or pricing data increases proposal preparation costs, extends acquisition lead times and wastes resources and initiated a new order of priority for information / Adjustment of TINA threshold. *[PL 103-355, Subtitle IB; FAC 90-22; FAC 90-32]*

• Parametric cost estimating is used on firm proposals submitted to Government. *[D, DP memo, 28 Aug 95]*

• A cut-off date will be used to eliminate endless TINA sweeps prior to contract signing. *[PL 103-355, sec 1207 (FASA); Proc PAT - Rec. 7A - DCAA Audit Guidance 2 Jun 95]*

• Financing on contracts for non-commercial items awarded competitively will be executed with performance-based progress payments that will incentivize contractors to adhere to the delivery schedule. *[PL 103-355, Sec 2001 (FASA); FAC 90-33]*

• EDI will be used to facilitate contractor payment in accounting and vendor pay systems thereby reducing data errors and transaction costs. DFAS Major Contract Payment System will be used for progress payments and commercial invoices. DFAS major contract payments will be made by EFT. *[PL 104-134 (Debt Collection Act of 1996), sec 31001(x)(1)]*

Manufacturing

• MIL-STD 2000Awas canceled in 6/95 and is no longer required on new contracts. Single Process Initiative (SPI) is replacing MIL-STD 2000A on existing contracts in an effort to capitalize on existing commercial soldering and other commercial manufacturing practices. *[DoD5000.2 (4.3.1); SECDEF memo, 6 Dec 95; USD(A&T) memo, 8 Dec 95; (SPI)]*

• DSIC canceled MIL-STD 45662A giving contractors the choice of ANSI/NISC 2 540-1, ISO 10012-1, or any comparable commercial standards or practices for calibration. *[PL 103-355, sec 8104; FAC 90-32; DoDD5000.1 (D.1.I); DoD5000.2 (3.3.3.1); SECDEF memo, Jun 94; SECDEF memo, Dec 95; USD(A&T) memo, Dec 95 (SPI)]*

Plant Wide

• SPI supports MILSPEC and STD reform by installing a process for block change removal of government unique requirements off all contracts in a facility. *[SECDEF memo, 6 Dec 95; USD(A&T) memo, 8 Dec 95 (SPI); Army Thrust Area II; Navy Cardinal Point 3-2; PDUSD(A&T) memo, 30 Apr 97; USD(A&T) memo, 16 May 97]*

• Recent statutory and other means will be utilized to provide increased program stability to DoD programs thereby reducing restructuring and associated changes in quantities and / or schedules. *[DoDD5000.1 (D.1.c); USD(A&T) memo 28 Apr 95; AFFARS 5317.9103; SECNAVINST 5000.23, App II, Annex A, Sec 4; DAPam 70-3, 11-C-3d]*

• A simplified, uniform, and cost-effective industrial security program is being established that will ensure the security of sensitive information and technologies by streamlining the procedures and controls related to the administration of Defense Industrial Security Programs. *[EO12829, 7 Jan 93; NISPOM, Jan 95; FAR Deviation, May 95]*

• Expanded authority has been provided to the Services to execute cooperative agreements and other transaction authority on prototype projects versus contracts using FAR/DFARS. These agreements require competitive procedures to the maximum extent practicable. *[PL103-160 (FY 94 Auth. Act), Sec. 845; PL 104-201 (FY 97 Auth. Act) Sec. 804; USD(A&T) Memo, 14 Dec 96: DoD5000.1 (D.1.h); Navy Cardinal Point 4-3]*

• More thorough, timely communications with contractors, including post-award debriefings to losing competitors, will reduce reliance on other means of getting information, such as protests. *[PL 103-355, Subtitle ID (FASA); FAC 90-32; FAR 33.214]*

• FAR Part 45 requirements are being streamlined allowing contractors to refrain from tracking government property valued below $1,500 issued 31 Mar 95. *[Contract Administration PAT, Feb 1995; FAR deviation, 31 Mar 95]*

• Contractor purchasing system reviews are being reduced or eliminated based solely on risk assessments, and no time requirements, and are to be conducted only when necessary and limited in scope to those areas with insufficient data, maximizing the use of contractor data. *[DAC 91-11, Jul 96; DLAD 5000.4, Part VII, Chapter 4; FAR Case 95-011 (consent to subcontract)]*

• Various PAT recommendations streamline contract close-out for both internal government operations and contractor operations including changes to interim final billing rates and an increase to the quick closeout threshold. *[Interagency Close-Out PAT, 1994; Contract Administration PAT, Feb 1995; FAC 90-39 (XXVI) far cases 95-008,017. FAR deviation 7-13-95 (interim billing rates)]*

• Packaging specifications are being eased to eliminate non-value-added packaging and to allow use of more commercial-type packaging. *[SECDEF memo, 29 Jun 94; DSIC cancellation of MIL-STD-1367A, 31 May 95; revised MIL-STD-2073-1/2]*

• Commercial procedures and EDI related to shipping documentation and GBLs will be used to reduce time and cost related to preparing and processing shipping documents. *[41 CFR 101-41.007]*

• Restrictive laws and domestic source restrictions are being reduced, increasing access to commercial sourcing with benefits including reduced schedule and cost and increased access to commercial

flexibility. *[PL 103-355, sec 8003, 8102, 8105, 8301 (FASA); FY 95 Authorization Act; FAR 12.504; DFARS 212.504]*

• DCMC is leading an effort to coordinate and reduce multiple software capability evaluations thereby decreasing time and cost to contractors.

Program Management

• The government is using joint government-industry IPTs focused on program execution, identification, and implementation of acquisition reform to resolve program issues. Increased communications result in reduced schedule and cost and an increase in quality. *[PDUSD(A&T) memo, 28 Oct 94; SECDEF memo, 10 May 95; DoDD 5000.1 (D.1.b) (D.3.c) (E.2.f); DoD 5000.2 (3.3.5.1)(4.2); AF Lightning Bolt #5; Navy Cardinal Point 1-2, 1-3, 3-2, 3-3; AMC Pam 70-27]*

• Redundant oversight by DCMC, service buying activities, and program offices is being reduced. *[DoD 5000.2 (3.3.5.5/6); USD(A&T) memo, 28 Apr 95; CASPAT - USD(A&T) memo 21 Aug 95]*

• Oversight and program risk are being aligned by tailoring contract administration based on risk assessment methodology and transitioning government unique requirements on existing contracts to commercial specs and standards. *[DoD 5000.2 (3.3.5.5/6); CASPAT - USD(A&T) memo 21 Aug 95]*

• Cost and schedule reporting standards are being tailored to industry guidelines to reduce contractor management system reviews. *[OMB Circular A-11, Part 3 (1996); DoDD 5000.2R, Part 3.3, 4.3; USD(A&T) memo, 14 Dec 96; SPI; Departmental Letter 97-011, DDP, 5 Mar 97]*

• All new contracts require use of EDI to facilitate information exchange between Government and contractor via access to, or delivery of, their programmatic and technical data in digital form. *[DoD 5000.2 (3.3.4.5)]*

• Non-value added reporting requirements and CDRLs are being reviewed and canceled by Services, DLA, and OSD. *[DoD 5000.2 (3.3.5.1); USD(A&T) memo, 4 Dec 95; DoDM-59C; AMC pamphlet 70-25]*

• DoD is using Cost as an Independent Variable to pursue aggressive cost targets through the use of cost/performance trade-offs. *[DoDD 5000.1 (D.1.f); DoDI 5000.2 (3.3.3); USD(A&T) memo, 4 Dec 95]*

Quality Assessment

• Commercially accepted quality program standards are replacing MIL-Q-9858 A, MIL-I-45208, etc. reducing unnecessary paperwork and eliminating redundant quality assurance systems. *[SECDEF memo, Jun 94; USD(A&T) memo, 14 Feb 94; DFARS Case 95-007, final rule, 30 Nov 95; USD(A&T) memo, 24 Apr 95; USD(A&T) memo, 8 Dec 95; DoD 5000.2 (4.3.2)]*

• Non-value added receiving/in-process/final inspection and testing is being eliminated by converting, revising, or eliminating multiple specs and standards. *[PL 103-355, sec 8104; FAC 90-32; DoDD 5000.1 (D.1.i); DoD 5000.2 (3.3.3.1); SECDEF memo, 29 Jun 94; SECDEF, 6 Dec 95; USD(A&T) memo, 8 Dec 95]*

• Streamlined documentation/resolution of non-conforming material issues allows contractors to initiate less costly but effective procedures to identify and correct non-conforming parts and materials while reducing unnecessary paperwork and cycle times. *[Cancellation of MIL-STD-1520A by DSIC (MIL SPEC/STD Reform), 31 Mar 95]*

Initiative	Commercial Practices	Open Communication	PBBE	EC/EDI	Risk Management	Teaming/ Partnering	Affordability
CONTRACTING							
Improved Pre-Solicitation Phase Communication	★	★	★	★		★	
RFP Streamlining	★		★				
Elimination of Military Specs and Standards/Use of Performance-based requirement	★		★				★
Government encouragement of contractor-proposed cost/performance trade-offs			★				★
Use of Past Performance/Best Value Evaluation Criteria	★		★		★		
Streamlined Pre-Award Process		★		★		★	
Use of EDI to streamline procurement process				★			
Performance Based Service Contracting	★		★				★
Improved communications related to potential disputes during contract execution	★	★				★	
Use of commercial warranties and other product liability issues (risk management)	★		★		★		
Rights in Tech Data & Computer Software	★				★		★
ENGINEERING							
Use of Open Systems Approach	★		★				★
Use of quick (rapid) prototyping in software development	★			★			★
Contractor maintains configuration of the design solution	★		★				★
Streamlined procedures for review/approval of engineering change proposal (ECPs)	★		★		★	★	★
Simulation as a replacement for some engineering tests	★				★	★	★
Survivability/lethality testing below end-item level					★		★
Concurrent developmental testing (DT)/operational testing (OT)					★		★
Use of commercial engineering drawing practices	★			★	★		★
Use of EDI to streamline engineering design and testing (e.g., JEDMICS, CMIS)				★	★		★
FINANCE							
Use of risk-based approach to DCAA financial oversight		★			★	★	
Use of tailored negotiation of forward pricing rates					★	★	
Direct submission of cost vouchers to DFAS					★	★	★
Use of commercial and other exemptions for cost or pricing data	★				★	★	
New order of priority for information/Adjustment to TINA threshold	★				★		
Use of parametric cost estimating					★		★
Reduced number of TINA sweeps					★	★	★
Use of performance-based progress payments			★				
Use of EDI to facilitate contractor payment	★			★			★
MANUFACTURING							
Use of commerical soldering/other commercial manufacturing practices	★		★		★		★
Commercial standards/practices for calibration	★						★
PLANT WIDE							
Single Process Initiative - new requirements/reprocurements and prime/subcontracts	★	★	★		★	★	★
Program Stability	★				★	★	★
Streamlining procedure/controls related to administration of Defense Industrial Security Program					★		★
Use of "Other Transaction Authority"	★				★		
More thorough post award debriefings		★				★	
Reduction/elimination of Contractor Purchasing System Reviews					★	★	★
Streamlined Contract Close-Out					★		
Elimination of non-value added packaging requirements	★						★
Use of commercial procedures & EDI related to; shipping documentatiion, GBLs, etc.	★			★			★
Commercial Sourcing - Reduction in applicability of certain laws	★		★				★
Reduction of multiple SCEs		★			★	★	★
PROGRAM MANAGEMENT							
Use of Joint Government Industry IPTs		★				★	★
Elimination of Redundant Oversight (Program Office, Services, DCMC)					★	★	★
Alignment of oversight with program risk					★	★	★
Tailoring cost/schedule reporting standards to industry guidelines/reduction of contractor mgmt system reviews	★				★	★	★
Use of EDI to facilitate information between Government and contractor		★		★		★	★
Elimination of non-value added reporting requirements/CDRLs					★		★
Cost as an Independent Variable			★		★	★	★
QA							
Use of commercially accepted quality program standards (e.g., ISO 9000 series)	★				★		★
Elimination of non-value added receiving/in-process/final inspection and testing	★		★		★		★
Streamlined documentation/resolution of non-conforming material issues	★		★		★		★

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
ACQUISITION CENTER OF EXCELLENCE
CATALYST

In 1996, Mr. John Douglass, ASN(RDA) stated, "Acquisition Reform is a top priority within the Navy." In support of this goal the Navy established an Acquisition Center of Excellence (ACE). The goal of the ACE is to reduce acquisition cycle time and total system costs and to change the acquisition culture. In the DoD Revolution in Business Affairs a major emphasis has been made on improving the way we acquire systems by adopting the world-class business practices that have made U.S. industries so successful. The ACE combines these world-class business practices with cutting edge technology to provide a collaboratory and test bed for advanced systems engineering research to assist the acquisition community.

ACE focuses on four primary business areas. It provides:
- products and services that offer large potential savings in cycle time and cost,
- firsthand opportunities to see the problems faced by the acquisition community,
- conferences and hands-on training to program management teams in areas critical to effective acquisition program implementation, and
- a unique vehicle for industry involvement in the acquisition process.

The ACE approach to solving acquisition issues is the use of technical experts, coupled with the application of software tools and a specially configured facility to optimize the collaborative process. The ACE maintains a core team of experienced acquisition professionals who can provide focused technical support to program managers (PMs) and their staffs. The ACE team provides support through seven service offerings which include: Pre-Award Support Assistance, Total Ownership Cost/Cost As an Independent Variable, Lean Process Thinking, Business Wargaming, Decision Support & Analysis, Conferences/Symposia/ Workshops, and Simulation Based Acquisition.

- **PRE-AWARD SUPPORT ASSISTANCE (PASA)** — The PASA team assists in streamlining the acquisition process from requirements generation through contract award. This ASN(RDA) team can assist PMs in a variety of pre-contract award activity including contract requirements generation, acquisition strategy formulation, RFP development, and source selection.

- **TOTAL OWNERSHIP COST (TOC)/COST AS AN INDEPENDENT VARIABLE (CAIV)** — The ACE staff provides expert advice to PMs on the use of CAIV as a methodology to reduce the TOC of their programs. This same team assisted in the definition of Navy TOC/CAIV policy, and supports PMs on formation of target costs based on affordability, CAIV objectives, cost/performance trade-off tools, and CAIV metrics and incentives.

- **LEAN PROCESS THINKING** — Lean Process Thinking is an approach originated in industry and was proven effective in reducing acquisition cost and cycle time by more than 50 percent. The lean strategy of doing more with less with greater quality is intended to attack waste and satisfy customer needs. ACE offerings include lean thinking, lean contract strategies, and application of lean thinking tailored to individual programs.

ACQUISITION CENTER OF EXCELLENCE

- **BUSINESS WARGAMING** — Business wargaming enables PMs to enhance strategic decision making skills and test approaches in the safety of a gaming environment. Senior managers from government and industry play key roles on teams to simulate business operations and provide realistic reactions to program management decisions. ACE provides a framework for business wargames with its data access and visualization capability, access to models and data/decision support processes and tools.

- **SYMPOSIA/CONFERENCES/WORKSHOPS** — Workshops cover topics that are of benefit to the DoN acquisition community. Planned workshops include TOC/CAIV, Electronic Source Selection, Business Wargaming, Simulation Based Acquisition and Best Manufacturing Practices. Presenters will discuss current initiatives and use the ACE's high performance computing technology and synthetic environments to demonstrate advanced techniques.

- **DECISION SUPPORT & ANALYSIS** — ACE facilitates the decision process by providing a dedicated environment for data gathering, analysis and decision making through the use of advanced meeting facilities and systems. This support includes facilitated group processes, large screen projections to support visual data synthesis, computing support for advanced modeling and simulation, remote collaboration via connectivity to enable rapid data access, and state-of-the art software tools for data analysis.

- **SIMULATION BASED ACQUISITION (SBA)** — The goal of ACE's SBA research and technology effort is to greatly reduce acquisition costs and cycle times through the broadest possible application of computer modeling and simulation. Using SBA, PMs analyze their virtual programs and products before committing to significant funding for development, production, and operation. SBA research objectives include assembling and refining SBA technologies, enabling collaborative SBA research across industry, government and academia, and DoN SBA deployment, education and training.

The 40,000 square foot facility located in Building 22 in the Washington Navy Yard. The operating spaces include a Strategic Planning Center, a Collaboratory and an Information Repository. Nominally, the 1,800 square foot Strategic Planning Center is reconfigurable and is equipped with 12 participant workstations and two operator stations. It is used as a preparation laboratory for developing the plans for use of the Collaboratory with larger groups. The 3,400 square foot Collaboratory is totally reconfigurable. It is equipped with multiple large screen LCD projectors and workstations for groups of 30-65 participants and can seat 150 participants in an auditorium setting. The Information Repository is a 720 square foot research facility and supports 12 researchers. The ACE staff is housed in a small working area above these spaces called the Technology Management Information Center (TMIC). The ACE is designed to support collaborations within the acquisition community to solve challenging issues. It is equipped with computer workstations to aid participants in rapidly developing, collecting and sorting information. Each of the workstations has a full office capability and is linked to groupware systems. Images from many of the computers can be displayed on any of the ACE large screen displays. Additionally, the ACE has the capability to link video, audio and data with other facilities to support remote collaborations. As the ACE continues its operations, it will develop databases of lesson learned and other information critical to acquisition programs. Visit the ACE web site at http:www.ace.navy.mil.

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
ACQUISITION REFORM OFFICE
CATALYST

Background: In January 1995 the Navy stood up the Acquisition Reform Office (ARO). Chartered to operate as a program with a three- to five-year life cycle, the office leads critical thrusts in the areas of world-class learning practices, partnering, industrial base integration, acquisition policy, communications, and training and education. Each thrust defines the focus of a dominant activity addressing the overall objectives and is aligned with the product/service set. These thrusts serve to "order the universe" of all possible activities and prioritized efforts to achieve near-term demonstrable improvement to the Navy acquisition process. Although comprehensive in scope and considerable in depth, each thrust area is a critical pillar to achieving meaningful change and to sustaining that change.

Description of Interaction: The DoN ARO serves as the core change agent for acquisition reform in the Navy, structurally and philosophically pushing and pulling a web of reform agents through the Navy infrastructure. The office is designed to emulate the tenets of acquisition reform in its operation, serving as a real-life test bed for integrated product and process development and staffed by diverse individuals drawn from across the Navy acquisition field: program management and contract personnel; military and civilian; industry, government, and academia. ARO team members serve as catalysts and facilitators, instantiating acquisition reform initiatives, then moving to a support role, and eventually moving to the periphery as consultants and advisors. The team is a fluid example of a working government/industry/academia team partnering to help change the way the Navy does business.

Information on Initiatives: Available through the ARO Web Site located at http://www.acq-ref.navy.mil

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ACQUISITION
REFORM OFFICE

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
ACQUISITION REFORM WEEK
CATALYST

Background: On 11 April 1996 Dr. Paul Kaminski, USD(A&T), and Emmett Paige, Jr., ASD(C3&I) called for a DoD-wide stand-down to maximize the benefits of acquisition reform initiatives and accelerate implementation. On the morning of 12 April, the DoN Acquisition Reform Team Working Group met to brainstorm how the Navy-Marine Corps team would successfully accomplish this directive. Their innovative approach was to accomplish this day using the tenets of acquisition reform, to include working through teams and pushing accountability and responsibility for the day's success to the lowest practicable level. This approach continues today. The first AR Day was held on 31 May 1996. The event was so successful, it was repeated in March 1997. Although the stand-down is called for one day, a week was designed to provide flexibility for teams to select the day that best fit their schedules. A third event is scheduled for May 1998.

Acceleration (31 May 1996):
Over 41,000 members of the DoN acquisition workforce focused their attention on Acquisition Reform. ASN(RDA) conveyed his commitment through a pre-taped video production and five large commitment sessions he personally hosted. These Change Through Ex-Change sessions were sent to remote sites via satellite downlink, and videos were distributed following the event. Fifteen commitment teams comprised of ASN(RDA) senior management and Acquisition Reform Office personnel carried the ASN(RDA) commitment to headquarters and field organizations, and presented over 1,300 awards to the acquisition workforce.

An overview of the Acceleration Day survey data follows:
- 89.6 percent of Headquarters (within the beltway) and 82.4 percent of Field respondees agreed that in the last two years, improvement of the acquisition process was apparent.
- From their own personal experience, 89.5 percent of Headquarters and 80.8 percent of Field respondees agreed that teams were improving the acquisition process.
- The Headquarters organization agreed 82.6 percent and the Field organizations agreed 58.7 percent, that management support and encouragement improved the acquisition performance.
- Out of the 6,773 barriers identified, the major barriers for improving the acquisition process were resistance to change with 16.5 percent responses, 13.6 percent responded for Policy, Legislation & Regulation and 8.3 percent responded for Education and Training. The other responses given were (5.7 percent) Funding Issues, (5.6 percent) Management, (5.5 percent) Contracting Process, (5.0 percent) Acquisition Processes, (5.0 percent) Manpower Issues, (4.6 percent) Government/Congress, (3.9 percent) Amount of Red Tape, (3.2 percent) Teams, (3.2 percent) Communications, (3.0 percent) Time, (2.9 percent) Organizational Politics and (2.9 percent) Empowerment.
- There were 5,450 recommendations for change. The top area (11.1 percent) is Education and Training, followed by Contracting Process (10.3 percent) and Credit Card Purchases (7.1 percent). Other recommendations are in the areas of Acquisition Processes (6.5 percent), Information Technology (6.3 percent), Manpower Issues (6.0 percent), Empowerment (5.9 percent), Funding Issues (5.4 percent), Teams (5.0 percent), Policy, Legislation, Regulations (4.8 percent), Government (3.5 percent), and Communications (3.4 percent).

**ACQUISITION REFORM
WEEK**

Acquisition Reform Week 2 (17-21 March 1997):
Acquisition Reform Day 2, carried senior management's dedication and commitment to Acquisition Reform still farther. Dr. Kaminski and Secretary Douglass participated in the first Change Through Ex-Change Conference held at the Crystal City Forum. Secretary Douglass personally exchanged innovations and success stories with conference participants and challenged the attendees to do the same. Later that week, Secretary Douglass, teaming with Secretary Christie, ASN(FM&C), hosted the first Virtual Town Hall Meeting which was broadcast via satellite around the world. The Navy-Marine Corps acquisition workforce communicated with senior Naval acquisition leaders on key acquisition issues via telephone, internet and fax. Over 200 questions were submitted and answered.   The System Commands celebrated AR Week 2 by holding Industry Days, interactive workshops, video teleconferences, and teaming exercises. The Navy and OSD provided over 14,000 products (videos, manuals, CDs, disks, awards, training modules) to the acquisition community.

The survey conducted during AR Week 2 indicated:
- There were improvements in the acquisition system.
- Teams were overall effective.
- The number one enabler for team success is Communications followed closely by the need for Empowerment and Management Support.
- Serious barriers to team effectiveness are Poor Communications and Resistance to Change, followed by Policy and Procedures and Empowerment.
- Acquisition Reform Day was effective and should be repeated.
- IPTs and teaming are important.

Acquisition Reform Week 98 (4-8 May 1998):
During Acquisition Reform Week 98, the DoD acquisition team will focus on *"Leading and Embracing Change: Institutionalizing and Accelerating Acquisition Reform*." A Change Through Ex-Change Conference scheduled for 4 May will bring representatives of DoN programs at every ACAT level together to ex-change innovative ideas. Secretary Douglass will host the second Virtual Town Hall Meeting on 7 May to facilitate direct communication between senior leadership and our world-wide acquisition workforce.

Learning tools that facilitate the implementation of Acquisition Reform will be distributed. The National Center for Advanced Technology is developing an interactive training program on IPPD which will be distributed on CD and available over the Internet. The Bellwether Learning Center, a division of Dynamic Systems, Inc., is partnering with our Acquisition Reform Office to provide an IPT resource guide on CD. This resource guide will include a System Dynamics model that will aid team leaders in assessing the key success factors and processes needed to become a successful team. The guide will also incorporate lessons learned from our Navy-Marine Corps IPTs. The new Turbo SpecRight! tool will be distributed on CD to assist the acquisition community in writing better performance specifications. Other tools to be distributed include: an Open Systems Architecture CD, a total cost ownership simulation (game), a series of case studies on recent AR changes and videos of OSD satellite training sessions. The Navy is also working with the Army and Air Force to host a World Class Practices Symposium with the Defense Industry and Commercial Industry as a follow-on event to AR Week 98.

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Background: The armed forces of the United States are changing their strategic and operational concepts to meet emerging challenges and uncertain threats unfolding in the 21st century. There will be significant differences in the way we fight future battles due to changes in resource availability technology, and warfare. The acquisition of naval systems, weapons, and platforms must also evolve to support these differences.

The Acquisition Center of Excellence (ACE) is hosting a series of Business War Games to support the improvement of the Navy's acquisition process — ultimately reducing the life cycle cost of weapons systems through practical hands-on experience in dealing with both well-known and less predictable scenarios encountered when implementing a new acquisition process.

Acquisition Warrior '98 Initial Planning Workshop: During the December 1997 Initial Planning Workshop for the Business War Games, a team of warfighters, technologists, and industry members developed collaborated insights into business war gaming and prepared a framework for future business war game(s).

The purpose of this initial planning workshop, hosted by the ACE and the Naval War College, was to define and develop the framework for a business war game that simulates developing the components of an acquisition strategy for a future defense system. Of equal importance during the Initial Planning Workshop was exploring how we could take the outcomes of this game and make a difference in the acquisition community.

The specific objectives of the Initial Planning Workshop were to:
- Gain an understanding of different gaming processes.
- Identify critical influences and enabling concepts from both corporate and military operational/technology communities affecting the acquisition of defense systems.
- Develop elements of a game to explore the acquisition strategy of a future defense system.

Forty-five representatives from government, academia, and industry attended the workshop. (Briefings on the recently published *Defense Reform Initiative*, the CVX program, and the Lean Aircraft Initiative were presented at the Initial Planning Workshop. These presentations can be viewed at the Business War Games website (go to *"What's Hot"* at http://www.ace.navy.mil)). Feedback from participants at the Initial Planning Workshop indicate that the Workshop was a resounding success. Many of the insights garnered from the discussions and from the suggestions presented by participants will be incorporated into Acquisition Warrior '98 planning.

AW '98-1, planned for 7 – 9 Apr 1998, will feature the Navy's Aircraft Carrier programs, CV(X), CVN, and the Common Support Aircraft program, and related communication and weapons systems. Participants will experiment with strategies and ideas for success as we enter the next century, obtain realistic interactions and feedback from peers, sponsors and decision-makers, and develop initiatives for the revolution in business affairs.

Attendance for Acquisition Warrior '98-1 will include Program Managers and their Integrated Product Team (IPT) members, industry representatives spanning the entire supplier base with full spectrum

**BUSINESS WAR
GAMES**

product representation (shipbuilding, aviation, electronics, support system, etc.) and disciplines (contracts, legal, finance, logistics, etc.).

The ACE expects that Acquisition Warrior '98 will bring the rigor and discipline of operations analysis to business analysis and improve partnering for defense system acquisition between industry and government.

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
CEO CONFERENCE
CATALYST

Shortly after he took office, Mr. John Douglass, ASN (RDA), stressed that open communications was a key aspect to achieving the goals contained in the ASN(RDA) strategic plan. Further, this strategy was going to apply both inside and outside the Pentagon. The Chief Executive Officer (CEO) Conference was born three years ago to help develop the government-industry partnership crucial to reforming our weapon systems acquisition process.

At the third annual DoN/CEO conference, held 20-22 Oct 1997 in Norfolk, Mr. Douglass led a group of 65 DoN and other government acquisition leaders and 80 CEOs, Presidents and other high-level business leaders in a discussion of key issues. Unable to attend, the Honorable John Dalton, Secretary of the Navy provided videotaped comments. He emphasized the key role that industry plays in promoting the President's policy and that the success of our Navy closely intertwines with that of our industry partners. Together we play a critical role in forging our future Navy and Marine Corps team. Mr. Douglass opened the conference with a broad-ranging discussion of his views on the longer range acquisition environment focusing on the aircraft and shipbuilding industries, while also addressing the budget environment.

Three government-industry panels addressed matters based on the industry input developed by the Conference co-chair, Newport News Shipbuilding. Panel I was focused on "Supporting Our Industrial Base;" Panel II, "Proposing to Win/Win," covered all matters associated with the contracting process, including past performance, single process initiative, and Section 845 agreements. The last panel addressed "Integrating Teams for Success." Industry executives were provided with a Fleet visit to see, up-close and personal, the sailors and marines on the front lines. This visit also served as an excellent opportunity to see, first hand, the equipment provided to meet the needs of the warfighter and to hear the warfighter's perspective. This year's visit was to three of our newest Destroyers, USS Cole, USS Mitscher and USS Gonzalez, all configured with the AEGIS Weapon System.

The third DoN/CEO conference included a new twist, an address from a commercial industry speaker. To provoke some out-of-the-box thinking, Mr. Charles Carroll, President and Chief Operating Officer of Rubbermaid, was invited to be the commercial industry speaker. Rubbermaid is widely regarded as one of the most innovative companies in the U.S. Mr. Douglass stated that the characteristics Mr. Carroll had instilled in Rubbermaid were the ones DoN sought to review and possibly develop into its ongoing process of reforming its weapons systems acquisition process.

The conference closed with Mr. Douglass asking for a volunteer from industry to co-chair next year's Conference. He also proposed to make a significant change in the conference by, for the first time, conducting next year's conference on the West Coast. As dates and content for the fourth annual CEO Conference are developed, they will be made available on the Acquisition Reform Office home page located at, http://www.acq-ref.navy.mil.

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CEO
CONFERENCE

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
COMMAND STANDARDS IMPROVEMENT
EXECUTIVE CATALYST

Background: The process for implementing Specifications and Standards reform within DoN starts with the active participation of senior management. The leadership of the acquisition commands plays a major role in establishing the environment necessary for acquisition reform cultural change. Similarly, the exercise of good judgement by our leadership is critical for the successful implementation of this Reform.

Application of Initiative: The first priority for Mr. Douglass, ASN(RDA), in the implementation of specifications and standards reform was to assign responsibility for the execution to senior managers representing the different acquisition commands. These Command Standards Improvement Executives (CSIEs) helped formulate/develop the ASN Plan of Action and Milestones for specifications and standards improvement within the Systems Commands, the Program Executive Offices, and the Direct Reporting Program Manager offices. The CSIEs established additional specifications and standards improvement program policy and guidance unique to DoN and were responsible for the development of the training program to equip the DoN acquisition workforce with the tools to operate in a performance-based environment. Since the inception of the specifications and standards reform implementation, the CSIEs have been proactive in identifying deficiencies and in initiating actions to provide improvements to the DoN program. Examples include: chairing of a joint government/industry working group to develop recommendations for transition to the use of non-government standards, participation on the Joint Aeronautical Commanders Group Integrated Product Team for the development of a comprehensive plan for moving to performance-based acquisition, chairing of a working group to develop a strategy and criteria for applying the implementation of specifications and standards reform to reprocurement, and chairing a working group to establish a prototype pre-RFP process that would increase industry's involvement in defining requirements.

The process resulting in the successful implementation of specifications and standards improvement within DoN required the CSIEs' effective communication to and motivation of the standardization community. These professional individuals working in the different Systems Commands were responsible for the implementation of the exhaustive reviews of the over 8,000 military specifications and standards owned by DoN. Upon completion of the reviews, the CSIEs were responsible for approving the recommended document dispositions made by the standardization community.

New tools to facilitate the conversion process to performance standards have been developed by ASN(RDA). Turbo Streamliner, a web based tool located at http://www.acq-ref.navy.mil/turbo/ provides the tools and references that will allow the review or development of acquisition solicitation packages and ensures they meet the latest policies and employ the latest techniques and initiatives of AR. Turbo SpecRight!, http://www.acq-ref.navy.mil/specright/, is an electronic to assist DoD and industry personnel in developing performance specifications and converting military specifications into performance specifications. It will have on-screen prompts with hot links to descriptive explanations of policies, procedures, examples and other references to assist in describing desired performance outcomes. This tool includes decision matrices to help decide whether or not a specific specification should be converted, a market research tool to assist in

COMMAND STANDARDS
IMPROVEMENT EXECUTIVES

determining what is available commercially, and an electronic tool, *SpecRite,* for drafting a new specification to the requirements in MIL-STD-961D.

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
COMMUNICATIONS
CATALYST

The *DoN Acquisition Reform Update* newsletter is published and disseminated bi-monthly via hard copy and over the Internet via the Acquisition Reform Web Site. The newsletter documents acquisition reform within the Department of the Navy and is coordinated through the Acquisition Reform Office. Articles are contributed from both personnel within the Department and external partners. Content includes lessons learned, stories about cost savings reductions, and innovative approaches to Acquisition Reform in addition to current information about on-going initiatives.

The *AR Alert* is a weekly information bulletin that highlights the successes achieved by a Naval program in implementing Acquisition Reform. The program is also highlighted on the Acquisition Reform Web Site.

The *Acquisition Reform Web Site,* http://www.acq-ref.navy.mil, provides the latest information on Navy Acquisition Reform initiatives, disseminates the AR Update newsletter, and shares success stories and lessons learned. It also supports just-in-time training by offering downloadable AR course materials to both government and industry. Content is updated regularly and current priority items are announced through flashers on the opening screen. The Web Site is linked to pertinent pages throughout the world wide web system.

With over 5 million hits in 1997 -- averaging over 100,000 visits per week -- the Acquisition Reform Home Page provides both government and industry representatives with the latest information on Acquisition Reform. The webmaster's goal is to provide a complete and thorough understanding of Acquisition Reform by relating a given topic area to articles and briefings, policy and guidance, current practices, related topics and links to other sites, when appropriate. A new look for the web site will be unveiled in the Spring of 1998 to facilitate improved navigation features.

The Acquisition Reform Team Working Group (ARTWG) is a key communication tool of Acquisition Reform for the dissemination of information from and to the Systems Commands, DRPMs, and PEOs. Additional information on the ARTWG is provided in the Training and Education catalyst.

ASN(RDA) is reaching out to headquarters, field and industry acquisition team members with information and tools to facilitate AR implementation. Many of the catalysts and initiatives included in this manual are part of the ASN(RDA) outreach programs. An overview of this approach is provided on the next page.

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DON COMMUNICATIONS

ASN(RDA) FIELD OUTREACH

Industry Partners

Field Government Organizations

Industry – Government Roadshows

Coopers & Lybrand Field Implementation Study

Field Integration Program

- Stand downs
- AR Home Page
- Industry-Government Partnering Study
- Virtual Town Hall

CEO Conference

Partnering with the Fleet Initiative

Change Through Ex-Change

Headquarters Team
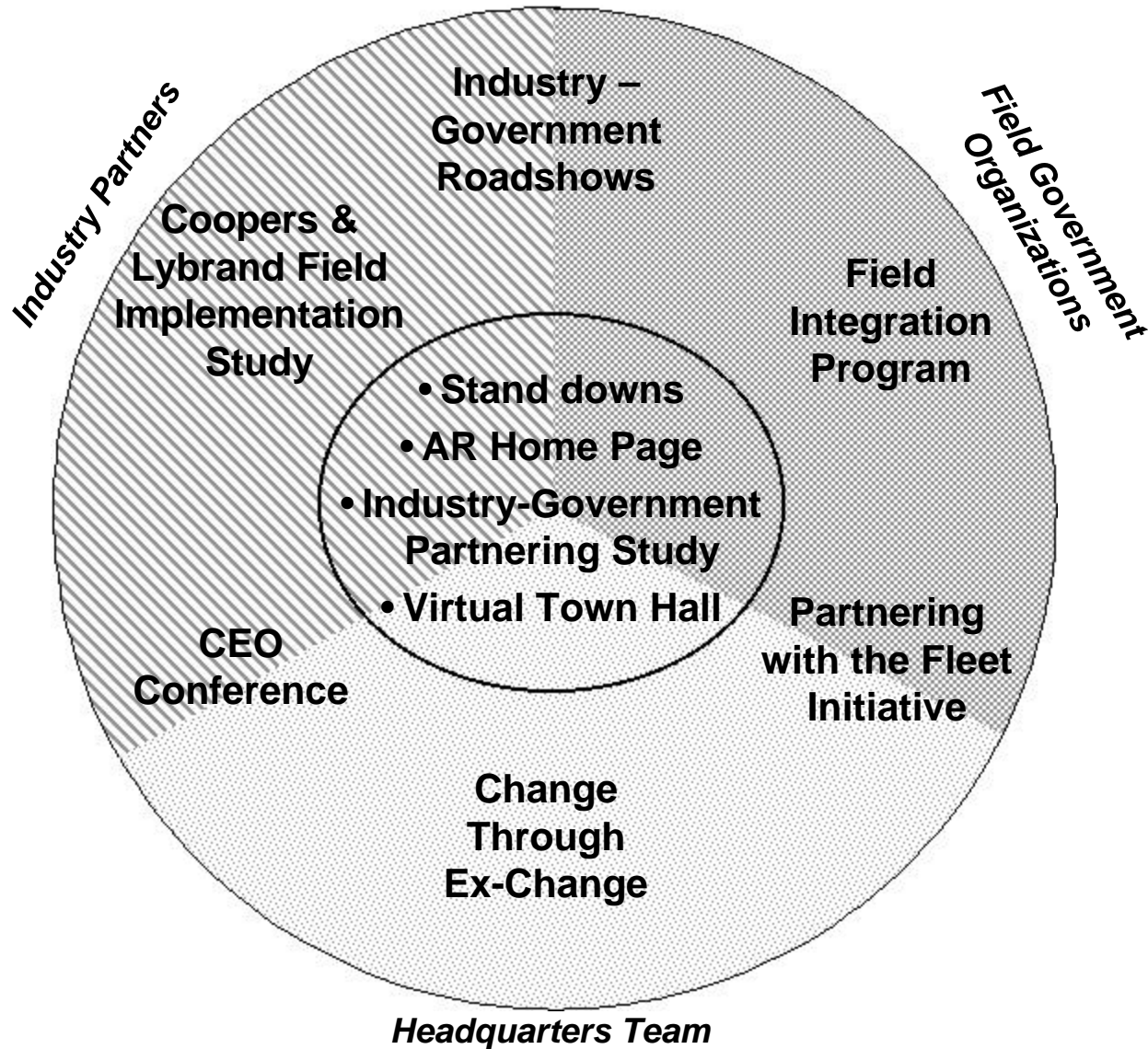
DEPARTMENT OF THE NAVY
ACQUISITION REFORM
DEFENSE ACQUISITION DESKBOOK
CATALYST

The Defense Acquisition Deskbook software package is an automated reference tool sponsored by the Deputy Under Secretary of Defense (Acquisition Reform) and the Office of the Under Secretary of Defense (Acquisition and Technology)/Acquisition Program Integration. The Deskbook originated from an acquisition reform initiative aimed at reducing directives while assisting program managers to make informed decisions. It provides a single source comprehensive collection of the most current acquisition information for all DoD services and agencies. The product includes mandatory documents such as laws, regulations, and policy, for example FAR, DFARS, service supplements (NAPS, AFAR, etc) and DoD documents including the 5000 series; discretionary practices, sample formats and examples, front-line wisdom and advice, software tool descriptions which provides their availability, attributes, compatibility and an assessment of their capabilities. All this information is integrated with a user-friendly interface and a powerful word search capability. It is compatible with MS Windows or Macintosh Power PCs. For more information, the Deskbook web site, http://www.deskbook.osd.mil, is an entry point for acquisition information, a place to receive up-to-date policy and procedures and to receive answers to your acquisition questions, and a vehicle to communicate with the acquisition community. It includes an area called "Ask-a-Professor" where acquisition related questions can be submitted and responses received from a resource center.

Any Department of the Navy personnel interested in submitting data (Command Practices, Samples, Wisdom, etc.) for inclusion into Deskbook should contact Ms. Mary Lawson.

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DEFENSE
ACQUISITION DESKBOOK

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
INTEGRATIVE COMPETENCIES
CATALYST

Background: Continuous Acquisition Reform is creating an upsurge of information and knowledge that must be integrated into the acquisition system. ASN(RDA) is exploring the integrative competencies that will help the workforce integrate information and knowledge and improve their problem solving and decision making effectiveness.

Description: Integrated Product and Process Development, Integrated Product Teams and Partnering have contributed to the acquisition process through improved communications, cross-functional teams and the early identification of problems and opportunities. There is a continuing need for better coordination and integration of information and knowledge by the acquisition workforce. To meet this need, the Acquisition Reform Office is investigating the application of those fundamental competencies that aid acquisition personnel in managing and implementing their programs. These are known as integrative competencies.

Integrated Product and Process Development. This provides the ability to concurrently develop weapon systems and make better decisions by integrating the needs of all disciplines through the IPT decision process.

Integrated Product Teams. By using cross-functional disciplines and having the right people represented on the team, the information and knowledge from team members can be integrated and processed to yield better decisions and more effective implementation.

Systems Thinking. This is a way of understanding organizations and systems which places emphasis on structure, feedback loops, boundaries, and interfaces. A systems perspective takes a broad view of a system and integrates its parts to make decisions that optimize at the highest appropriate level.

Strategic Cost Management. This is the ability to think strategically about the long term consequences of cost allocation and management to achieve minimum total operating cost. Supporting methods, tools and processes to provide the data, and information needed for decision making and implementation are part of this initiative.

Knowledge Management. This represents the ability to identify, store, retrieve, process, display, evaluate, apply and measure knowledge as it is needed in the acquisition enterprise. The management of knowledge facilitates the creation, integration, accumulation and application of information and knowledge to improve the efficiency and effectiveness of decisions and actions.

Application: This catalyst facilitates the spread of identified integrative competencies across the acquisition workforce. It includes the development of workshops, Internet training, CDs, models and tools to support this thrust.

- IPT training, conferences, and information is widely available across the Systems Commands. An IPT resource guide and System Dynamics model prepared in partnership with the Bellwether Learning Center, a division of Dynamic Systems, Inc. will be disseminated during AR Week 98 (May 1998).

- IPPD was the focus of AR Week II (March 1997). Georgia Tech, the National Center for Advanced Technology, and Texas Instruments teamed to present three workshops, an awareness session for senior leadership, and a 12-volume video training series with workbooks. This team is developing an interactive training CD for dissemination during AR Week 98.

INTEGRATIVE COMPETENCIES

- Innovative Associates, Inc. is working with ASN(RDA) to develop Systems Thinking workshops with Navy-specific archetypes. These pilots will be available through the Acquisition Center of Excellence in 1998. Specific dates will be posted on the Navy Acquisition Reform Web Site, http://www.acq-ref.navy.mil.

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
MANAGEMENT ACTION PLAN
CATALYST

The Department of the Navy Acquisition Reform Management Action Plan (the MAP to acquisition excellence) calls for building a continuous dialogue to identify mutually beneficial opportunities and practices. The CEO Conferences opened dialogue between DoN and its supporting base, and offered corporate leaders a forum to engage in frank, information discussions of important issues crucial to the effectiveness of the weapon systems acquisition process and acquisition. An ongoing Industry-Government Partnering study continues this important exchange of information and is exploring ways to improve Industry-Government relationships.

MAP CARDINAL TARGET AREAS

Leadership

People — Relationships

Processes
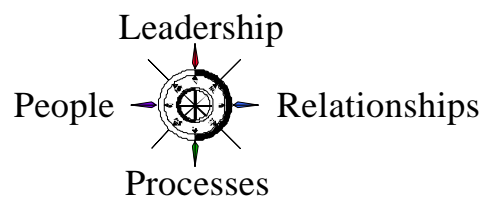
Many actions have been taken or are underway in support of the following target areas.

LEADERSHIP

Decentralize decision authority to place responsibility and accountability at the lowest practicable level.

- Move ACAT III oversight responsibility from ASN(RDA) staff to the Milestone Decision Authorities (MDAs).
- Encourage MDAs to re-delegate Milestone Decision Authority for ACAT IV programs to program managers.
- Delegate ACAT III and IV designation authority to the PEO/SYSCOM/DRPM level.
- Delegate Acquisition Plan (AP) approval authority to PMs with Milestone Decision Authority.
- Accelerate the maximum agency delegation of information technology procurement authority to Heads of Contracting Activities.
- Encourage risk taking by protecting employees who take prudent risks.

Pursue acquisition program stability.

- Building on the Acquisition Coordination Team concept, establish a framework for re-engineering the interaction among requirements setting, planning and budgeting and acquisition communities.
- Develop rapid reprogramming capability within a program to move funding among RDT&E, procurement, and O&MN accounts when unforeseen changes dictate.
- Investigate establishing a prototype for a 'single program appropriation' with post facto funds usage reporting to Congress.
- Identify the barriers to using multi-year contracting in order to maximize its use.

MANAGEMENT ACTION PLAN

- Explore root causes of extraordinary change activity and develop a program to minimize impact on program stability.
- Partner with industry to minimize the motivation and opportunity for 'buy-ins' on programs.
- Develop strategies and tactics to enhance program execution flexibility.
- Build partnerships with resource sponsors.

Establish an Acquisition Center of Excellence (ACE) to accelerate the cultural change required to implement Acquisition Reform.

- Design and operate an acquisition management laboratory for assisting program management teams, PEOs, and SYSCOMs to re-engineer their business processes.
- Provide a capability to gather, test, evaluate and adapt world-class practices, technology and leadership skills to the DoN acquisition environment.
- Enable collaborative virtual prototyping and dynamic business modeling of DoN weapons systems acquisition to accelerate technology transition into Fleet products.
- Establish a 'Top Gun' capability for honing key management skills.
- Jump-start new projects by providing a 'skunk works' management environment for rapid, innovative program design.
- Create an electronically accessible resource library providing information, knowledge, lessons learned, and state-of-the-art practices to its customers.
- Deploy Program Managers Assistance Group to assist program managers.
- Deploy and apply Integrated Product and Process Development.

Measure the improvements that reform initiatives make to the acquisition system.

- Develop, assess, and track metrics indicative of desired acquisition reform results, with emphasis on overall cost reduction.
- Widely communicate acquisition success stories.
- Measure progress in accomplishing the DoN Cardinal Points.

PEOPLE

Provide regulatory latitude so our acquisition professionals are empowered to make sound business decisions.

- Replace the Navy Acquisition Procedures Supplement (NAPS) with outcome-based policy and procedures.
- Eliminate the requirement for Requiring Activity Competition Advocates.
- Improve Justification and Approval (J&A) document processing by concurrently developing and staffing them with Acquisition Strategy Reports (ASRs) and increasing use of Class J&As.

Create incentives for individuals, particularly program managers, to propose improvements and eliminate impediments to the acquisition process.

- Partner with the comptroller and the resource sponsor to enable program managers to retain a portion of program cost savings realized through innovative cost reduction.
- Develop a program that recognizes and rewards individuals, using techniques such as gainsharing and DAWIA special pay authority, who have reduced the total cost of ownership.

Develop and deploy effective training courses and state-of-the-art techniques to achieve acquisition reform objectives.

- Integrate future Acquisition Reform training needs into DAWIA certification requirements and establish continuing education requirements for level III acquisition personnel.
- Working with National Center for Advanced Technologies (NCAT), develop an Integrated Product and Process Development education and training program for program management teams.
- Create a program to exchange developing leaders with world-class industrial and management organizations.
- Team with non-governmental training entities to develop and offer a curriculum of study on the employment of current DoD Acquisition Reform initiatives to accelerate cultural change.
- Exploit all available media (such as interactive CDs, videos, Internet) to provide rapid broad-based education and training in acquisition reform.
- Use the Acquisition Center of Excellence to train acquisition teams in applying the latest information technology and software tools to solve 'real world' acquisition problems.
- Transfer Acquisition Reform information and knowledge products into the Defense Acquisition University system.

RELATIONSHIPS

Strengthen the partnership between the acquisition community and the Fleet.

- Communicate key elements of product development to sailors and marines, fostering customer ownership, enhancing operational effectiveness and encouraging customer feedback.
- Bring Fleet users into the design process.
- Partner with CNO and CMC to spread information on the acquisition process into the Fleet.
- Concurrent with developing new products, prepare an 'ownership' video that reaches the product target audience prior to product delivery. Prepare videos on existing systems as soon as practicable.
- Expand the product operating manual to include a section with acquisition information on the product.
- Create a product bulletin (hard and soft format) to accompany product delivery that includes key elements of the product development story.
- Expand and apply the 'helpdesk' concept, inclusive of information on the acquisition process, to as many existing systems as appropriate.

Institutionalize IPTs as a cooperative approach to performance improvement and cultural transformation.

- Empower individuals assigned to IPTs to make decisions and commitments for the organization or the functional area they represent.
- Benchmark industry and government IPT applications.
- Research and apply critical success factors to IPT operations.
- Leverage existing IPT training to develop and implement DoN-wide IPT deployment.
- Apply technology and make information available to facilitate IPT effectiveness.
- Develop a program that recognizes and rewards high performance teams.

Partner with industry and other external stakeholders to achieve win/win solutions.

- Develop cooperative strategies with industry to accelerate the reform process.
- Work with local communities affected by base closures and realignments to facilitate transition.
- Continue to conduct DoN/CEO Acquisition Reform Conferences.

PROCESSES

Achieve a radical reduction in the time and cost to develop and deliver complex systems through an integrated design environment for action.

- Extend the application of modeling and simulation technology beyond the assessment and training communities into the scientific, engineering, logistics, and business domains.
- Facilitate continuous cost-performance tradeoffs by modeling processes as well as product characteristics in a virtual environment.
- Accelerate the fielding of automated procurement systems.
- Extend the application of electronic networking as an enabler for improved productivity processes.

Use past performance in the source selection process as an effective measure of performance risk and a factor in selecting high-quality contractors.

- Explore options for assessing past performance, including other service/agency and industry processes.
- Develop and publish DoN policy on the use of past performance in source selection.
- Prototype a risk-based integrated assessment of past performance based on contractor process identification, relevance, and capability.
- Establish a contractor designation program linked to past performance assessments and a system of incentives for contractors to achieve such designation.

Employ more cooperative and effective DoN/Industry approaches in the procurement process.

- Deploy best solicitation practices identified from RFP benchmarking.
- Expand the use of innovative and efficient proposal strategies such as single integrated (technical, management and cost) proposals, oral proposals and electronic proposals.
- Provide candid debriefings to offerors through identification and deployment of best practices.
- Improve commercial item market research techniques by developing models and capability, including logistics support planning.
- Use 'Other Transaction Authority' for ONR Technology Reinvestment Programs and work to further expand applicability.

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
NARSOC
CATALYST

Background: The Navy Acquisition Reform Senior Oversight Council (NARSOC), established in June 1994, continues as a senior management-level forum for dissemination of information, lessons learned, and process review of acquisition reform initiatives. The forum provides a place to frame issues and gain consensus on decisions which affect the course of planning and implementation within the Department of the Navy.

Description: The NARSOC meets bi-weekly and is chaired by ASN(RDA), coordinated through the Acquisition Reform Office, and guided by an Executive Council which includes SYSCOM representation. It has a regular attendance of 75 senior leaders, an inclusive group of customers/users, policy setters, advisors, and implementors. NARSOC membership includes the Comptroller staff, key CNO staff, ASN(RDA) staff, PEOs, SYSCOMs, and DRPMs. Integrated working groups are used to explore acquisition reform issues in depth, and skilled practitioners from government business and academia are brought in to discuss first hand their experiences. A Program Managers' NARSOC is held quarterly to directly address current acquisition reform issues and changes at the Program level.

Early 1998 topics included discussions on the NAVSUP surcharge, target costing, technical risk management, use of OTAs, and technology refresh of COTs-based systems.

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NARSOC

The Government Industry RoadShows are a collaborative effort between the DoN Systems Commands and their field activities and industry. Navy RoadShows provide businesses and government personnel with the opportunity to find out what acquisition changes are in store and to provide feedback to those implementing the changes. RoadShow goals include:

- Understanding the Navy's Acquisition Reform goals, why acquisition processes are changing, and what progress has been made.
- Facilitating communication between the Navy and its business partners to promote productive business relationships.
- Demonstrating the Navy's commitment to Acquisition Reform.
- Providing tutorials to become familiar with new initiatives, including performance-based statements of work, specifications, and standards.

After receiving feedback from industry, field activities and students attending various performance - based acquisition classes, the ASN(RDA) is employing a new approach toward RoadShows in 1998. These shows are focused on teaming to spread the Acquisition Reform message throughout the acquisition community to all members of the government / industry team. This year's RoadShows will be hosted by DoN Systems Commands and field activities.

Four RoadShows are anticipated in 1998 - the first was held in March in San Diego, CA . The second is scheduled for April in Hampton Roads, VA, the third in Patuxent River, MD, and a fourth is in the planning stages for November. A planning team comprised of command, field activity and industry representatives has the lead for establishing the content of each RoadShow based on the needs that they identify. For example, the San Diego RoadShow will focus on information particular to the acquisition of services and non-ACAT I programs. The Hampton Roads RoadShow is unusual in that it is co-sponsored by Navy and Army acquisition and contracting commands in the Hampton Roads area, the US Coast Guard, the US Department of Commerce, and the Tidewater Association of Service Contractors. The Hampton Roads event will offer a range of briefings from the basics of Doing Business with the Government, Oral Presentations, Performance Based Contracting, Purchase Cards, etc. The Patuxent River RoadShow will highlight the impact on second tier suppliers to the aviation community. The Acquisition Reform Web Site, http://www.acq-ref.navy.mil, will provide up-to-date information on the RoadShows.

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ROADSHOWS

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
SECNAV INSTRUCTION 5000.2B
CATALYST

Background: On December 6, 1996, SECNAVINST 5000.2B was signed and became the single guiding acquisition management instruction for the Department of the Navy. This instruction replaces SECNAVINST 5000.2A, OPNAVINST 5000.42D, SECNAVINST 5231.1C, MCO 5000.11B, and MCO 5000.22, among others. Canceling and consolidating these into a single, streamlined instruction reduced instruction pages reduced by almost 60 percent.

Description: Just as the DoD 5000 series contains only mandatory requirements, SECNAVINST 5000.2B contains only mandatory requirements and is designed to be used in close concert with the DoD 5000 series. The DoN instruction provides implementation procedures for ACAT I, II, III, and IV programs-- and this includes information technology programs! While the instruction primarily addresses mandatory requirements for ACAT II, III, and IV programs, it also includes certain specific DoN implementation requirements that ACAT ID and IC programs must follow.

Since the DoD 5000 series has had three changes incorporated, with a fourth change under development, it is expected that SECNAVINST 5000.2B will receive an update in the summer/fall of 1998 to align it with the DoD 5000 series.

Some of the more significant policy changes from the previous instruction are:

- Milestone documentation is replaced by milestone information: The concept here is that, with very few exceptions, the Program Manager has wide latitude regarding the format and content of the information items required. The term "documentation" is replaced by "information" to further reinforce the idea that a multi-page document is not required. A viewgraph slide could just as easily provide the information item.

- Teaming: ACTs are required for ACAT I and II programs, and their use is optional for ACAT III and IV programs. ACTs are designed to link the PPBS, requirements generation and acquisition management systems together to resolve program issues throughout program execution. The expectation is that, through early and constant program involvement and issue resolution, the acquisition management process can be streamlined.

- Abbreviated acquisition programs: These programs are **not** over the dollar limit that require acquisition planning and do not require OT&E and do not affect the combat characteristics of ships or aircraft. Program decision authority is decided by the cognizant PEO/SYSCOM/DRPM.

- ACAT III and IV designation/MDA: This instruction provides a blanket delegation of ACAT designation authority, and a blanket delegation of MDA for these programs to the cognizant PEO/SYSCOM Commander/DRPM/designated IT Manager.

- COEA replaced by Analysis of Alternatives: This process is not significantly changed.

- Cost as An Independent Variable (CAIV): CAIV will be applied to all programs to insure cost is actively traded-off against performance within the APB.

> **SECNAV INSTRUCTION**
> **5000.2B**

- Information Technology (IT) programs: Coverage is included for all IT programs (there are no IT ACAT II or IVM programs) and SECNAVINST 5231.1C is canceled.

Although not different from the previous instruction, the following DoN-unique aspects are not specifically found in the DoD 5000 series:

- ACAT IV: This acquisition category is retained by the DoN. This category, used by DoN since the very early 1980s, includes programs that don't affect the combat characteristics of ships or aircraft but require acquisition planning because of dollar value. ACAT IVT programs require OT&E by COMOPTEVFOR; ACAT IVM programs do not require OT&E by COMOPTEVFOR.

- Non-acquisition programs: This is for efforts not directly resulting in the acquisition of a system for operation deployment. Examples are Advanced Technology Demonstrations (ATD), Advanced Concept Technology Demonstrations (ACTD), Science and Technology (S&T) programs. Control and oversight of non-acquisition programs continues through the NAPDD for ATDs and ACTDs.

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
STANDARD PROCUREMENT SYSTEM
CATALYST

The Standard Procurement System (SPS) is a standardized automated procurement system for use by the DoD procurement community. It is the next generation of procurement application software.

The DoD SPS is the program that is implementing the use of procurement application software designed by American Management System, Inc., called Procurement Desktop - Defense, (PD2). The program also includes deployment of a Shared Data Warehouse, and interfaces between PD2 and legacy logistics systems, training and support. Under the direction of the Director of Defense Procurement, this program is managed by the Defense Procurement CIM Systems Center (DPCSC), and is being implemented within Navy by the Navy Component Management Office (CMO), within ASN(RD&A).

The SPS application is currently being installed at Navy sites around the country and is in operational use at several sites. The system provides automated support for all facets of the procurement process, from receipt of the requirement through contract closeout. Because of the complexity of DoD procurement, not all functions are available in the current release. Two additional releases are scheduled with planned upgrades of functionality, with the entire original requirement complete by January 1999.

Installation of most Navy sites is expected to be accomplished by the end of FY 98, but will continue into FY 99 for some sites, notably the Inventory Control Points. This is due to the requirement for interfaces to other logistics systems. Implementation is expected shortly after installation as users are trained and the site begins using PD2 to accomplish the procurement function.

SPS is expected to be the foundation of the Paper Free Contracting initiative, without which we cannot accomplish our objective of a paper free acquisition process by the year 2000. To that end, we are reviewing the "connections" between SPS and the other members of the acquisition community to ensure that we are working as smartly as possible.

All members of the Navy acquisition community are encouraged to visit the Navy SPS web site and to review the information available there. The address of this site is: http://www.abm.rda.hq.navy.mil/sps.

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STANDARD PROCUREMENT SYSTEM

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
STRATEGIC PLAN
CATALYST

Background: The ASN(RDA) Strategic Plan contains goals in the areas of workforce, customer / stakeholder credibility, organizational management, business practices, total ownership cost reduction, innovation / technology insertion and communication. The current plan has been in effect for approximately two years. An update is planned later in 1998.

Mission: The Naval Research, Development and Acquisition Team, in partnership with Industry, serves the Nation by developing, acquiring, and supporting technologically superior and affordable systems for Navy, Marine Corps, Joint and Allied Forces. Our products allow the operating forces, in support of the Unified Commanders, to train, to deter conflict and, if required, to fight and win.

Vision: The Naval Research, Development and Acquisition Team is the world's best acquisition and life-cycle support organization. We are dedicated to innovation and excellence through teamwork and trust-- developing, acquiring, and supporting systems for the finest Navy and Marine Corps in the world. We are the technical leaders who deliver solutions and technical opportunities to define cost-effective warfighting options for the future. We are flexible and adaptive, committed to and actively engaged in transforming ourselves and the products we provide to meet the challenges of an affordable Navy and Marine Corps of the future. We have the confidence of the American people by being responsible and credible stewards of resources and protectors of the environment.

Guiding Principles:
- Preserve the public trust through personal integrity, ethical performance, and cost consciousness.
- Dedicate ourselves to technical and acquisition excellence and innovation.
- Listen to and be accountable to our customers. Meet their needs, keep our promises, and stand by the quality of our goods and services.
- Team with warfighters, other customers, industry, and each other on a basis of trust.
- Empower people to take initiative, with authority and responsibility assigned to the lowest appropriate level.
- Value and respect each other, pursue personal development, and recognize accomplishments.
- Value the strength diversity brings to our workforce and ensure an equal opportunity environment.
- Communicate openly, clearly, promptly, and honestly.
- Operate with modern tools and state-of-the-art information technology systems. We continuously improve processes.

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Copies of the Strategic Plan are available through the ASN(RDA) Acquisition Reform Office.

STRATEGIC PLAN

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
TRAINING AND EDUCATION
CATALYST

Background: In the May 1996 survey of the Department of Navy (DoN) Acquisition workforce, training and education was identified as the greatest need for AR Success. In June 1997, Vice President Gore stated the need for creating a climate for learning in every government or organization. The National Performance Review published a "Little Green Book," *Getting Results Through Learning* to reinforce this objective. In the Fall 1996, OSD PEO/SYSCOM Conference, it was clear that training and education must be looked at as an investment and that every manager must be responsible for assuring this investment occurs.

The DoN is committed to providing the right training at the right time for the acquisition workforce. The DoN Acquisition Reform Training Plan promotes a push/pull strategy to (1) both collect and disseminate information throughout the Navy acquisition workforce, (2) provide the skills and knowledge to acquisition workforce members which supports their implementation of Acquisition Reform, and (3) promulgate best practices from government and industry. As part of the larger department of Defense Acquisition Reform team, DoN:

- takes full advantage of successful training packages already in existence;
- utilizes both Army, Air Force, and other service expertise to build an experienced core training team; and
- integrates Office of the Secretary of Defense (OSD) offerings into the Navy training program.

Key principles of the DoN approach are: (1) remaining flexible and responsive to changes and requirements throughout DoD and DoN, (2) taking advantage of multiple media delivery systems, (3) seeking continuous feedback and improvement, and (4) integrating the entire customer base, both government and industry, into the DoN Acquisition Reform training and education program.

The Acquisition Reform Team Working Group (ARTWG), chaired by the Acquisition Reform Office and whose members include representatives from each SYSCOM, coordinates initial development and dissemination of Acquisition Reform training and information throughout the acquisition community command structure. Current Membership listing is attached.

Products: Initial training for the Navy acquisition community was aimed at building an awareness of Acquisition Reform throughout the DoN. Awareness was trained in waves -- first training the trainers who were drawn directly from commands, then using those experts to train the larger 32,000-member acquisition force.

Specifications and Standards Reform training modules were developed and offered. Subjects included: Writing Performance Specifications, Performance-Based Statements of Work, Best Value Source Selection, Performance Specifications of Work, Best Value Source Selection, Performance Specifications Impacts on Life Cycle Support, Military Standards Conversion, and Automation Tools. A Performance Based RFP interactive CD has been prepared and distributed widely with Turbo Streamliner, a Navy RFP benchmarking aid.

TRAINING AND EDUCATION

Training for the Federal Acquisition Streamlining Act was provided by OSD through the Acquisition Reform Communications Center (ARCC) in both video and training module formats. Dissemination was accomplished by the ARTWG in a wave format and via download from the Acquisition Reform Web Site, http://www.acq-ref.navy.mil. A FASA interactive CD received wide distribution. A CD on FAR 15 changes will be available in 1998. NAVSUP took the lead in accomplishing Micro Purchase (Credit Card) and Simplified Acquisition Procedure (SAP) training through their Regional Training Resources infrastructure. They also developed a FACNET training package for 18 sites. CDs were distributed on both the Purchase Card and SAP. OSD has hosted a series of Satellite training sessions.

The following topics are available on Video:

- FAR 15 (Rewrite) – Contracting by Negotiation
- Market Research
- Performance-Based Contracting
- Cost As an Independent Variable (CAIV)
- Earned Value Management (EVM)
- Oral Presentation – The Verbal Challenge
- Going Commercial: FAR Part 12 Meets FAR Part 15
- Past Performance and Future Awards
- Contract Pricing: What's the right price?

Integrated Product and Process Development workshops focusing on implementation tools for engineers were prepared and presented in 1997 by a NCAT/Georgia Tech/Texas Instruments team. A top-view awareness training session was presented to the Navy Acquisition Reform Senior Oversight Council. To facilitate continuous learning and broad application, an 11-volume video set was prepared and 40 sets (including 100 workbooks each) were distributed to key Navy locations. These sets are also available for purchase directly from NCAT by anyone on the larger Navy acquisition team. During 1998 this product was placed on CD in an interactive training format. Summary material is also available via the Internet, http://www.acq-ref.navy.mil.

The Bellwether Learning Center, a division of Dynamic Systems, Inc., is partnering with the Acquisition Reform Office to provide an IPT resource guide on CD. This resource guide will include a System Dynamics model that will aid team leaders to assess the key success factors and processes needed to become a successful team. The guide will also incorporate the lessons our IPTs have learned over the last several years.

Workshops on Systems Thinking utilizing archetypes with Navy-specific examples are being prepared by Innovative Associates and will be facilitated through the Acquisition Center of Excellence. Focus material will be available on the Internet.

Other sources of information:
- Deskbook Home Page (http://www.deskbook.osd.mil)
- DoN AR Home Page (http://www.acq-ref.navy.mil)

Approach: A 40-hour continuous learning requirement has been added to all personnel in the DAWIA workforce Interim policy ref. A recommendation from the ASN(RDA) Strategic Plan Sub Working Group on Continuous Learning would spread this requirement across the entire workforce and provide for employees to self-certify completion of this requirement. Additional guidance on this objective may be obtained through the Defense Acquisition Career Manager (DACM), POC Anne Ryan, (703) 602-9943.

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ARTWG Members List Attached

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
AFFORDABILITY RESEARCH AND
DEVELOPMENT INITIATIVE

Background: Affordability means different things to different people. Traditionally, affordability is considered a product price characteristic that is proportional to our ability to pay that price. However, a small group of people in the Navy research community has been pursuing systems affordability from a different viewpoint. This affordability team views affordability as a benefit that accrues to the customer. And it is more than just a cost benefit – affordability is that characteristic of a product or service that responds to the buyer's price, performance, and availability needs simultaneously. In other words, for the price paid, the buyer expects a product or service to perform *as* required *when* required and cannot bear the situation where it does not. It makes no difference whether the customer is an individual buying an automobile or a house, an industry buying capital equipment, or the military buying warfighting systems. The answer to each affordability problem lies in the optimization of a host of variables that can be grouped into cost, performance, and availability categories. The achievement of optimal affordability solutions transcends the use of mathematics or modeling and simulation. While classic sciences and disciplines can establish a quantitative foundation for multi-variate optimization of affordability factors, other sciences and disciplines also play a significant role in reaching such solutions.

Development Initiatives: The affordability team has undertaken a number of initiatives to understand affordability, and to work toward the development of Affordability Science. As a result of some of the activities pursued during the last two years, the team has:
- Defined affordability as a non-linear multi-variate optimization problem.
- Developed a three part approach to achieving system affordability:
  - (1)   affordability decision-making ;
  - (2)   affordability improvement ; and
  - (3)   affordability measurement and prediction.
- Created a National Affordability Roadmap to provide a structured analytic path from determining requirements to fielding affordable systems.
- Conducted research into the concepts of affordability and methods to implement the approach.
- Established a foundation for creating Affordability Science.
- Begun studying Complexity Sciences to understand links between system fitness and affordability.
- Investigated game theoretical modeling and other advanced concepts to focus on S&T thrusts that will leverage significant downstream system affordability.
- Initiated research into affordability measurement and prediction.

Near-Term Implementation: Within the next few years, a number of affordability measurement, prediction, and decision-making tools will be available. Among the tools currently under development are:
- <u>Affordability Measurement and Prediction Tools</u>. Tools for quantifying affordability in terms of multiple variables and assessing affordability using multi-variate optimization techniques. Includes advanced methodologies to support Integrated Product and Process Development (IPPD) techniques as applied to development of affordable systems. Also supports affordability improvement through groundbreaking development of cost models that can be applied to rapid insertion of new technologies.

> **AFFORDABILITY**
> **R&D**

- The National Affordability Roadmap. A structured approach that focuses on defining alternatives and requirements in affordability terms, selecting the most affordable alternative, and improving affordability.

Plans are underway to develop other tools and concepts, including:
- Game Theoretic Prediction Model. A variant of an existing game theoretic model that can be applied to establishing requirements, defining alternatives, and predicting affordability.
- Technological Fitness Metaphor. A method of using natural fitness of complex adaptive systems as a metaphor for conceptualizing technological fitness (affordability) of emerging systems.

Long-Term Implementation: Affordability research and development will continue at two levels. At the macro level, Affordability Science will be created as a body of knowledge as well as the conceptual basis for developing and applying specific affordability tools and processes. At the micro level, specific tools and processes will be developed, tested, and perfected in the areas of establishing requirements, selecting the most affordable alternatives, pinpointing high-payoff science and technology affordability thrusts, and improving the affordability of emerging and existing systems throughout acquisition and employment.

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
ALPHA ACQUISITION
INITIATIVE

Description: Alpha Acquisition is a concurrent versus serial contracting approach which involves the integration of the Program/Project/Acquisition Manager (PM/AM), the contracting officer, DCAA, DCMC, various field activities and sometimes the Navy "Price Fighters" organization into a cohesive Integrated Product Team (IPT). Government and contractor personnel are included in the acquisition process from the inception of the requirement. In order to accelerate the time it takes to award a contract once a requirement is known, the IPT goes to the contractor's plant, where they work hand-in-hand with the contractor during solicitation and proposal development to resolve issues up front and facilitate proposal analysis and negotiation.

Objectives: The goal of Alpha Acquisition is to acquire high quality goods and/or services for the government in an expedited and efficient manner at a fair and reasonable price with these objectives in common:
- Improve the quality of price and proposal.
- Increase understanding of the contractor's estimating, price and proposal methodology.
- Reduce the time required for discussions by conducting real-time discussions of the cost element of the proposal as they are completed.
- Reduce the time required for government technical evaluation by completing technical evaluations as the elements of the proposal are prepared.
- Reach consensus on contract terms and conditions early in the evaluation process.
- Continue to pursue affordability initiatives to lower the cost.

Benefits: The benefits of Alpha Acquisition practices are reduced procurement acquisition lead times and administrative costs. It has been NAVAIR's experience that for major acquisitions (exceeding $100M), this process reduces to four (4) months the time it takes from agreement on the SOW until contract award.

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ALPHA ACQUISITION

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
ALTERNATIVE DISPUTE RESOLUTION
INITIATIVE

Background: Since 1978 contract disputes have formally been processed in accordance with the Contract Disputes Act. This process begins when a dispute arises between the parties. The dispute is elevated into a claim when the contractor formally requests a Contracting Officer's Final Decision (COFD) and provides the requisite certification if the claim exceeds $100,000. If a COFD is issued, the contractor may appeal to the Armed Services Board of Contract Appeals within 90 days or to the Court of Federal Claims within one year. Once appealed to the Boards or the Court, the litigation process begins. This process was designed to expeditiously resolve contract disputes; however, this process is time consuming, expensive, and rarely leads to an equitable solution for both parties. As a solution to this problem, over the past 20 years, there has been a growing use of Alternative Dispute Resolution (ADR). ADR refers to a wide array of dispute resolution techniques, often involving neutral third parties, which are designed to resolve disputes. ADR is not an off-the-shelf product; it must be carefully tailored to fit specific disputes and disputants. There are two types of ADR: those where the disputants themselves resolve the dispute with or without the assistance of a third party, and those where a third party makes a decision and the parties accept that decision. However, more ADR techniques employ a neutral third party trained to focus the disputants on their common interests and develop alternatives to costly litigation. Some of the primary ADR techniques used by the Navy is as follows:

- Partnering, in which team building and problem solving attitudes are built,
- Conciliation, in which relationships are built,
- Facilitation and Mediation, in which procedures are examined,
- Fact-Finding and Mini-Trial, in which matters of substance are discussed, and
- Non-Binding Arbitration, in which decisions are made

The key points of ADR are shown below:

- The three elements of ADR: (1) A dispute which the parties voluntarily choose to resolve outside the litigation process; (2) An agreement on the ADR method to be used; and (3) Participation by senior management of both parties having the authority to settle the dispute.
- The use of ADR is cheaper, faster, and less disruptive, and can lead to more creative, efficient, and sensible outcomes.
- Most ADR procedures are non-binding. However, the parties may use judges from the Boards of Contract Appeals and be bound by the judge's decision.
- Use of ADR procedures is voluntary, there is no written record of the proceedings, and there is a restriction on the use of the ADR proceedings in any future appeal.
- ADR generally should not be used when the Government will want to obtain a precedential decision, e.g., where the issues of law are more important than the issues of fact.

Within the Federal Government, the Administrative Disputes Resolution Acts of 1990 and 1996 were enacted, which require that all Federal agencies adopt policies that address the use of ADR as a means of dispute resolution for all administrative programs. Further, SECNAV Instruction 5800.13 provides a comprehensive Department of the Navy (DoN) policy for the implementation of ADR procedures. A PowerPoint presentation on ADR is available at http://www.acq-ref.navy.mil/wcp/adr.html.

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ALTERNATIVE DISPUTE RESOLUTION

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
COST AS AN INDEPENDENT VARIABLE (CAIV)
INITIATIVE

Background: The notion of Cost As an Independent Variable (CAIV) is analogous to "target pricing" in the commercial sector. Industry conducts market surveys to determine the customer's desired product characteristics and acceptable price objectives. The developer then distributes the product's budget down to his suppliers and aggressively monitors costs. In the commercial sector, acceptable "price" as determined by the customer, drives product "cost." This is a reversal of the historic DoD systems acquisition paradigm where "costs" drove "price."

The goal of CAIV is to reduce Total Ownership Costs while satisfying customer requirements. Cost is an independent variable, but it is not the only variable. The warfighter requirements still matter however they must be cost conscious when setting requirements. Once cost, schedule, and performance have been evaluated under the CAIV philosophy it is the job of the acquisition community to provide the customer with a product which satisfies the stated requirements.

CAIV principles apply to all aspects and phases of the program's Total Ownership Cost. CAIV is a top-down process originating at the DoN "Enterprise" level. Cost and requirement objectives need to be vertically and horizontally consistent across all new and fielded systems. CAIV principles should guide requirements setting; technology development; management and execution of acquisition programs; and the operation, support, and disposal of fielded systems.

Application of Initiative: CAIV should be managed through a hierarchy of cost reduction activities. Improved processes can yield cost reductions that do not compromise the performance, features, and attributes desired by the customer. Implied requirements that do not directly contribute to the performance and features desired by the customer should be continuously scrutinized and considered for relaxation or removal. Performance factors are subject to tradeoffs to arrive at an affordable balance which meets the customer's essential needs. Only if aggressive pursuit of the above cost reduction activities does not adequately meet the cost objective should there be any trade-off of requirements in the Operational Requirements Document (ORD) (or alternatively consider raising the cost objective).

CAIV is everyone's job. Program Managers cannot implement CAIV on their own. A "team of teams" is needed involving requirement setters, customers, suppliers, operators, and managers of the support infrastructure.

CAIV is included in the World Class Practices Section of the ARO Web Site. Extensive information on CAIV, including briefings, policy documents, references and related topics and links are provided at http://www.acq-ref.navy.mil/wcp/civ.html.

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COST AS AN
INDEPENDENT VARIABLE

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
CHANGE THROUGH EX-CHANGE
INITIATIVE

Initiative: The concept is to create an environment where lessons learned and success stories are valued and freely exchanged and adopted throughout the Navy – Marine Corps acquisition team. The Change Through Ex-Change initiative will develop a systematic DoN-wide methodology to encourage the exchange and adoption of creative approaches, ideas, process innovations, and/or lessons learned among program management offices from each program at every ACAT level (I through IV). The project is aimed at expanding open communication and encouraging the continuous exchange of ideas.

Description: The three-month cycle of formal exchange begins with the solicitation of two approaches, ideas, process innovations, or lessons learned from each active program at every ACAT level (I through IV), as well as acquisition support teams. These ideas are collected and made available across the acquisition system via disk copy and the Acquisition Reform Home Page. Each participant then selects two or three ideas from the collective product that may enhance their program and seeks out, and dialogues with, that program's representative during a formal Change Through Ex-Change Conference. Several participates have the opportunity to brief out their ideas during the Conference. ASN(RDA) then challenges representatives to embrace two innovative ideas and incorporate them into their program. The Acquisition Reform Office hosts this conference on behalf of the ASN(RDA) team.

Application: The 1997 Change Through Ex-Change attracted 210 innovative ideas in eighty-five (85) categories. These ideas were compiled, promoted and exchanged resulting in a successful first annual Change Through Ex-Change conference. They are available on the ARO web site - http://www.acq-ref.navy.mil/change/index.html. Improvement is the outcome of sharing innovative ideas, successes and lessons learned in a continuous change cycle. The acquisition community is adopting new ideas that discover and develop more cost-effective ways of doing business. The Change Through Ex-Change process supports these efforts.

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CHANGE THROUGH EX-CHANGE

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
COMMERCIAL OPERATIONS & SUPPORT
SAVINGS INITIATIVE

Background: The Dual Use Application Program (DUAP) is a joint program of the Army, the Navy, the Air Force, the Director, Defense Research and Engineering (DDR&E), and the Defense Advanced Research Projects Agency (DARPA) and is conducted by the Joint Dual Use Program Office (JDUPO). In FY 97 Congress appropriated funding for a new effort under this program which has been designated the Commercial Operations and Support Savings Initiative (COSSI). The goal of COSSI is to reduce Department of Defense (DoD) operation and support costs by inserting commercial products and processes into fielded military systems. The insertion of commercial products and processes is expected to reduce O&S costs by reducing the costs of parts and maintenance, reducing the need for specialized equipment, increasing reliability, and increasing the efficiency of subsystems.

This initiative seeks proposals submitted by firms or teams that include at least one for-profit firm. Proposals must also have the written support of a military customer. Selected proposers will develop, manufacture, and deliver prototype "kits" to the military for installation into a fielded DoD system. Each kit will consist of a commercial product or process that has been adapted, qualification tested, and readied for insertion. Proposers may also choose to offer maintenance service agreements for their kits to assure their performance and reliability. In Stage I of each selected project, DUAP and the chosen proposer will share the costs of developing and testing the kit. In Stage II, provided Stage I has been successful, the military customer may purchase reasonable production quantities of the kit, and payment for their insertion into the fielded system will be the responsibility of the military customer.

In Stage I, to reduce the traditional administrative burden and oversight of government contracts, COSSI uses an innovative type of agreement known as an "Other Transaction." This type of agreement allows a great deal more flexibility and has far fewer regulatory requirements than a typical Federal Acquisition Regulation (FAR) contract. In particular, this agreement will not require government cost accounting standards nor government cost audits. Furthermore, intellectual property provisions may be negotiated that differ from those usually found in procurement contracts.

Implementation: In FY 97, 14 DoN-sponsored COSSI projects received $43M of DUAP funding. Projected O&S savings for these projects is $2B through the year 2010. An example of a DoN COSSI project is the installation of a commercially available on-board integrated mechanical diagnostic system aboard the H-60 and H-53 helicopters. FY 98 DUAP COSSI funds have been limited by Congress to providing remaining funding requirements for FY 97 COSSI projects. In FY 99 COSSI funds will be managed by each individual service.

In preparation for FY 99 COSSI project selection, an announcement was published in the CBD on 15 December 1997 calling for COSSI concept papers to be submitted by 17 Feb 1998. Concept papers feedback will be provided by early April 1998. It is anticipated that a COSSI solicitation will be issued in August 1998. Industry proposals may be submitted even if a concept paper was not previously submitted. Additional information is available on the ARO Web Site at http://www.acq-ref.navy.mil/thrust_ibi.html.

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COSSI

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
CYCLE TIME REDUCTION
INITIATIVE

Background: On 14 September 1994, the Secretary of Defense challenged the Department to work toward a goal of reducing major cycle times by at least 50 percent by the year 2000. In response to this challenge, ASN(RD&A) formed a cycle time reduction task group composed of senior Systems Command, PEO, and DRPM representatives to identify candidate cycle time reduction initiatives. The Navy Acquisition Reform Senior Oversight Council (NARSOC) was briefed in March 1995 and concurred with the cycle time reduction initiatives selected by the task group. The status of each initiative is being periodically briefed to the NARSOC in order to monitor progress.

Description: Cycle Time Reduction Initiatives

- Logistics Response Time. The goal of this initiative is to reduce the average time it takes to satisfy customer demands for secondary items. In accomplishing this goal, the focus is on balancing readiness with inventory, physical distribution, transportation, and maintenance costs. For further information on this initiative, contact CAPT Joe Kenney, NAVSUP-411 at (717) 790-7253.

- Pre-Milestone I Activities. This initiative developed recommended actions to reduce cycle times associated with requirements analysis, concept exploration, and other support preparation resulting in expeditious Milestone I decisions. Improvement in program budget/funding stability and balance among the PPBS requirements and acquisition communities were identified as having the most potential to reduce pre-milestone I cycle time. For further information on this initiative, contact Mr. John Kuesters, AEGIS DRPM at (703) 602-7395.

- Fleet Modernization Program. The Fleet Modernization Program was established for the identification, approval, design, planning, programming, budgeting, and installation of improvements to a ship's capability or reliability. The goal of this initiative is to reduce fleet modernization cycle time by 50 percent by the year 2000 through process improvement and process re-engineering. For further information on this initiative, contact Mr. Pete Brown, NAVSEA, SEA-04 at (703) 602-1020.

- COTS Test and Evaluation. The goal of this initiative is to reduce cycle time for test and evaluation of systems using off-the-shelf hardware and/or software. For further information on this initiative, contact Mr. D. J. Sellers, SPAWAR 051-3A at (703) 602-8482.

- Aircraft Depot Maintenance. The goal of this initiative is to reduce Aircraft Depot maintenance turnaround time and weapon system maintenance costs. For further information on this initiative, contact Mr. Dave Butler, NAVAIR, AIR-6.0 D11, at (703) 604-1750 ext. 4915.

Points of Contact: Please refer to the above paragraphs.

**CYCLE TIME
REDUCTION**

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
DESIGN - BUILD
INITIATIVE

Background: In January 1997, the final rule was published authorizing the use of Two-Phase Design-Build Selection Procedures as well as recognizing that Design-Build may be procured using other acquisition procedures authorized by law, including, for DoD, the design-build process described in 10 U.S.C. 2862.

In the past, the amount of construction procured as design-build has been about 10 percent a year of the construction dollars. Because of the advantages of design-build, NAVFAC expects to increase its use to about 30 percent of the construction dollars within the next year.

Description: Design-build is the combining design and construction in a single contract with one contractor. This contrasts with the traditional delivery method of design-bid-build where design and construction are sequential and contracted for separately with two contracts and two contractors. In the design-bid-build approach, detailed design specifications predominate; however, performance specifications are utilized in design-build contracts. NAVFAC has procured design-build construction using four contractor selection methods:

- Sealed bidding - referred to as Newport Design-Build. This method is used for non-complex projects such as child care centers.
- Two-step sealed bidding. This method has been used on occasion.
- Competitive negotiation/source selection. This method, referred to as "Turnkey" family housing, originated with the passage of 10 U.S.C. 2862, which was a test program limiting each service to three contracts a year using this delivery system for family housing. This method has expanded to include more complex projects such as the Engineering Services Building at Port Hueneme, for which the solicitation contained only 20 pages of performance specifications.
- Two-phase design-build. This procedure has two-phases.   Phase one includes the submission of pre-qualification evaluation factors, excluding cost or price related factors. After evaluating phase one proposals, the contracting officer selects the most highly qualified offerors (not to exceed the maximum number specified in the solicitation and requests that only those offerors submit phase two proposals.) Phase two solicitations require submission of technical and price proposals.

Advantages of using design-build procedures include:
   Administrative (redirecting responsibility):
   - Hold one party accountable
   - Minimize conflict in responsibility
   - Reduce project management time
   - Designer and builder mutually work together

   Technical (performance specifications):
   - Encourages process innovations
   - Allows getting most cost-effective design solutions
   - Great savings in level of details within construction documents (brand names/private practice)
   - Allows use of local codes

DESIGN-
BUILD

Time (task and performance specifications):
- Reduces response time for getting design to street
- Do not have to continue to reinvent the wheel
- Reduces project delivery time

Cost:
- Encourages and allows more competition
- Reduces change order rate

Activities have planned projects using the new Two-Phase Selection Procedures.

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
EC/EDI
INITIATIVE

Background: Electronic Commerce and Electronic Data Interchange (EC/EDI) are key automation tools for streamlining the acquisition process. EC is any paperless exchange of business information (e.g., e-mail, electronic bulletin boards, EFT, etc.). EDI, a subset of EC, is the computer-to-computer exchange of business information using a public standard. A DoD-unique implementation of EDI was commenced under the "Federal Acquisition Computer Network" (FACNET) for procurements up to $100,000 in accordance with the requirements of Public Law 103-355, the Federal Acquisition Streamlining Act of 1994 (FASA).

In addition to the above EDI transactions, increased emphasis has been placed on expanded use of other Electronic Commerce techniques to streamline the acquisition process (e.g., electronic solicitations and source selections, on-line contract status vice traditional CDRL reports, electronic shopping malls via Internet). This is culminating in the new OSD initiative to establish a fully paperless acquisition process by 2000.

Application of Initiatives: Navy has been a strong player in the evolution of EDI policy and FACNET implementation. Navy was the first service to request FACNET certifications and within 12 months had implemented FACNET EDI at 38 activities. In FY 97 we issued over 46,473 EDI transactions for in excess of $374 million.

While industry primarily used EDI for electronic ordering against pre-existent contracts or catalogues, DoD has attempted to expand its usage to cover all categories of competitive requirements via a central network ("single face to industry") and a single set of EDI conventions and operating procedures. This has proven a technically challenging endeavor, and efforts are on-going to improve FACNET performance parameters.

In addition to FACNET, Navy continues to make strides in other areas of Electronic Commerce such as acquiring on-line, real-time access to contractor management information and use of Internet to invite industry comment in drafting Government requirements and to electronically solicit offers. Many Navy RFPs demonstrate these streamlining and partnering initiatives. Navy is establishing an Internet based system to expand the reach of electronic commerce using easily accessible, low cost COTS tools. This system, the Navy Electronic Commerce On-Line (NECO) system, is fully EDI capable for firms preferring the computer-to-computer exchange of information and is fully Internet capable for other vendors. It posts solicitations on the Internet, receives responses to solicitations in a secure mode and sends out electronic orders. It became fully functional in February 1998. It also has CBD postings and sends out messages regarding newly posted procurement opportunities. The NECO web site is located at http://ecic.abm.rda.hq.navy.mil.

Additional information on electronic commerce is available at http://www.navy-edi.com.

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EC/EDI

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
AR FIELD IMPLEMENTATION STUDY
INITIATIVE

Background: A study was conducted by Coopers & Lybrand, L.L.P., with the assistance of Syracuse Research Corporation, to assess the implementation of acquisition reform in DoD contracts. The study was performed during the period of April to September1997 at the request of the Service Acquisition Executives and with the endorsement of the Office of the Secretary of Defense. The primary purpose of the study was to provide an assessment of how well DoD is doing in implementing those reform measures originated either through reform legislation or policy changes and aimed at compressing cycle times, reducing program costs and more effectively leveraging commercially available technologies and practices. The study also aimed at enhancing awareness within Industry of DoD's specific reform actions and obtaining industry feedback on where future reform efforts should be focused.

Survey Approach: The survey involved the assembly of a catalog of significant AR measures promulgated since January 1993. The catalog identifies 53 change elements, cites legal authority or administrative reference governing their issuance and lists expected outcome factors or baselines from which change should be measured. The survey was designed around having the participation of ten major DoD contractors drawn from a cross-section of commodity groupings.

Survey Results: The study indicated that significant acquisition reform has been achieved over the past four years. Industry acknowledges progress and is committed to working with DoD to effect further change … faster and better. Implementation is uneven and inconsistent across and within military services and buying commands. Continued commitment to training is vital. Special emphasis is needed in:

- market research/exemptions to certified cost or pricing;
- parametric estimating;
- commercial product definition and pricing;
- integrated product team practices; and
- performance-based business environment.

(On a scale of 0 – 4 point scale)

Most Fully Implemented Change Elements
- Use of Past Performance / Best Value Evaluation Criteria – 3.7
- Use of EDI to facilitate program information exchange between Government and contractor – 3.4
- Use of Joint Government Industry IPTs – 3.4
- Use of commercial soldering / other commercial manufacturing practices – 3.3
- Use of commercially accepted quality program standards – 3.3

Least Implemented Change Elements
- Streamlined Government Property Management – 0.5
- Program Stability – 1.1
- Use of EDI to streamline procurement process – 1.6
- New order of priority for Information / Adjustment of TINA threshold – 2.0
- Use of performance – based progress payments – 2.2

AR FIELD IMPLEMENTATION STUDY

Implementation Results Keyed To Top Cost Drivers Identified in Prior OSD C&L Study

Cost Driver	Change Element	Average Implementation Level
MIL-Q-9858AA	Commercial Standard	3.3
TINA	Commercial Exemption	3.1
Configuration Management	Tailored reporting to industry Guidelines	3.0
Contract Specific Reqts	RFP Streamlining	2.6
	Performance based requirements	2.8
DCAA / DCMAO Interface	DCAA risk based oversight	2.6
	DCMC risk based oversight	2.9

Cost Driver	Change Element	Average Implementation Level
Cost Accounting Stds	none	
MMAS	none	
Engineering Drawings	Commercial drawing practices	2.6
Government Property Administration	Streamlined property management	0.5

The complete Coopers and Lybrand Study is available on the Navy Acquisition Reform Web Site located at http://www.acq-ref.navy.mil under the Acquisition Policy and Guidance Section.

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
FIELD INTEGRATION PROGRAM
INITIATIVE

The Field Integration Program facilitates field activity education in Acquisition Reform (AR) initiatives and their application at the local level. This program capitalizes on organizational learning by having the acquisition team address and solve issues relating to the field application of AR initiatives. The program builds upon the continuous learning and human capital principles of the National Performance Review's "Learning Organization" thrust.

Background: According to feedback from Acquisition Reform Day I in May 1996, as well as other forums such as surveys, many field activity personnel believe that AR is being applied mostly at headquarters for new acquisition programs and processes. In response, ASN(RD&A) established a Field Training Working Group to review how each Navy System Command (SYSCOM) is delivering AR training to field activities and to model a process that could better support field activity needs.

The Goal: To provide just-in-time education to field organizations, with maximum flexibility to tailor training to each activity while also addressing deck plate issues and applications.

Use the Program Manager as the Coach/Facilitator: Conventional classroom instruction is not the best for AR training. In the field integration program, Program Managers acknowledge their role as "coaches" and facilitators by regarding each interaction with field activity employees as potentially instructive. Managers set positive examples by articulating and living up to their own standards so field activity personnel who support them can witness firsthand what is expected. This approach values innovation, promotes the learning of new skills, and rewards performance. With the assistance of the Program Managers and their staff, the field integration program will help build repositories of lessons learned, and create core competencies that represent the wisdom of all stakeholders in the acquisition process.

Keep the Program Flexible: Each field activity is unique and the field integration program reflects this. Each activity should decide which AR initiatives most affect its business, which address its weak areas, and which can be tailored to specific employee needs and ultimately to the Fleet. Support materials are developed through close consultation with a knowledgeable field activity point of contact. HQ and field activity personnel should work together to create an environment conducive to learning and collaboration. As the beneficiaries of this program, field activities define value added, measures of effectiveness, and desired outcomes. Whenever possible, business outcomes or critical success indicators -- such as cycle time, output, or customer satisfaction -- should be used to measure the success of the program. Using objective indicators will help ensure that desired changes in performance are in fact the ones being measured.

Use Deck Plate Examples: Field activities need to understand and be able to apply and tailor AR initiatives to their needs. Deck plate applications and lessons learned, especially from peers, are conducive to education and learning.

Experience to date indicates this process should focus on:
- Partnering for learning
- Program Managers as educators
- Flexible learning and dialogue tailored for each field activity
- Specific AR deck plate applications and lessons learned
- Innovation and change within the field activity environment

FIELD INTEGRATION PROGRAM

The Field Integration Program fosters mutual dialogue and exchange between Headquarters and field activities in identifying AR education and learning opportunities. For the first pilot, the Naval Sea Systems Command, Supervisor of Shipbuilding and Repair (SUPSHIP), in Newport News, Virginia, volunteered to be the first Field Integration Program. Performance-based specifications, Single Process Initiative, ISO 9000, and Integrated Product and Process Development (IPPD) were identified as four AR topics of most concern. A two-day session was conducted in March 1997 with approximately 200 government and industry personnel in attendance. Results of a survey indicated positive opinion regarding the relevance of the subjects to the SUPSHIP environment.

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
INTEGRATED PRODUCT AND PROCESS
DEVELOPMENT (IPPD) INITIATIVE

Background: World class industries have demonstrated that by integrating functional disciplines and using Integrated Product and Process Development (IPPD), time and costs can be significantly reduced and product quality improved. The Navy is working with its prime contractors to explore and implement this approach.

Description: IPPD is a management philosophy incorporating a systematic approach to the early integration and concurrent application of all disciplines needed for weapon system acquisition and life cycle support. It is the preferred management process in the new DoD 5000 series instructions.

Application of Initiative: Many major Navy program contractors are implementing the IPPD philosophy, working closely with their Navy counterparts. More training and lessons learned are needed to expand its application to other Navy programs. Training courses will be identified and/or developed to accelerate the application of IPPD throughout the Navy acquisition community and their contractors. Areas such as modeling and simulation, tools, processes, and the effective use of IPTs to manage the IPPD approach will be reviewed and applied as appropriate. Of special concern is the integration and seamless application of the above.

Integrated Product and Process Development workshops focusing on implementation tools for engineers were prepared and presented in 1997 by a NCAT/Georgia Tech/Texas Instruments team. A top-view awareness training session was presented to the Navy Acquisition Reform Senior Oversight Council. To facilitate continuous learning and broaden application, an 11-volume video set was prepared and 40 sets (including 100 workbooks each) were distributed to key Navy locations. These sets are also available for purchase directly from NCAT by anyone on the larger Navy acquisition team. In 1998 an interactive CD was developed to support training of the IPPD methodology and to detail areas such as quality function deployment, the six sigma quality process, robust design methods and activity based costing. Summary material is also available via the ARO Web Site located at http://www.acq-ref.navy.mil.

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**INTEGRATED PRODUCT
& PROCESS DEVELOPMENT**

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
INTEGRATED PRODUCT TEAMS (IPT)
INITIATIVE

Background: The Secretary of Defense has directed the use of Integrated Product Teams (IPTs) wherever practicable throughout the acquisition system. Industry has found that IPTs can be highly effective in improving communications and decisions.

Description: IPTs are cross-functional teams formed to integrate the knowledge and experience of individuals to make balanced decisions and provide products that satisfy their customers.

Application of Initiative: There are three basic applications of IPTs.

- At the oversight, issue resolution, and program approval level, an overarching IPT, integrating IPT, and working IPT are used by DoD and the services for all ACAT ID programs.

- At the Program Management Level, IPTs are used by program personnel to direct and manage the program. Most Navy Program Managers are using some form of IPT to implement their program. Frequently, several teams are used.

- At the contractor level, IPTs are used to implement the Integrated Product and Process Development (IPPD) process to design and build the product. There may be many interdependent teams involved, and both government and contractor personnel may be on the teams.

Collocation: ASN(RDA) memo of 1 October 1996, Policy for Collocation of Department of the Navy Program Management Teams, establishes policy to utilize geographic collocation with the prime contractor for management of major programs during critical program phases to the maximum extent practicable. DCMC has committed to fully support collocated integrated product teams and to develop a memorandum of agreement between the local DCMC office and the collocated integrated product team. An excellent example of policy implementation is the collocated R&D facility that DRPM AAAV shares with its prime contractor, General Dynamics Land Systems Division.

Successes: The use of IPTs results in earlier and more effective decisions and more efficient implementation of those decisions. The required culture change takes time, but there are indications that overall Navy acquisition personnel find that their use improves the acquisition process.

Because of the power of the effective application of IPTs, this initiative is to ensure widespread awareness, training, and dissemination of lessons learned throughout the acquisition community. Areas such as teambuilding, use of information technology, metrics, infrastructure support, meeting discipline, and the development of high performance teams will be reviewed and the results made available to acquisition personnel to enable them to more effectively implement the IPT concepts.

An IPT CD-ROM will be provided to the Acquisition workforce during AR Week 98. It will cover the theory and implementation of IPTs and best practices from DoN programs. An IPT simulation, using a system dynamics model, will also be provided on the CD. The objective is to give IPT leaders and team members a better understanding of IPTs so they can improve team performance.

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> ## INTEGRATED PRODUCT
> ## TEAMS

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
OPEN SYSTEMS
INITIATIVE

Background: "Open systems" is a much broader concept than just software, computers, and electronics. In weapons systems, the adoption of the open systems approach is nothing short of revolutionary! Open systems are important because DoD no longer "drives" development. Instead, DoD must use what industry has developed for commercial applications. In addition, the commercial market can incorporate new technology 4 to 8 times faster than the historical 8- to 15-year DoD acquisition cycles.

Description: The definition of open systems in DoD 5000.2-R (23 Mar 96) is "a business and engineering strategy to choose specifications and standards adopted by industry standards bodies or *de facto* standards (set by the market place) for selected systems interfaces (functional and physical), products, practices, and tools." The DoD vision is to use open systems to leverage commercial products and practices in order to field superior warfighting capability more quickly and more affordably. What this means is to move from narrowly used, closed systems with unique designs and optimized performance to widely used, open systems with many suppliers, many customers, long life architecture and technology upgrades. Open systems also:

- Have well-defined, widely used, preferably nonproprietary interfaces and/or protocols;
- Use standards adopted by accredited industry organizations or ones that are commonly accepted by the commercial marketplace;
- Provide for expansion or upgrade by incorporating or adding new technology; and
- Use performance based specifications to spell out what the system should do.

Benefits from the use of Open Systems Approach (OSA) include: fielding systems faster, easier technology insertion, increased competition, reduced life cycle costs, better performance and use of state-of-the-art systems.

The Open Systems Joint Task Force (OS-JTF) suggests four ways to get started: (1) Designate an open systems "champion" in your organization; (2) Start a pilot project and learn as you go; (3) Initiate horizontal technology; and (4) Take advantage of products and services available from OS-JTF. The mission of the OS-JTF is to champion the establishment of open systems as the preferred technical approach and business strategy for the acquisition of all weapon systems. Specifically, they provide hands-on technical advice, needs assessments, evaluation of solicitations and specifications, staff training in the open systems approach, and analysis of your overall program.

The Open Systems CD-ROM Tutorial, a multi-media learning device with instruction, plus audio and video clips, is available at the OS-JTF Web Site, http://www.acq-osd.mil/osjtf. This tutorial covers everything from open systems characteristics to implementation strategies.

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OPEN
SYSTEMS

Background: Outsourcing has become a fashionable word. Many well-known names in industry have used outsourcing as a tool to reshape their companies. Success rewarded companies who outsourced either to focus on core mission or to focus on revenue production. In either case, the company was recreated after careful consideration and thought of future market position and profit margin. In every case, top management was integral in the decision making process. In the federal government, outsourcing refers to the policy of the government not to compete with its citizens for work, which can be performed by the private sector—unless the government performed the work previously, and the government has proven to be the more economical provider. Work that can be performed by the private sector is commonly referred to as a commercial activity. In the federal government, outsourcing decisions are made based on inventories of people who perform commercial activities. In that respect, the competition between government and the private sector for commercial activities, or outsourcing, is not a new concept; it has been around for over 30 years. Office of Management and Budget (OMB) Circular A-76, an executive order referred to as A-76, directs the Executive Branch of the government to inventory and schedule for competition all commercial activities. By 1989, the process, which frequently took up to five years to complete and contributed little to overall savings, fell out of practice. In January 1997, facing a declining budget, CNO identified 10,665 in-house positions and 146 in-house activities that would be required to compete with the private sector. In January 1998 another 7,227 positions and 137 activities were announced, with the total for the fiscal year expected to reach 15,000 positions.

In light of the declining budget, a policy decision was made to decrease funds supporting infrastructure and to increase budgetary support for acquisition and maintenance of the fleet. This is commonly referred to as increasing the "Tooth to Tail Ratio." Recent studies by the Center for Naval Analysis and the Defense Science Board suggest that cost savings of 30 percent should be possible by outsourcing. Consequently, the Navy is actively pursuing the A-76 process as a means for cost savings. Savings resulting from the process will be applied to fleet modernization. As a result, CNO has directed that 80,700 in-house positions must compete under OMB Circular A-76 rules over the next five years. As CNO N4 announced: "The Navy's Program Objectives Memorandum (POM) for fiscal year 1998 included a wedge projecting over $2.5 billion in savings from outsourcing competitions. Outsourcing competitions must be initiated to meet the challenge posed by this ambitious but achievable goal."

Description: As executed in the past, the outsourcing process was too cumbersome and frequently not achievable. As planned in for future, the outsourcing process in the Navy will use new guidance, which includes streamlining to twelve months, providing funding for consulting contracting support, and assigning an OPNAV office in charge of funding and policy (N47). The new 12-month timeline pushes the limits of the contracting process and of the personnel assigned to complete the study. So many players are now involved in the outsourcing process that a short outline of their roles and the new process may be necessary.

> *Roles:* There are four primary players in the A-76 process: N47, the Outsourcing Support Office (OSO), the Commanding Officer (CO) of the activity under study, and the Major Claimants.
> - <u>N47</u>: N47 establishes Navy guidance and is the fiduciary sponsor for the program.

OUTSOURCING

- OSO: In recognition of the challenge presented by the process, CNO established the OSO in May 1996. The OSO is headed by Naval Facilities Engineering Command (FAC) and staffed jointly with experts from Naval Supply Systems Command (SUP). The OSO assists Commanding Officers and their staffs, including on-site support through Outsourcing Support Coordinators who are strategically collocated with activities, generic Performance Work Statements, and a standardized methodology for the process as outlined in OSO's guide "Succeeding at Competition." The OSO created open-ended contracts to allow activities to augment the A-76 team with specialized contractor support as required. The OSO provides a support network for the A-76, or outsourcing process. It was established by CNO not to set policy but to provide guidance and support to Commanding Officers tasked with performing A-76 studies.
- CO of the activity under Study: The CO has the ultimate responsibility for the study, including its timely completion in approximately 12 months. Commanding Officers face an enormous challenge in conducting A-76 studies achieving significant savings while maintaining operations at current or improved levels of performance. All of this must be accomplished despite considerable and understandable resistance from employees affected by the results of the A-76 process. The CO designates the A-76 team leader and the major team players. The CO forwards the Performance Work Statement to the major claimant for review and approval, signs the Management Plan, and certifies the Most Efficient Organization (MEO).
- Major Claimants: Each major claimant forwards a consolidated commercial activities inventory to N47, and has review and appeal authority on completed A-76 studies. Major Claimants are the primary recipients of the support funding, which they in turn distribute to the activities under study based on priority and size of the study.

Process: At the activity level, the commercial activity inventory is compiled, forwarded first to the major claimant, then in turn to N47. After routing and coordination at OPNAV and ASN, the list is formally forwarded to Congress, which is referred to as "announcement to Congress." Within approximately 12 months after announcement to Congress, the A-76 process should be completed and the result of the cost comparison announced by the contracting officer.   A highly organized, very structured approach is necessary to achieve cost comparisons consistently on such a short timeline. To achieve this consistent success the OSO has divided the process into 15 discrete steps and published a guideline named "Succeeding at Competition."

15 Steps to Success:
- *Step 1* sets aside the first month after the announcement to Congress for developing a plan, organizing a team, and assigning areas of responsibility to the team members.
- *Step 2* is the development of the Performance Work Statement (PWS) and Quality Assurance Surveillance Plan (QASP). The PWS describes the work to be performed. During the course of the A-76 study, contractors and the government in-house organization will develop their respective offers to perform the work requirements based on the PWS. The QASP describes the procedures the government will use to ensure that the actual performance of a contractor meets the requirements of the Performance Work Statement. Similarly, the QASP also forms the basis for the Post-Most Efficient Organization Performance Review, which is an evaluation of the in-house organization's performance if it is selected to perform the work as a result of the cost comparison.
- *Steps 3 and 4* involve review and approval of the PWS and QASP, initially by the team members and the CO, and subsequently by the Major Claimant.

- *Step 5* identifies methods of conducting interaction with private industry and potential offerors in preparation for issuance of a solicitation for performance of the commercial activity.
- *Step 6* covers the issuance of the solicitation by the contracting office.
- *Step 7* consists of the in-house organization's proposal for how it will perform the commercial activity. It involves the development of the Management Plan, which includes the Most Efficient Organization (MEO), Technical Performance Plan, the In-House Government Cost Estimate, and the Transition Plan. It describes how the current organization will be structured (or restructured) and staffed and the operating procedures to be followed in performing the requirements of the PWS.
- *Step 8* is the contractor's response to the solicitation.
- *Step 9* represents the Independent Review process, which ensures that the government process is auditable, and that the government's Management Plan offers service comparable to the contractors' proposals.
- Steps *10 through 13* involve those actions necessary to evaluate the contractor proposals and determine the "winning" contractor offer, which will then be compared to the in-house offer. The process of comparing the government offer with the private industry offer is conducted in Step 14.
- *Step 14* revises the government proposal and recalculates the cost, if the source selection authority determines that the government proposal will not offer the same level of performance as the contractor offers. The purpose of this provision is to ensure that, when the government and contractor cost proposals are compared, the respective cost estimates reflect the same level of work.
- *Step 15* announces the results of the A-76 process.

The Road Ahead: In a post Cold War era and the environment of a shrinking defense budget, all possible venues for savings will need to be carefully considered. After one year of active outsourcing many major claimants considered having reached the bottom of the barrel, and expressed concern of eroding vital programs or weakening core capabilities. Finding outsourcing opportunities to achieve the Navy's ambitious numbers is becoming increasingly difficult. However, the Navy is far from having achieved the anticipated and necessary savings. Even though many A-76 studies are now in progress, only a few have completed on time or are close to complete. A look across the Navy shows a better success rate where major claimants have taken a pro-active role in the process and helped the activities through involved oversight. In addition, outsourcing needs to transcend simple commercial activity inventories to achieve the savings expected from the program. The reshaping of Navy operations to meet the technical challenge of the next millennia while facing severe budget constraints requires decisions similar to those that faced top management in industry when they considered outsourcing for their respective companies. What are Navy core functions and what can be performed Navy wide by contractors to achieve savings to keep the Navy afloat? Some major claimants have begun addressing these issues by building cross claimant consensus and proceeding with regional A-76 studies, which outsource functions across major claimant lines.

The A-76 study process is a competition between the existing government work force and private industry. The process is designed to allow a fair and equitable comparison of the government and contractor offers. The offeror who provides the best value to the government will ultimately prevail. Under the A-76 process, the government can, and will, operate like a business, with the economies of savings supporting the modernization of the Fleet.

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
PAPERLESS CONTRACING
INITIATIVE

Background: The goal of the paperless contracting initiative is the elimination of all DoD internally required non-digital transactions (e.g., paper documents, forms, reports, etc.) from the DoD contracting process. In addition, the capability to substantially reduce DoD external non-digital transaction will be provided.

This is rooted in DoD's effort to eliminate re-keying of information when that information moves from one area to another, such as requirements to procurement and procurement to financial.

To achieve this goal, DoD must implement electronic systems to generate, manipulate, access, exchange and share acquisition-related data. These electronic systems must be integrated to provide interoperable and compatible connectivity to all functions involved in the contracting process. The distribution environment formed by the integration of these systems must include all data essential to the conduct of the DoD contracting process. It must support the warfighter and combat support requirements, increase readiness by accelerating cycle times, decrease costs through improved efficiency and simplify and streamline DoD operations.

An early emphasis of the effort is the establishment of electronic interfaces between existing automated information systems. This will greatly reduce the error rate inherent in the re-entry of information and will increase trackability.

Application: The Navy has developed a number of tools that will facilitate the paperless contracting initiative. These tools make up a comprehensive vision for automated procurement. Under this scenario, procurements will be done through the Standard Procurement System (SPS). The electronic output of SPS will be posted for solicitations or sent via electronic mail for orders. Vendors will submit responses via Navy Electronic Contracting On-line (NECO) to be loaded to SPS. NECO also has full EDI functionality for vendors interested in using the computer to computer interface.

The Virtual Request for Proposals will interactively develop the large purchase document. Once finalized, the document will be transferred to SPS and handled through the NECO vendor interface.

NECO will initially handle procurements between $2,500 and the Simplified Acquisition Procedures threshold. Full large purchase functions including enhanced security and the handling of large documents will be in a later release.

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PAPERLESS CONTRACTING

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
PAPERLESS PROGRAM OFFICE
INITIATIVE

Background: In 1997, DoD established a Defense-wide goal to move to a paper-free contracting process by 1 January 2000. ASN(RDA) Memorandum of 24 December 1997 stated that a paper-free contracting process will allow the Department to simplify and modernize our acquisition process which will help reduce cycle time and administrative overhead, thus freeing up scarce resources for more pressing needs.

The Navy established a Project Executive Office for Acquisition Related Business Systems (PEO ARBS) and a Program Office to spearhead the Navy's efforts to achieve a paper-free acquisition environment within this short timeframe.

The Program Office was tasked to provide general guidance and oversight in developing a paper-free architecture. Innovation is encouraged by acquisition process owners to make their processes paper-free. Initially, this effort will focus on automating interfaces between processes and improvements within the process itself. Limited funding is available to migrate successful systems to other commands and to advance the most promising initiatives. Pilots will be used to validate concepts and gain experience from using paper-free methods in the operating environment. Adoption of the most promising alternatives will then be based on demonstrated savings and efficiencies.

Additional information is available on the Acquisition and Business Management Web Site, http://www.abm.rda.hq.navy.mil/paperles.html.

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PAPERLESS
PAPERLESS **PROGRAM OFFICE**

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
PARTNERING
INITIATIVE

In support of Partnering, the ASN(RDA) has chartered two new initiatives – the Industry-Government Partnering Working Group and the Partnering with the Fleet project.

Industry-Government Partnering Working Group: The strategic plan of the ASN(RDA) is to work as a team with industry, creating an open, trusting environment where we understand each others needs. ASN(RDA) has formed the Industry-Government Partnering Working Group to translate the articulated strategy into practical terms to build a successful partnering relationship between industry and government. The Working Group is comprised of team members throughout the Navy's acquisition workforce, as well as defense industry representatives from manufacturing and service industries, large and small. Additional stakeholders, such as OMB, DCAA, and DCMC are also represented in the Working Group.

The Working Group's efforts are intended to generate ideas for more productive, efficient industry / government partnering and to provide a framework for practical implementation. Their objective is to develop a common definition of partnering, build an understanding of what is and is not beneficial in partnering, and explore and identify legal parameters in industry / government partnering relationships. The Working Group will identify ways for the government and industry to work effectively in partnering relationships to deliver war fighting products with mutual benefits. To facilitate the development of resource material that addresses industry / government partnering, they are researching and accumulating information on existing best practices and lessons learned so that this body of knowledge can be shared by all. From this, acquisition teams will be able to recognize potential partnering opportunities, to employ proven effective methods, to avoid pitfalls and barriers to success, and to implement their own innovations with confidence.

As the Industry-Government Partnering Working Group progresses, you can expect to see distribution of information and guidance, linkage to strategic planning and metrics, recommendations for process changes and ideas for future implementation.

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Partnering with the Fleet*:* Partnering with the Fleet is an ASN(RDA) project focused on developing an array of communications products that can be used by any program office to share their acquisition story with all members of the enterprise – OPNAV, the acquisition workforce, the Fleet, media, industry, public and Congress. The goal of this initiative is to transform the relationship between all members of the enterprise into one of partnership and trust. The end result will be increased faith in the acquisition system, improved communication and feedback between the Fleet customer and the acquisition community, a feeling of mutual ownership and responsibility, and a preservation of the public trust.

PARTNERING

Efforts are focusing on prototyping new and modifying current information vehicles to tell the acquisition story. For example, plans are underway with the AAAV Program Office and the CVX Integrated Communications Network Program (ICAN) to develop ownership videos that will explain how their respective systems are being acquired and the special interest and efforts of Congress, industry, the Fleet, and the acquisition community. Other efforts will examine use of technical manual supplements, brochures, and World Wide Web home pages to spread the word.

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
PAST PERFORMANCE (RYG)
INITIATIVE

Background: DoN's commitment to acquisition reform and the importance of contractor past performance in source selection was solidly established by the ASN(RDA) in his memorandum of 2 February 1998, directing implementation of the DoN Contractor Performance Assessment Reporting System (CPARS). The CPARS requirement applies to various dollar thresholds identified by business sector. This memorandum also recommended use of "passive" performance information collection systems, such as Red/Yellow/Green (RYG), for the Operations Support business sector.

Renewed emphasis and guidance on automating the collection and retrieval of past performance information was issued by the Under Secretary of Defense, Acquisition and Technology, in his memorandum of 20 November 1997 on "Collection of Past Performance Information in the Department of Defense". This policy became effective as of 1 February 1998.

Application of Initiative: The DoN has been a leader in the use of past performance information. In systems acquisitions and major field contracts, past performance has been used for well over a decade as a sub-element in best value source selections.   In 1989, DoN implemented a database of easily accessible passive data through the RYG program. Primarily used for competitive simplified acquisitions, RYG also has a variant suitable for large purchase applications. RYG captures data on timeliness of delivery and product quality.

Successes: Since fielding RYG in 1989, many customer-requested enhancements have been provided. The RYG software supplies a Debarred/Suspended List indicator, capability to retrieve data on up to five categories and ten vendors simultaneously, and instant data retrieval.   RYG will soon provide risk assessments based on either Federal Supply Code (FSC) or Federal Supply Group (FSG). Also in process is web-enabled RYG access which will improve data accessibility and allow unlimited data retrieval by FSC/FSG and vendor. The RYG procedures have been sustained by GAO and Federal District Court as a viable best value methodology. Since inception of the program, the rate of rejected/nonconforming material has been reduced by nearly 75 percent for RYG buys.

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PAST PERFORMANCE (RYG)

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
PERFORMANCE BASED BUSINESS
ENVIRONMENT INITIATIVE

Description: Performance-Based Business Environment (PBBE) is a process whereby government / contractor relationships capitalize on commercial practice efficiencies to improve the military acquisition and sustainment environment. In this new environment, solicitations and contracts describe system performance requirements in a way that permits contractors greater latitude than under historical acquisition methods to use their own design and manufacturing ingenuity to meet needs. Additionally, suppliers will compete and be selected based upon their proposed approaches, process effectiveness, and prior performance.

A significant aspect of PBBE emphasizes risk management as opposed to risk avoidance by identifying risks up front, assessing their program impact, and placing greater reliance on a contractor's own metrics to track and manage those risk areas most critical to program success. As the government/contractor team identifies program risks and focuses its management on those risk areas most critical to program success, government oversight can be reduced by only focusing on those critical processes. This environment applies for new acquisitions, modifications to existing contracts, and sustainment activities.
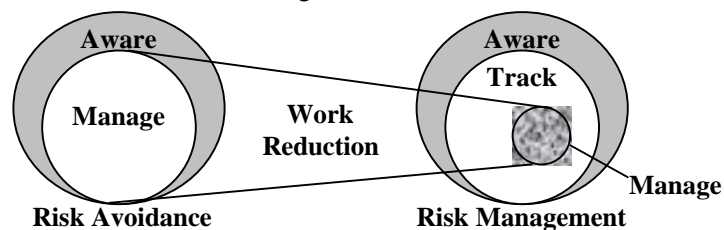
CHANGES IN THE ACQUISITION SUSTAINMENT ENVIRONMENT

PBBE Objectives: The primary PBBE objectives include the following:
- Convey product definition and key processes expectations to industry in performance terms.
- Promote life cycle systems engineering and management practices, including IPPD and support.
- Increase emphasis on past performance.
- Motivate process efficiency and effectiveness up and down the entire supplier base--primes, subcontractors, vendors.
- Encourage life cycle risk management vs risk avoidance.
- Simplify acquisition and support operating methods.

PBBE Relationship to the Acquisition Environment: As the government transitions from the "how to" of Military Specifications and Standards to a results-oriented performance-based environment increased insight will occur through product and process performance. Acquisition Reform is seen as affecting all aspects of the acquisition process, including how operational requirements are translated into contractual requirements all the way through program planning, Request for Proposal (RFP) preparation, Source Selection, Contract Award, and Program Execution and Sustainment. The PBBE process is applicable across the entire acquisition process spectrum and provides tools oriented to one or more stages in a military system life cycle.

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PERFORMANCE BASED BUSINESS ENVIRONMENT

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
PURCHASE CARD PROGRAM
INITIATIVE

Background: Naval Supply System Command (NAVSUP) Policy Letter SA97-13 of 1 April 1997 was issued to implement several major procurement re-engineering initiatives which continued the evolution of the Government-wide Commercial Purchase Card Program. The purpose of the initiatives was to empower purchase cardholders by providing greater flexibility and utility of the card through re-engineered business practices. The new procurement practices included encouraging activities to develop streamlined processes and pre-approving cardholders for certain commodities that require pre-approval, allowing for the purchase of "common use hazmat", allowing for the purchase of unpriced services, and providing for a relaxed separation of functions. The policy also advised Agency Program Coordinators, Approving Officials, and Cardholders that the Navy would be converting to the new Corporate Payment System (CPS). The CPS Platform of banking services provides for enhanced on-line reporting features, certification at the billing official level and roll-forward account balances. The migration by the Navy to the CPS Platform is scheduled for completion in April 1998.

Application of Initiative: Naval Supply Systems Command (NAVSUP) is the executive agent for the Department of the Navy (DoN) for the Purchase Card Program. In that capacity, NAVSUP develops and implements policies and procedures for use of the card. NAVSUP is constantly evaluating and challenging current policies, procedures and practices to streamline the purchase card process. The result is the re-engineered procurement practices implemented in NAVSUP Policy Letter SA 97-13.

Successes: DoN activities have realized substantial benefits from implementing the re-engineered business practices. The purchase request process has been streamlined to eliminate the requirement for formal purchase requests. Cardholders can purchase "common use hazmat" if it is within locally approved base or command procedures. Cardholders can purchase "unpriced" services if a ceiling price can be established. The requirement for a three way separation of function has been relaxed to allow for a two way separation providing flexibility to cardholders and approving officials in obtaining the supplies and services they need. Additionally, the conversion to the Corporate Payment System will provide APCs with enhanced on-line account information and reporting capabilities. These new capabilities include software that provides for on-line access to the bank's data base. APCs can now query their accounts within the bank's database to determine current payment information, cardholder usage, vendor information.

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> PURCHASE CARD
> PROGRAM

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
RFP BENCHMARKING
INITIATIVE

Background: With the release of DoD directives for Specification and Standards Reform and the passage of the Federal Acquisition Streamlining Act of 1994, which amended, replaced, or eliminated over 225 provisions of prior acquisition policy and regulation, it became clear that unprecedented levels of change had arrived. It was also apparent that understanding these new policies and directives, accepting the cultural change, and pragmatically translating them into practical operating procedures and RFP provisions would be a serious challenge. Until such time as the Systems Commands could train their personnel and fully integrate new philosophies and techniques into their normal operating processes, each Service found it essential to establish a central RFP review and assistance team to act as an agent of change and repository for lessons learned.

Description: In May 1995 ASN(RDA) established the Navy RFP Benchmarking Team to "assess the effectiveness" of our acquisition reform policies and provide practical assistance in improving the RFP process. The Navy RFP Benchmarking Team served as an hoc team of 12 functional experts, all were DAWIA, level III qualified, and represented ASN(RDA), DCMC, and each hardware systems command. This team was selected as experienced acquisition agents which were subsequently trained in performance-based requirements. The function was to serve as a central review team assessing the implementation of acquisition reform initiatives of pre-solicitation RFPs representing a wide range of acquisition situations. The efforts provided comments to program managers and metrics to ASN(RDA).

Application Successes: Between October 1995 and 1997, the Benchmarking Team reviewed over 40 RFPs, primarily focusing on ACAT I/II programs, and developed numerous lessons learned and "best practices" sample RFP provisions. These have been subsequently distributed via newsletters and the ASN(RDA) Acquisition Reform Office Home Page. The results of the reviews have been compiled into a tool (Turbo Streamliner) for creating and reviewing RFPs with attention to acquisition reform principles that are now electronically accessible.

Turbo Streamliner: Turbo Streamliner as of early January will have received 100,000 separate subscriber queries on its Internet web page (http://www.acq-ref.navy.mil/turbo/) in its first six months of existence. Turbo Streamliner has been endorsed by OSD, all DoD services, and the Defense Acquisition University. It is included as a module of the mandatory DoD acquisition training courses (CON 201, CON 301, and CON 333) and is the centerpiece of Navy's "Performance Based RFP Course." The principles and lessons included in Turbo Streamliner have been applied to numerous Navy/Army/Marine Corps/Air Force requirements. The benefits have been substantial and are perhaps most easily demonstrated in the Army/Marine Corps 155mm Howitzer Program for which the Turbo Streamliner team was awarded both Navy and DoD Acquisition Innovation Awards in 1996.

Turbo SpecRight!: Turbo SpecRight!, http://www.acq-ref.navy.mil/specright/, was developed in support of the OUSD(AT) Standardization Office as an on-line electronic assistance tool for addressing the military specification changes resulting from recent acquisition reform initiatives. Military

RFP
BENCHMARKING

specifications and standards are viewed as significant cost drivers in DoD acquisition. Therefore, DoD has directed the increased use of performance-specifications in lieu of total reliance on detailed specifications to improve acquisition costs and more effectively utilize commercially available material support. Turbo SpecRight! will guide you through the application of DoD policies on specifications, identify "best practices" and actions to avoid in preparing specifications, and perhaps even more importantly, a "cut to the chase" tutorial in meeting your FAR Part 10 requirements for Market Research. Turbo SpecRight! is broken into the following "how-to" sections:

- How to develop new specifications
- How to convert detailed specifications
- Market research
- General development guidance
- Specific development guidance

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
SIMPLIFIED ACQUISITION PROCEDURES
INITIATIVE

Background: The Federal Acquisition Reform Act (FARA) signed February 1996 provided the contracting officer with increased flexibility when contracting for commercial items. Federal Acquisition Regulation (FAR) 13.5 authorizes the contracting officer to use "simplified acquisition procedures" (SAP) for the procurement of supplies and services in amounts greater than the simplified acquisition threshold (SAT) not exceeding $5 million dollars (including options) where the contracting officer reasonably expects that offers will only include commercial items. FAC 90-45 provided the appropriate changes to FAR Part 13. The Navy issued draft guidance at the Naval Supply System Command (NAVSUP) sponsored "Department of Navy Simplified Acquisition Conference" in July 1997. Additionally, the draft guidance was provided to the SYSCOMs for review and comment. Those comments were considered and several included in the final version of the guidance.

Application of Initiative: NAVSUP is the "Executive Agent" for ASN(RD&A) ABM, responsible for establishing and implementing "simplified acquisition procedure" policy within the Department of Navy. The Navy has been a leader in instituting commercial practices within our procurement processes. Implementing the guidance at FAR 13.5 allowed the Navy to capture the benefits of the "commercial practices" identified in FAR Part 12 with the streamlined processes found at FAR Part 13. As a result, contracting officers were authorized to use the procedures and methods found in FAR Part 13 to obtain commercial items. The streamlined procedures include simplified sole source documentation and negotiation procedures and reduced time frames for synopsis. The methods include Purchase Orders, Blanket Purchase Agreements (BPA) and BPA Calls.

Successes: Successful implementation of the guidance at FAR 13.5 has accrued a wide variety of benefits to Navy Contracting Officers. The combination of raising the "SAT", authorizing the use of SAP procedures and methods and the streamlined procurement processes have provided the "acquisition team" with a powerful tool with which to obtain commercial supplies and services. The result has been an increased focus on the procurement of commercial supplies and services by the acquisition team, reduced procurement lead times and greater increased flexibility for the contracting officer in designing contracting tools that will better serve the customer.

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> **SIMPLIFIED ACQUISITION**
> **PROCEDURES**

DEPARTMENT OF THE NAVY
ACQUISITION REFORM
SIMULATION BASED ACQUISITION
INITIATIVE

Background: The complexity and sheer magnitude of our major systems continue to increase at an accelerating rate. Such systems must accomplish a broad range of missions in new operating scenarios that dwarf the connectivity, information processing and manufacturing requirements faced by previous acquisition programs. Our acquisition program managers face an unprecedented challenge in the management of the activities and organizations required to take such systems from concept through to development, deployment, upgrade, and retirement. To add to this complexity, program managers must oversee the development of such systems within increasingly stringent budgetary constraints.

The widespread use of the Integrated Product and Process Development approach is a strong beginning to addressing the complexities inherent in major system acquisition. Through the process of establishing and motivating Integrated Product Teams, the program manager is able to focus stakeholders on critical system development process areas. The next step is to create an immersive environment in which all the data required by these teams can be accurately captured, assessed, and transformed into knowledge which will lead to more effective decision making. This is a key step toward a Simulation Based Acquisition (SBA) capability.

Simulation Based Acquisition: Key to the SBA concept is modeling and simulation (M&S). Currently, these M&S technologies are independent tools and techniques. In the future, M&S technologies will be linked across the full acquisition continuum. SBA shows the potential to increase timeliness and quality of decision making, enhance affordability strategies and facilitate innovative training. To do this, we need to change the way we view M&S. The power of these technologies lies in communicating key characteristics and system behaviors enabling faster and smarter decisions prior to fielding the system.

SBA can provide the means to create an immersive acquisition decision-making environment. The ability to exchange trustworthy digital representations of the system under design allows all stakeholders to assess the same body of information providing more accurate decision inputs. SBA modeling and simulation, if employed in an integrated way across the traditional stove-pipes of legacy tools, provides a means to explore decision consequences, improves decision quality and reduces the time constant of decisions affecting system performance and total ownership cost.

The driver for the return on investment for wide SBA application is aggressive reuse of the information across functions and development phases. Information is an asset, just like cash. We should generate it once and put it to work again and again.

Application of Initiative: We in the acquisition community do not build systems. We should not be designing them either. Instead, we should use these SBA M&S techniques as part of an empowering framework in which we can organize the development stakeholders (the builders, the operators, the budget managers, and all others) into a cohesive, flexible enterprise capable of learning throughout the lifecycle. The SBA solution to these challenges must be capable of:

- Integrating all views of the system under design, and the processes used to build, operate and maintain it.

- Integrating all stakeholders so that every individual's unique expertise can be fully employed.

> ### SIMULATION BASED
> ### ACQUISITION

- Providing a common context among the various constituencies in the system's lifecycle.

- Allowing program managers to gain a situational awareness of their program, just as operational commanders can do with today's Tactical Decision Aid tools.

The Simulation Based Acquisition Module of the Acquisition Reform Home Page is located at http://www.acq-ref.navy.mil/sba/.

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
SINGLE PROCESS
INITIATIVE

Background: On 8 December 1995, Secretary of Defense William Perry, and Under Secretary of Defense for Acquisition and Technology, Paul Kaminski, announced implementation of the Single Process Initiative (SPI). SPI allows the use of best commercial processes and technologies in lieu of government imposed specifications and standards. The focus of SPI is to allow contractors to use common processes within a facility for similar requirements where the process meets performance requirements and makes good business sense. SPI encourages contractors to submit proposals that specify common processes to reduce contractor operating costs and achieve program cost, schedule, and performance benefits. The Defense Contract Management Command (DCMC) was designated as the lead for the initiative and is ultimately responsible for overall administration and coordination of facility wide contract block changes. NASA and FAA are also participating in facilities that produce products under contract for DoD, NASA, and FAA.

SPI is a key element in DoD's comprehensive Acquisition Reform strategy. The benefits of SPI are more efficient, consistent, stable processes for the contractor, greater ease of contract administration for both contractor and government, and savings for the taxpayer. To date, total DoD participation in SPI includes the efforts of 266 contractors who have generated 1,271 proposed process changes of which, 765 have already been approved for use. Negotiated (instant) savings from this activity are $8,223,811, with cost avoidance on future contracts estimated to be $339,825,305. Effective coordination of government, industry, and service participants is notably responsible for its current success.

Application of Initiative: The ASN (RD&A) Acquisition Reform Office is the lead authority for DoN SPI coordination, policy development, implementation, training, and issue resolution. Teamwork and coordination with other Navy program offices is critical to DoN success. The role of DCMC and its Administrative Contracting Officers (ACOs) is also pivotal to the success of SPI. ACOs lead the SPI management council negotiation procedures and accomplish the administrative tasks associated with contract modifications (block changes). Team leaders that represent each of the Services (and other affected government agencies) participate in the management council review process and vote on approval or disapproval of the proposed SPI. All affected customers are notified by DCMC prior to the final approval of the proposal and the subsequent block change modification. The ACO, the military service team leaders, the contractor, and the Defense Contract Audit Agency (DCAA) must continually work together to approve and implement SPIs. The SPI Block Change Management Team (BCMT) coordinates and manages SPI activity and is primarily responsible for planning strategic goals and resolving all administrative issues pertaining to SPI implementation. The BCMT is composed of lead representatives from each of the Services, DCMC, DCAA, NASA, and FAA.

While there are still SPI issues that are in need of resolution, it is obvious that this initiative continues to gain momentum within industry and the acquisition community as an effective streamlining method. ASN (RD&A) is continuing its effort to promote the success of SPI through its participation in SPI policy development, education and training of DoN personnel, and through its active participation in industry/government sponsored seminars, workshops, and IPTs.

SINGLE PROCESS
INITIATIVE

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
SPECIFICATIONS AND STANDARDS REFORM
INITIATIVE

Background: On 29 June 1994, Secretary of Defense Perry signed his policy on Specifications and Standards - A New Way of Doing Business, which dramatically changed the way requirements would be written in acquisitions. The policy directed the use of performance and commercial specifications and discouraged the use of military specifications and standards by requiring the approval of a waiver. The DoD policy was initially implemented within DoN by an ASN(RD&A) memo on 27 July 1994 and was fully implemented by the Standards Improvement Program Plan on 21 December 1994.

Application of Initiative: The Standards Improvement Program Plan emphasizes three major thrust areas: (1) a performance-based solicitation process; (2) military document improvement; and (3) cultural change. Actions to facilitate a performance-based solicitation process include: benchmarking performance-based RFPs, holding forums to share lessons learned on preparing performance-based solicitations, developing tools for assisting in the preparation of performance specs and RFPs (SPECRITE, RFP templates, guide specs), and publicizing the availability of existing databases and references for use in defining requirements (Program Managers Work Station, COTS user documentation).

The military document improvement effort includes the review, disposition, and actions taken on the over 8,000 military specifications and standards owned by DoN. The exhaustive review of these documents resulted in the final disposition decisions: 36 percent are being canceled or inactivated, 16 percent are being converted to performance-based, 19 percent are being converted to commercial documents, 22 percent are being retained and updated as military-unique detail documents, and 7 percent are being transferred to another activity. The cultural change thrust area requires a longer term investment in training and communication. Key functional training topics on specifications and standards reform developed and being offered include: writing performance specs, preparing performance-based statements of work, impacts on supportability from using performance specs, military standard conversion, how to conduct Market Research, and how to participate effectively with non-government standards bodies.

DoN has made significant accomplishments in specs and standards reform since the Perry initiative in June 1994. In building on the successful actions and following the themes of the three major thrust areas, a Phase II implementation plan provides a broadened, accelerated agenda for accomplishing the next phase of specs and standards reform. This plan includes emphasis on: reprocurements and smaller acquisition programs, early industry involvement in requirements determinations, transitioning the RFP benchmarking process to be Systems Command managed, the need to accelerate the conversion or update of specifications and standards, improving the conduct of market analysis, maximizing the use of commercial items, implementing pollution prevention actions within our military documents, and reviewing currency and applicability of International Standardization agreements.

Current Status: Since the release of the Supplemental Plan in October 1996, ASN(RDA) has issued a policy memo on applying specifications and standards reform to reprocurements.   The objective was to make sure a deliberate business-case analysis was conducted that effectively weighed the life-cycle cost

> ### SPECIFICATIONS &
> ### STANDARDS REFORM

savings and other benefits of moving towards performance-based requirements for reprocurement items against the costs and risks of conversion. A policy memo was also issued on 15 Jan 1998 requiring each Systems Commander, PEO, and DRPM to ensure the appropriate review and approval of standard management approaches and manufacturing processes prior to their imposition on MDAP and other ACAT new system acquisition contracts. Approval under a structured review constitutes waiver approval for use of processes on contract. A quarterly metrics briefing will describe the approach and experience in implementing this policy guidance.

New training opportunities have been developed to assist the program offices in the preparation of Requests for Reprocurement. The Performance Based RFP course provides three days of training for writing sound solicitations based on performance requirements. A new automated tool, Turbo SpecRight! will assist DoD and industry personnel in developing performance specifications and converting military specifications into performance specifications. The tool will include decision matrices to help decide whether or not a specific specification should be converted, a market research tool to assist in determining what is available commercially, and an electronic tool called SpecRite for drafting a new specification to the requirements in MIL-STD-961D.

Document conversion is continuing. New strategies for accelerating planned dispositions of documents are being explored.

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
TOTAL OWNERSHIP COST
INITIATIVE

Background: The Naval Research, Development, and Acquisition Team Strategic Plan identifies several strategic goals to focus on over the years ahead. One of these goals is centered on total ownership cost. A number of teams have been established to scrutinize the way business is done to better understand and manage total ownership costs over the entire life cycle in order to produce savings for recapitalization and modernization.

The full set of elements making up total cost to the Navy, including direct and indirect, will be identified. Significant cost drivers, contributing factors that drive total cost and management structures essential to influence and control of those drivers will be identified.

Application of Initiative: The VAMOSC data base will be examined with an eye to reengineering the data sets to be more useful to acquisition managers. Incentives will be developed to encourage cost-consciousness throughout the department. Lessons learned from successful and nonsuccessful initiatives will be deployed throughout the department. Models and tools that have demonstrated utility in the Cost As an Independent Variable (CAIV) approach will be highlighted and made available to all users to apply to their programs and tasks.

Along with the traditional cost estimation approach to understanding costs, an enterprise view of our business processes will be taken. Costs are driven by activity. The key to reducing costs is dominated by the ability to recognize and drive out non-value-added or low value activity. In many cases our own processes have not been codified. Better definition and analysis of our internal business processes must be better defined along with communicating to industry expectations of process characteristics. Such techniques as Activity Based Costing (ABC) methods will also be explored to determine application to Navy business processes.

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TOTAL OWNERSHIP COST

AAAV. The Advanced Amphibious Assault Vehicle (AAAV) Program Office team of Marines, civilians, and industry exemplifies the characteristics and forward thinking of an organization, totally embracing the ideas of acquisition reform and industry best practices. The efforts over the past year will result in millions of dollars in cost avoidance realized though reduced acquisition costs, reduced acquisition time, and implementation of state-of-the-art business practices, and the resulting weapon system, AAAV, will be the most capable combat vehicle in the world with significant advances in supportability and readiness for the fleet.

Using CAIV to Reduce/Avoid Acquisition Costs
The AAAV program has been designated a "Flagship Program" for its exemplary implementation of Cost As an Independent Variable (CAIV). The Integrated Product Team (IPT) environment coupled with aggressive cost-reduction CAIV objectives require processes to be streamlined, improved, and eliminated and trades-off studies to be conducted in determining the best vehicle design alternatives given cost, risk, schedule, and performance. This process has achieved unprecedented results. Process improvements have resulted in true empowerment of IPT leaders, reduced cycle time in all decision processes throughout the organization, and significantly increased information flow in every channel. Above all, the unit and life cycle support costs of the AAAV have been lowered, allowing the Marine Corps to avoid millions of dollars in production and operations and support phases of the program. In 1997, the team reduced the AAAV unit cost, resulting in $155 million dollars of procurement avoidance cost. The team also implemented a unique and innovative contract clause incentivizing the contractor to propose design changes that potentially reduce program costs already resulting in a cost avoidance of $238.9 million dollars in Operating and Support Costs.

Accelerating Program Schedule
The AAAV program has successfully accelerated twice in the past two years, significantly reducing its development time resulting in fielding the weapons system much sooner to the fleet. In 1997, a contractor-government integrated team took full advantage of the contractor and government co-location in Woodbridge and successfully restructured the program schedule to reflect best industry practices and add an additional prototype for developmental testing, thereby reducing developmental test time and moving the Initial Operating Capability (IOC) of the system four months earlier, potentially saving significant overhead costs for the program.

Management Practices and Processes to Improve Acquisition
The AAAV team is the first in DoD to truly combine the best of all industry and Government management practices successfully into a single highly effective management team in a single highly integrated management environment. The team has set the standard for Integrated Product and Process Development (IPPD), Integrated Product Teams (IPTs), Virtual Prototyping, CAIV, effective management metrics, and Government-contractor Co-location. This unprecedented weapons system development and management environment is being used by engineers, logisticians, Marines, industry

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**MARINE CORPS
REALIZERS**

experts, and contractors to design the a highly cost efficient and effective weapons system for the Navy and Marine Corps, in the same building where the system prototypes are being fabricated, in Woodbridge Virginia. Every team member, Government and industry alike, has complete access to common databases of all engineering and logistics data, to include the entire design of the system, it's CAD data, all engineering and logistics analyses and trade-off studies, as well as, all correspondence and paperless data deliverables, all within a sixty-second walk of the prototype fabrication floor. This virtual prototyping environment has allowed incredibly short cycle times in design decision processes, incorporating input from fleet Marines and Navy and Defense Department oversight personnel from throughout the area, significantly improving the system design prior to relatively expensive fabrication.

Involving the User in Program Design
AAAV supportability and readiness has been an integral part of the system's development since its inception. In 1997, Fleet Marine Force infantry, vehicle crews, and vehicle maintainers took part in formal and highly effective "user juries", that gathered recommendations for improved supportability, readiness, operability, and ergonomics. These teams used the virtual prototype, simulators, full-scale wooden mock-ups, and actual system components. The user juries resulted in numerous design improvements for improved supportability and readiness. The team used the virtual prototype to simulate maintenance tasks and removal paths of subsystem and components, performing the actual tasks and/or removing components in the virtual environment, ensuring accessibility and reparability throughout the design. The Marine/Machine interfaces of controls and display panels, seating, ingress and egress, and vision have been exhaustively explored through user juries. Marines participate on every IPT throughout the organization, ensuring operational suitability of every design decision. Every trade-off and design decision weighs its effect on system fleet maintenance, reparability, and operations and support costs.

Team engineers and logisticians have ensured system designs have been developed using the concept of "Partitioning." Various AAAV components and subsystems have been successfully analyzed to determine the optimum number of parts, or Line Replaceable Units (LRU), each should be composed of, based on ease of maintenance and repair and likelihood of failure. Partitioning has significantly reduced operating costs by eliminating unnecessary maintenance actions and time consuming replacement of complete subsystems vice easily accessed component parts.

Educating the AAAV Team
In addition to ensuring the Marine is part of every design decision, the team has ensured that all its members are completely familiar with the system's operating environment. In 1997, nearly the entire AAAV team, over one hundred and fifty members, including the prime contractor staff and critical subcontractor personnel, Government and contractor secretaries, engineers, logisticians, computer programmers, and financial managers were given an unprecedented fleet and field exposure to the amphibious operational environment for the sole purpose of improving system design for support, readiness, and durability. Everyone was taken by bus to Norfolk, Virginia and taken on a two day amphibious exercise specifically designed to expose him or her to the systems' operating environment. Everyone rode and most drove amphibious vehicles on land and in the water side-by-side with the Marines of Delta Company, 2nd Amphibious Assault Battalion. The entire group of Government and private industry team members were housed aboard the Amphibious Assault Ships USS Tortuga and USS Oak Hill in troop living spaces for the exercise. The experience resulted in a significant improvement of the team's understanding of operational suitability, support and readiness that is now reflected in improvements in the AAAV design.

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PARTNERING. Over the last several months the Marine Corps Systems Command (MARCORSYSCOM) has made steady progress in forging better understanding with our industry partners by opening communications and increasing industry's access to information. Their initial approach to developing "partnering" with industry was the Idea Exchange Day, December 1996. Industry was invited to tell MARCORPS how to be better customers. MARCORPS listened to understand their needs so to more efficiently and effectively satisfy their mission of fulfilling materiel requirements. As a result, this event served as a catalyst in creating a cultural change and initiatives that increased the exchange of information. A series of conferences were planned that focused on functional commodity areas and permitted a dialogue between "partners."

MARCORPS has successfully completed two of these conferences and another is being planned. The Command, Control, Communications, Computer and Intelligence (C^4I) Conference and the Ground Systems and Training Systems Conference were well attended. Nearly 300 government and industry personnel participated during these events. Based upon survey feedback, we learned that industry desired fewer presentations and smaller forums to exchange information. As a result, following a few overview presentations, conference participants were able to choose one of four different discussion groups to attend. These discussion groups were co-chaired by MARCORSYSCOM and Marine Corps Combat Development Command (MCCDC). Brief commodity specific presentations were provided by subject matter experts to these groups and our industrial partners were encouraged to ask questions. There were also opportunities to exchange information and network during breaks and lunch. Feedback surveys indicate that the presentations were overwhelmingly viewed as informative and that these conferences provide a valuable opportunity to enhance "Partnering." Participants responded 100% that their expectations were met and that they would attend another conference pertaining to their commodity area. This successful series continues with Combat Support and Logistical Equipment Conference scheduled for March, 1998.

Another suggestion arising from the Idea Exchange was to provide relevant and timely information. In response to this suggestion, Mission Need Statements and Operational Requirements Documents are now available on the Internet (MCCDC Home Page at URL http://138.156.112.14 under Requirements Division Approved Documents). Visits to the Home Page have steadily increased from a 1,000 in August to 1,372 during October. Also, a Program Manager's Open House was held during the Seventeenth Annual Modern Day Marine Military Exposition. Industry representatives had an opportunity to sign up to visit each of the program managers (PM). The program manager's calendars were fully scheduled with these twenty minute visits. For some industry representatives, it was the first opportunity to actually meet with a PM.

MARCORSYSCOM has put a lot of effort toward establishing a "partnering" relationship with industry. Industry has responded positively to these efforts. Summarizing, MARCORSYSCOM expects to continue to reap many benefits from these efforts now and in the future.

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ACQUISITION GUIDE. NAVAIR recently updated and reissued the thirteenth edition of the Naval Aviation Systems Team (TEAM) Acquisition Guide. The purpose of this TEAM Guide is to "pull together" the activities and critical documentation required in the conduct of a program, and put these requirements in a concise, maintainable, and easy-to-use format to help our Acquisition Managers and Integrated Program Team (IPT) leaders. The Guide provides a single consolidated overview of the major internal NAVAIR TEAM acquisition processes. New sections have been added to amplify Acquisition Reform (AR) initiatives such as Earned Value Management, Integrated Baseline Reviews, Alpha Contracting and the Single Process Initiative.

Program Managers and IPT Leaders can now focus on improving ways to manage their acquisition programs by referring to helpful advice as written in the Guide or by contacting directly the key acquisition experts and process managers who are listed in this Guide. Acquisition Managers, IPT team leaders and team members new to the process are encouraged to use this Guide as a ready reference and to make comments for improvement to the NAVAIR Acquisition Guide Manager.

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EARNED VALUE MANAGEMENT. Earned Value Management, an industry best practice, has been adopted by the Naval Air Systems Command as a major Acquisition Reform initiative. The result is an improvement in management capabilities at its field sites and Naval Aviation Depots (NADEPs) plus a system that provides program managers with needed information, for monitoring budget execution and developing timely budget justifications, both which help minimize budget instability. The F-14 team, the driving force behind bringing EVM to the Command's sites, implemented a management cost and schedule control system at NADEP, Jacksonville. The system at Jacksonville was the first government management system validated by a joint service team against the same criteria used by DoD to validate the management control systems of defense contractors' that must comply with EVM standards. With the introduction of this management system the F-14 program office was able to save $1.2 million dollars the first year. Given the success at the depot, the F-14 recently implemented EVM on the F-14 software development effort taking place at the Naval Air Warfare Center Weapons Division, Pt Mugu. The Command concluded, based upon the F-14 team's work, that there were no obstacles to adopting this industry best practice for government in-house work. The effort to implement EVM across the organization is underway.

Description: EVM is a product-focused, risk-management process used to control project costs and schedules. It is a forcing function for integrating, measuring, and communicating a project's cost, schedule, and technical information during project planning and execution. The benefits of EVM manifest themselves in better planning, more efficient execution and more defensible budgets by quantifying product costs. Program managers who use the EVM process in project planning and subsequent baseline control during execution are in a much better position to justify necessary funding to meet minimum program requirements during budget reviews, thus maximizing program stability.

Application: The success of the F-14 team has enabled the Command to move forward with this major Acquisition Reform initiative. Policy and processes have been published and a Command implementation plan to field organizations has been developed. The policy specifies the parameters for implementing EVM and assigns responsibilities to both program managers and field sites. The process for implementing EVM at a site describes entry and exit criteria, metrics, and the activities required to implement, use, and maintain an EVM system.

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DEPARTMENT OF THE NAVY
ACQUISITION REFORM
NAVAL FACILITY ENGINEERING
ACQUISITION REFORM REALIZERS

ALTERNATIVE DISPUTE RESOLUTION. Over the past 20 years the Naval Facilities Engineering Command (NAVFAC) has actively pursued ADR procedures to resolve contractual disputes. Although exact numbers are unknown, it is estimated that NAVFAC has used over 400 ADR procedures since 1990, with a satisfactory resolution rate of approximately 80%. The ADR procedures used by NAVFAC include structured settlements, mini-trials, settlement judges, and non-binding arbitration. In addition, as part of the litigative process, NAVFAC has used summary binding Armed Services Board of Contract Appeals procedures. However, unique to NAVFAC, is the use of disputes resolution boards (DRBs).

NAVFAC currently uses four types of DRBs:

- *Chief's Board:* The Command Award and Review Board, otherwise known as the "Chief's Board," is a Board at NAVFACHQ that reports directly to the Commander, NAVFACENGCOM. The Board is used for the purpose of selecting contractors and performing other contract actions. With regards to ADR, the Chief's Board is a three-person panel comprised of senior NAVFAC acquisition and legal personnel. The Board's chairman is the Commander, the Vice-Commander, or the Director of Acquisition. The purpose of the Chief's Board is to provide a means of dispute resolution on claims that exceed $1,000,000, prior to the issuance of a Contracting Officer's Final Decision (COFD).
- *Modified Chief's Board:* A three person panel that includes a NAVFAC decision-maker, usually a senior contracting officer, a Contractor decision-maker, usually the president of the company, and a neutral advisor, usually an ASBCA judge. If the claim exceeds $1,000,000, the senior contracting officer will be from NAVFACHQ. If the claim is less than $1,000,000, the senior contracting officer usually is the EFD/EFA/PWC Chief of the Contracts Office. The purpose of the Modified Chief's Board is to provide a method of dispute resolution on claims of any amount. The Board is usually convened at the EFD/EFA/PWC. It can be used both prior to and after the issuance of a COFD.
- *EFD/EFA/PWC Contracts Review Board:* A three-person panel of senior EFD personnel, which includes a Level III Contracting Officer, Chief Counsel, and a senior CEC Officer. The Board is usually convened at the EFD/EFA/PWC. The purpose of the Board is to provide a method of dispute resolution on claims within the final decision authority of the activity, prior to the issuance of a COFD. In its traveling mode, usually known as a Disputes Review Board, the Board consists of a single contracting officer and usually is convened at the job site.
- *EFD/EFA/PWC Claims Board:* A three-person panel consisting of a contracting officer, counsel, and a technical representative. The Board is usually convened for each claim that is forwarded from the field office. The Board's purpose is to review the claim to determine entitlement. If entitlement is discovered the panel may convene an EFD Contracts Review Board or remand to the field for settlement. Generally, the contractor is not permitted to present its case to the Claims Board.

The key points of NAVFAC's DRBs are shown below:

- The DRB is comprised of NAVFAC officials who come to the hearing without bias, with the intent to resolve the dispute, and have the authority to act.

| NAVFAC |
| REALIZERS |

- The DRB is best suited to situations where there appears to be room for compromise, where there are debatable issues of fact and where an equitable solution is possible.
- The DRB process is strictly voluntary. The contractor may withdraw participation at any time and resume the normal claims litigation process. Further, the recommendation of the DRB is non-binding on the contractor.
- The DRB is intended to hear informal presentations from both the Administrative Contracting Officer and contractor personnel. The presentations will be limited to a reasonable amount of time.
- The DRB is not a legal proceeding, which usually restricts the participation of attorneys for both parties in a counsel role; however, attorneys have participated in an advisory role. Further, usually no written transcripts will be made of the proceedings and there is a restriction on the use of the DRB proceedings in any future appeal.
- The DRB procedures are flexible and the DRB agreement may be changed on a case by case basis to better serve the interests of both parties.

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ENERGY PARTNERSHIPS. GEORGIA POWER / NSCS. The Navy Supply Corps School, Athens GA had a gas-fired central thermal plant in need of replacement. The underground steam distribution system had been refurbished and was in good shape. The system was used primarily for winter space heat and provided domestic hot water and cooking for barracks and galley. Other energy consumption reduction measures requested by NSCS were lighting system retrofits, replacement of ozone-depleting substance refrigeration equipment, and installation of satellite electric boilers for summer loads.

All these measures were included in the project, which was accomplished as an order under the GSA Area-wide Utility Services contract via authority of the Energy Policy Act and 10 USC 2865, "Energy Savings at Military Installations." Both statutes contain provisions for third party financing through the Utility provider, in this case Georgia Power with financing by Potomac Federal. The Navy provided $370,000 up front from multiple maintenance projects that would no longer be required as a result of these measures. This reduced the amount to be financed.

Estimated benefits to NSCS Athens are total savings in energy density of 7,339 MBTUs per year, and savings of $18,000 per month once project payoff is complete. These savings come from overall energy cost reduction, improved efficiency and reduced manpower to operate the system. The cost of the project is paid out of the activity's utility budget. The repayment term is 61 months, and the Navy is allowed by its contract to make lump sum payments without penalty at any time during the payment term. In fact, an additional $221,000 in end-of-year funds was paid against the outstanding balance to further reduce the debt. This method proved to be an excellent vehicle for obligating excess fiscal year-end money.

Work was conceived in April 1997, scoped and award in May using performance specifications, and completed in just over four months. A commissioning and ribbon-cutting ceremony was held 24 Oct 1997 in the boiler plant in front of the local workforce, families, students and local press. The customer as delighted with our cutting-edge contracting efforts that supported its operation and saved energy dollars.

NAVFACENGCOM AWARD FEE COST SAVINGS INITIATIVE. To provide a mechanism to receive continued cost savings through contractor recommendations.

NAVFAC has identified a means of achieving efficiencies in both the Navy operations and in the Base Operating Services (BOS) contract that can result in cost saving to the Government without sacrificing mission readiness and accomplishment. A provision for cost saving and revenue-generating ideas is included in the award fee provisions. Through the award fee plan a sum of money is included to be presented to the contractor for submitting cost-saving ideas. Ideas that are implemented can result in the contractor receiving up to 50% of the actual savings. The award fee earned for cost savings and revenue-generation proposals are based on the number and quality of ideas implemented. The activity plays a major role in determining the amount of award fee earned. Contractor payment for activity implementation of cost saving and revenue-generation ideas are handled under a separate provision. Costs to research the ideas are the contractor's responsibility and the costs for implementation of the idea are the responsibility of the Government. In addition, elements of "Smart Base" and "Cost Saver" concepts are incorporated in the new award fee language.

The cost saving award fee provision was recently included in two BOS resolicitations; one at NAVSUBASE Bangor; another at NAS Fallon. At the test site in Bangor, within the first two months of contract performance, the contractor submitted seven proposals – six are shared savings initiatives and one is a revenue-generation initiative. The proposed savings total approximately $800,000 over the life of the contract; approximately $100,000 for the current fiscal year. The Government is in the process of reviewing these proposals. At the test site in Fallon, within the first two weeks of contract performance, the contractor identified $100,000 in cost saving ideas that were accepted by the Government. Implementation of cost saving incentives through the award fee process is a successful way to allow the Government to share in efficiencies gained by the contractor.

PRIVATIZATION OF NAVY FAMILY HOUSING. FY 95 legislation (Public Law 104-106, section 2801) authorized the Secretary of the Navy to enter into limited partnerships with private developers for the development of Navy family housing. In July of 1996, Naval Facilities Engineering Command executed the first limited partnership agreement with a private developer to build 400 units of quality affordable housing for Navy families near Naval Station Ingleside and Naval Air Station Kingsville, Texas. The developer instrumental in the success of this initiative is Landmark Organization, Inc. of Austin, Texas. The total project cost is approximately $30 million. The Navy's total equity contribution is $9.5 million. The developer is responsible for financing the remaining balance. As a general partner, the developer will operate and maintain the housing for the term of the partnership. Along similar lines, in March of 1997, the Navy entered into a Limited Partnership with Dujardin Development Company of Everett, Washington, to develop 185 homes on private land in Everett. The Navy investment was $5.9 million, which represents 32% of the total development costs of $18.7 million. Like the Texas projects, Sailors have first preference to rent one of the homes at rates which are below market for comparable housing in the community.

Two features of these innovative acquisitions stand out. First, the Navy was able to leverage the private market to create affordable quality housing using only one-third the funds normally required by traditional military construction methods. Second, the schedule for planning and construction of the units was approximately one-third the time usually taken for such projects.

Recent Developments: The 1996 Defense Authorization Act (Public Law 104-106, 110 Stat 186) expanded the list of investment authorities available for the construction and improvement of military housing. And Navy policy has been issued which provides an overall corporate philosophy about how, when, and where the PPV will be applied. For example, all Navy housing in a region will be included in the scope of a PPV project, which will focus on privatizing the replacement, renovation, maintenance and

operation of existing government housing and meeting any housing deficits. In general, PPV housing quality will be comparable to what the private sector would provide for civilians in the same overall income ranges. Finally, the goal is for service members to pay no out-of-pocket expenses for housing or utilities.

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REALISTIC EXPENDITURE DECISIONS USING COMMERCIAL EXPERTISE (REDUCE). An innovative source selection methodology using a two phase evaluation process which would assign technical evaluation credit for cost savings. The objective was to reduce Base Operating Support (BOS) contract cost by achieving up front contract savings while maintaining integrity of source selection process.

The REDUCE method involves a two-phased evaluation process:

Phase I: Submission and evaluation of proposed "Cost Savings Spec Revisions." Submission of Phase I proposals is voluntary. Only proposed revisions to the specification will be evaluated. The offerors' proposal must:
1) Identify exact portion of existing RFP to be revised,
2) Provide exact replacement specification language,
3) Explain how revisions will save costs,
4) Identify any mandatory instruction, policy or manual that must be revised or waived, and
5) Provide estimate of cost savings and basis of estimate.

A Cost Savings Board (CSB) evaluates the proposals against two criteria: (1) Viability and (2) Acceptability. The CSB also evaluates "realism" of proposed cost savings and documents its evaluation using special forms rating proposals based on magnitude of acceptable cost savings. The CSB then prepares a board report to the SSB.

Phase II: Submission and evaluation of price proposal and remainder of technical proposal. The RFP is amended to incorporate accepted specification revisions. Price proposals and remainder of technical proposals are submitted. The traditional TEB and SSP evaluation process is conducted. The TEB incorporates CSB ratings into final technical ratings.

NAS Fallon BOS solicitation was awarded 21 July 1997 using the REDUCE method. Five out of seven firms submitted a total of 180 cost savings proposals. Twenty of those proposals were accepted for a total saving of 6% per year or $1,000,000 per year. Only three weeks were added to the Phase I process. 21 days was given to proposers to submit their pricing on revised proposals. There wer no protests from proposers on this new process.

SOLUTION ORDER CONCEPT. The Solution Order Concept (SOC) is a new method of acquiring facility renovations and alterations. It requires a radical change in thinking by engineers and architects, who typically produce complete sets of generic plans and specifications describing the work to be accomplished. The SOC teams a small group of construction contractors with the engineers and architects to develop a performance work statement (PWS). This approach reduces changes based on the up front agreement of scope, minimizes procurement lead time and design effort.

The concept involves bringing all the stakeholders together on site for a facility work-through to jointly write a statement of work, thereby developing a PWS. Stakeholders include the customer, Public Works staff, Contracting Officers, engineers, architects, and the construction contractors. Technical solutions to meet customer needs are made jointly with the engineers, architects, and construction contractors. Most solutions are specific to the construction contractors' methods, preferred materials, and subcontract trades, thereby eliminating the need for lengthy, generic specification descriptions that are often poorly stated or misunderstood during the normal design-bid-build process. After development of the PWS, the task order is either competed among the small group of construction contractors who participated or negotiated with the single contractor who participated.

There are many contracting vehicles that can be used to facilitate execution of the SOC. One such vehicle is the Competitive Indefinite Delivery Quantity (IDQ) Construction Contract. Once the basic contracts are awarded to several construction contractors, usually three, the task orders are placed using the SOC to write a PWS and then proposals to accomplish the work are competed among the contractors.   The Competitive IDQ Construction Contract also promotes a long term relationship with a small group of construction contractors, thereby creating a true "team" environment with the other stakeholders. Another contract form that is easily adaptable to the SOC is the sole source negotiated 8-A contract. The same concept can be used to develop the statement of work, but with the 8-A contractor alone. The contract is then negotiated with and awarded to the 8-A contractor. A third form of contract with great potential is the Competitive 8-A IDQ construction contract, provided the anticipated contract value of the contracts is above the $3 million floor for competitive 8-A procurement. The working concept is similar to that of the competitive IDQ construction contract, but the initial selection process to award the 8-A contract has been simplified.

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A REVOLUTION IN REFORM. Acquisition reform continued to gain momentum as the NAVSEA community gains a greater understanding of its underlying principles and continue to see tangible results of their reform efforts. Throughout the year, several new projects were initiated and the Command worked aggressively to incorporate the recommendations which resulted from our second Acquisition Reform Week II event, held in March 1997. The events again exceeded our expectations with nearly 9,000 members of the NAVSEA team, including headquarters, field activity personnel, and our industry counterparts participating. These events resulted in a new focus for our reform efforts: Reducing the total ownership cost of the products we deliver to the fleet. This strategy spread through our business processes and became the foundation of all of NAVSEA's support efforts – from new system design projects such as the CVX aircraft carrier to the maintenance and modernization of the USS CONSTITUTION – the Navy's oldest action warship. New projects included establishment of an Acquisition Reform web site; commencement of the AR Field Integration Program to facilitate AR implementation at the field activity level; and development of a CPARs pilot training course.

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AEGIS. The AEGIS program focused firmly on the introduction of technology initiatives to streamline Fleet modernization efforts. Formed in conjunction with the Chief of Naval Operations, the AEGIS Cruiser Conversion Plan extends the service life of TICONDEROGA Class Cruisers and introduces significant new warfighting capabilities, beginning in FY 2003. Driven by the increased processing requirements of a modern, state-of-the-art combat system, NAVSEA expanded the use of Commercial Off the Shelf (COTS) subsystems, equipment, and components in the AEGIS Weapon System development, ending its long standing reliance on standard, embedded computing resources.

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AUXILIARY DRY CARGO SHIPS. The Auxiliary Dry Cargo Ship's (ADC(X)) innovative acquisition approach includes an integrated team of fleet representatives, operators, and industry that defined the ship's mission. Throughout the year, three Combat Logistics Force Senior Leadership Conferences were conducted to obtain fleet input and gain consensus on a number of issues.

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CVX, THE AIRCRAFT CARRIER OF THE FUTURE. The CVXs overarching research and development philosophy is to exploit the opportunities that new and emerging technologies offer to improve carrier capabilities and reduce total ownership costs. Composed of NAVSEA and PEO personnel, as well as the Fleet, Warfare Centers, industry, and academia, the integrated CVX team worked throughout the year to implement this acquisition strategy. Among the team's many initiatives

NAVSEA **REALIZERS**

was a visit to several of the fleet's in-service aircraft carriers to acquire first hand knowledge and experience to incorporate into the CVX design.

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DD21 – THE FIRST OF A FAMILY. In 1997, the 21st Century Surface Combatant shortened the distance from concept to reality with the successful completion of its Analysis of Alternatives. DD21 is employing a Total Ship Systems Engineering process that views the entire ship – including its hull and combat systems – as a single, integrated warfighting system. This revolutionary approach will result in warships that are survivable, affordable, and adaptable to new technology and changing mission requirements. Much of DD21s cost savings is expected to result from the program's aggressive use of "minimal crewing" strategies and technologies designed to automate functions traditionally performed by sailors. Strong industry involvement and acquisition reform implementation will also be critical in improving the production process, and significantly reducing DD21s total ownership costs.

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LPD 17 – THE PACE CONTINUES. Forward momentum continued throughout 1997 for the SAN ANTONIO (LPD 17) Class Amphibious Assault Ship, with the award of the lead ship detail design and construction contract. Backed by firmly established goals of improving program efficiency and reducing total ownership costs and cycle times, Team 17 underwent an intensive Integrated Product and Process Team training and activation program, designed to prepare them for the challenges imposed by an aggressive design and development schedule.

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MINE WARFARE SHIPS. The Mine Warfare community implemented an innovative AR approach in its equipment upgrade and ship modernization efforts, including an accelerated COTS replacement of the MCM Machinery Control System. Using proven Smart Ship equipment design, plans were initiated to replace the existing 1970s era analog control systems with a commercially supportable digital Integrated Ship Control System (ISCS). Installation of the new ISCS units is projected for FY 1999 on eight ships of the MCM Class.

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NAVAL ORDNANCE CENTER. In 1997, the Naval Ordnance Center experienced a marked increase in ordnance inventory accuracy, largely the culmination of two major, long term reengineering initiatives – the Weapons Support Facilities' restructuring of the Receipt, Stowage, and Issuance (RSI) process and the realignment of the Inventory Management and Systems Division. The RSI effort involves the formulation of Accountability Control Teams at each facility's ordnance department to define, implement, and manage standardized ordnance management procedures. This innovative approach will promote the commonality of both purpose and process throughout all of the Center's Weapon Support Facilities. Inventory accuracy also benefited greatly from the 19 month reorganization of the Inventory Management

and Systems Division, which emerged from its renovation with a new structure, a new facility, and a renewed commitment to fleet ordnance logistics support.

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NAVAL SHIPYARDS. Critical to their success was the development of the 1997-1998 Strategic Plan, which provides strategies and guidance for the shipyards' primary goals of revitalizing the workforce, increasing customer focus, decreasing total ownership costs, exercising safety and environmental leadership, and strengthening quality and technical excellence.

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NAVAL SURFACE WARFARE CENTER. NSWCs strong focus on acquisition reform and business process reengineering included an aggressive approach to the insertion of COTS technology, establishing a commercial open systems lab to evaluate commercial products for COTS selection, verify COTS interoperability, and accomplish COTS integration for multiple development programs.

NAVAL UNDERSEA WARFARE CENTER. The Warfare Center's most significant accomplishments of 1997 were build on the foundation of a common theme – supporting NAVSEA's strategic goal of reducing the total ownership cost of the systems and products we provide to the fleet. Through the application of advanced modeling and simulation processes, the Center reduced the cost and risk associated with the development of the New Attack Submarine (NSSN) Command, Control, Communications, and Intelligence (C3I) system. Similar measures were applied to successfully test the lifecycle range of the Elastomeric Ejection System (EES), a prime candidate for the NSSN weapon launch system. Testing revealed that EES capabilities far exceeded NSSN lifecycle requirements, marking the innovative system as a viable alternative for the Navy's newest addition to the submarine force. NUWC's strong commitment to total ownership cost reduction was recognized through the 1997 Secretary of Defense Productivity Excellence Award.

NEW ATTACK SUBMARINE – LEADER IN FORM AND FUNCTION. Acquisition reform continued to pave the progress of the Navy's New Attack Submarine (NSSN) towards lead ship contraction in FY 1998. Key to the success of the program has been the use of Integrated Product and Process Development Teams to ensure the most efficient design early in the development process, as well as the use of Open Systems Architecture, the insertion of advanced COTS technologies, and the application of modeling and simulation to reduce risk and total ownership costs.

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OHIO CLASS SUBMARINE. TEAM SUBMARINE successfully accomplished its first TRIDENT Extended Refit Period (ERP) on USS GEORGIA (SSBN 729). This important process improvement initiative provides a more timely, cost effective, and streamlined alternative to major Engineering Overhauls, and will ultimately result in considerable cost avoidance as more ships take advantage of the new process.

SMART SHIP – **FROM CONCEPT TO REALITY**. The Smart Ship project began in late 1995 with a belief that reductions in workload and manpower requirements could be achieved aboard US Navy ships – without compromising warfighting capability and crew safety. In 1997, this vision took focus with the successful implementation of 61 labor and cost-saving initiatives on board USS YORKTOWN (CG 48), the designated Smart Ship pilot vessel. By reducing operational and support costs and decreasing crew size by four officers and 44 enlisted personnel, these initiatives have resulted in a total potential annual savings of $2.8 million per hull per year.

SUPERVISORS OF SHIPBUILDING, CONVERSION, AND REPAIR. SUPSHIP Jacksonville was selected as NAVSEA's pilot platform to test the Past Performance Contracting concept under the Best Value Contracting initiative. This procurement strategy focuses on the institution of stricter criteria to measure past performance within the technical evaluation review process, while also assigning heavier weight to performance factors during final proposal evaluation.

THEATER BALLISTIC MISSILE DEFENSE. Following a successful Overarching Integrated Product Team effort, the Theater Wide TBMD program was designated as an Acquisition Category ID program by the Office of the Secretary of Defense in September 1997. The program is now well on the road to a Defense Acquisition Review Board Review in early 1998, with flight tests scheduled for the spring or summer.

UNDERSEA WARFARE SYSTEMS. Key to the success of the MK 48 ADCAP torpedo variant – MK 48 Mod 6 program was the total integration of AR in all aspects of design, development, and production. Using an IPT approach, the AN/WLY-1 program achieved significant milestones, including a successful Low Rate Initial Production decision, a positive Operational Assessment, and successful completion of hardware and software critical design reviews.

ON-LINE WITH NAVSUP. Providing easy access to policy and guidance for the acquisition workforce in today's paperless environment is an achievement that NAVSUP is diligently pursuing. The Internet gives an opportunity meet this challenge. NAVSUP created the Naval Logistic Library (NLL), a centralized repository for NAVSUP documentation. The NLL is an internet-accessible, oracle database with print-on-demand capability found at http://www.nll.navsup.navy.mil.

This repository includes not only NAVSUP instructions, publications and forms; but also other related materials such as the Afloat Shopping Guide, recipe cards, and clip art. There is also on-line ordering capability for all Navy documents within the "Listing of Publications and Forms" (P2002).

The NLL also contains the Contract Management Library (CML). Individual buyers can now access the contract policy letters, instructions, and publications within 48 hours after documents are signed.

Soon to be added to the NLL are:

- Naval Inventory Control Point documentation,
- The Navy/Marine Corps Purchase Card Tutorial,
- On-line access to "Listing of NAVSUP Publications",
- (P700), "Listing of NAVICP Publications, and
- (Commercial)," P701, and "Catalogue of Airplane Parts," (P2300).

Another tool for accessing acquisition-related information is from the Naval Inventory Control Point (NAVICP) Contracts Directorate's "Extranet" available at http://163.12.9.51/prosite/ intra02.htm to all web users browsing from a ".mil" domain. NAVICP and other DoD personnel are able to retrieve the latest contracting directives and ancillary information from commercial and Government sources, share NAVICP Good News stories and best practices, and keep current on the latest Acquisition Reform training. The NAVICP Contracts Directorate Extranet is another example of NAVICP exploiting technology and improving internal processes. A giant leap towards the paper-free ICP of the near future.

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NAVSUP REALIZERS

SAILOR ARRANGED MOVE (SAM). NAVSUP is offering sailors another option in moving their household goods (HHG). SAM is designed to increase service members' involvement in HHG moves, and to simplify and streamline the process by applying commercial HHG practices. Secretary of Defense William Cohen included this initiative in the November 1997, Defense Management Reform Initiative Report as one of his nine Best Business Practices. SAM represents an important Quality of Life improvement for members of the DoD in the movement of their household goods.

Currently Navy members have two HHG move options: the government arranged move or the Do It Yourself (DITY) move. The government-arranged move allows minimal sailor involvement in arranging the move; carriers are assigned business based on a rotating list. A DITY move is just as the name implies; the sailor personally moves the household goods and is reimbursed for the cost. Now, SAM offers a third option for the sailor.

SAM gives service members direct input in selecting the carriers to move their household goods, with intransit visibility of the shipments, and most important, full value repair/replacement protection for lost and broken items. The sailor is provided a list of participating carriers and their past performance (e.g., on-time pickup, on-time delivery, damage, loss, claims) and overall customer satisfaction. After review of the carriers, the sailor indicates his/her preference of carriers for selection by the FISC Puget Sound contracting officer.

Initially, the SAM program has been limited to HHG moves originating at the Fleet & Industrial Supply Center (FISC) Puget Sound and outbound to San Diego, CA; New London, CT; Jacksonville, FL; Pensacola, FL; or Norfolk, VA. Participation in the program is limited to HHG moves weighing between 3,000 and 18,000 pounds (no boats or mobile homes) and costing less than $25,000. With the lessons learned from the initial operation, SAM will be expanded to other Navy HHG sites later this year. DoD has targeted 1 January 2000, for every service member to have the option to select member-arranged movement of household goods.

Features of the SAM program include a host of commercial practices;

* Commercial tariff pricing	* Payment via VISA IMPAC card
* Full replacement value protection	* Direct claim settlement with the carrier
* In-transit visibility	* Use of pagers for delivery notification
* Toll-free-help line	* Customer satisfaction surveys
* Performance based metrics	

The acquisition strategy emphasizes commercial practices under FAR Part 12. This essentially means we must use customary commercial practices, with limited exceptions to protect the interests of the Navy and/or Service Member. Simplified acquisition procedures include use of a Letter of Agreement (LOA) with each participating carrier, with oral orders and VISA IMPAC credit card for payment. An LOA is a Basic Purchasing Agreement (BPA) developed to expand use of the IMPAC card beyond micropurchases. It is a voluntary option for carriers and there is no obligation up front for a level of business. The choice of carrier for each move will be driven by past performance using customer survey feedback. This offers carriers the incentive to provide a quality move and rewards good performers. Bottom line: Carriers control their performance as in commercial arena (without Government "how to" specifications) and will attract more business by maintaining a reputation for cooperative quality service.

Overall, SAM will be cost neutral since it is primarily a quality of life improvement initiative. The competition among carriers to improve quality is expected to reduce costs from damage, loss, and claims. Industry has welcomed its use of commercial practices. Streamlined business procedures and guaranteed prompt payment via the IMPAC card will eliminate burdensome government regulations.

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PEO SC has implemented a large number of acquisition reform initiatives that have had a significant impact on improving efficiency, streamlining processes, and reducing program costs. Among these, the DDG-51 Class Affordability Cost Candidate (ACC) Program and the DDG-51 Class Multiyear Procurement (MYP) acquisition strategy embody unique Command initiatives that have produced substantial cost savings.

The DDG-51 ACC Program was initiated in June 1991 with an objective of cost reduction through the execution of proposed changes in equipment, processes, documentation, and services. Cost reduction ideas are solicited from all sources: PEO SC Divisions, SUPSHIPs, shipbuilders and industry. These undergo a rigorous evaluation process where cost, technical and operational merit are assessed for cost reduction potential without any sacrifice to essential capability or quality. A goal of saving $30M per Flight IIA hull was established. To date, 1,010 ACCs have been submitted to the Program, 294 of which have been approved for $379M in cumulative savings for DDG 51 through DDG 88. Of the $30M goal, $22.15M has been achieved on the first Flight IIA hull (DDG 79). The Return On Investment (ROI) for the ACC Program is 10.06.

The Navy's FY 98-01 acquisition strategy for the DDG-51 Class Program will stabilize the industrial base and provide more than $1.4B in savings when compared to the annual procurement with option pricing contained in the FY 97 President's Budget. Total savings as a result of the 12 ship MYP are $788M when compared to a 12 ship annual procurement. In addition to these multiyear savings, the comparison of an 11 ship annual procurement with options (FY 97 President's Budget) to a 12 ship annual procurement for the FY 98-01 buy provides an additional $420M of average unit cost savings. Subsequent to its approval of the 12 ship MYP, Congress provided funding in the FY 98 DoD Appropriations Act to procure a fourth FY 98 ship (for a total of 13 authorized and funded) in order to take advantage of the multiyear prices. Adding this ship in FY 98 further leverages the program stability realized from the 12 ship MYP and increases total program savings $234M across the multiyear period. The cumulative impact on the DDG-51 Class Program is a total savings of $1.4B resulting from the Navy's FY 98-01 MYP acquisition strategy.

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PEO(SC)
REALIZERS

COMMON HIGH BANDWIDTH DATA LINK- SURFACE TERMINAL (CHBDL-ST). A limited production option for seven CHBDL systems for FY 97 and FY 98 was awarded to Lockheed Wideband Systems based on an Integrated Product Team Approach. The integrated product team consisted of Lockheed, DCAA, DCMC, PMS 163 and SPAWAR 02-11A. The team was involved in the development of the proposals with negotiations being conducted on an input bases and by the time a certified price proposal was submitted a completely audited, negotiated proposal was submitted. Any difference at that time was handled on a bottom line basis. As a result of this effort a negotiated settlement (proposal, audit, and negotiations) was achieved in less than two months (10 Sep to 22 Oct 1996). The initial pricing run was for $98.6 million with various alternates and options included. The final negotiated settlement was for $59.9 million.

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ELECTRONIC POLICY GUIDANCE. SPAWAR Contract Policy has been instrumental in the use of electronic templates for the preparation of APs and J&As, simplifying the generation of these documents for all SPAWAR claimancy acquisition personnel. Standard contracting procedures are now included in an electronic guide for contracting personnel, a major improvement in the accessibility of procedural guidance.

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FIELD ACTIVITY MANAGEMENT. The Contracts Directorate Policy, Planning, and Field Management Branch has improved our relationship with the Contracts Divisions at NISE East and NRaD by implementing standardized requirements for the submission of their Acquisition Plans (APs), J&As, and Business Clearances, resulting in improved document quality and reduced processing time for review and approval of these documents submitted to SPAWAR Headquarters. We also coordinated setting up the latest Program Management Review at NISE East, resulting in the decision to provide NISE East unlimited contracting authority.

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SPAWAR REALIZERS

FIXED DISTRIBUTED SYSTEM (FDS) AWARD. FDS was developed to provide an improved undersea surveillance system for the U.S. Navy. This system uses fiber optic technology for data transmission from underwater sites to shore processing sites. The purpose of the subject procurementwas to acquire sufficient quantities of three types of armored cable for conducting future repairs of the FDS system.

With the hope of achieving time and cost savings while meeting the Navy's needs with minimal technical risk, the Government emphasized that offerors should provide innovative approaches in their responses to the solicitation. The solicitation allowed offerors to propose various alternatives to meet the requirements. The solicitation also highlighted the Government's intent to award a contract based on initial proposals. This gave the Government flexibility in its evaluation of proposals to make relevant comparisons of the alternatives proposed without being required to hold discussions. The Government awarded the contract on 12 Dec 1996, just over five months after issuance of the solicitation. The contract and the relatively short time required to award the contract reflect innovative business approaches, sound technical capabilities with minimal risk, and overall cost savings.

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MULTIFUNCTIONAL INFORMATION DISTRIBUTION SYSTEM (MIDS)

> FIGHTER DATA LINK (FDL) PROGRAM. The 1997 Packard Award was presented to the MIDS program in recognition of acquisition excellence and superior performance. MIDS was cited as a model system in using open systems architecture and commercial products, applying innovative acquisition streamlining techniques, implementing CAIV, and maintaining international cooperation.

> MIDS PRODUCTION READINESS OTHER TRANSACTION (OT) AWARDS**.** In November 1996, Public Law 104-201 extended the authority to award Other Transactions for Prototypes from DARPA to the military services. At this time, the MIDS program was developing its acquisition plan for Production Readiness and decided that this effort would be an excellent candidate for an OT award. Since this would be the first use of this authority within the Navy, the plan was briefed to and received the approval of ASN (RDA). The formal Industry Information Package (used in lieu of an RFP) was issued in April and the Navy's first Other Transaction for Prototypes (other than 2 Navy awards made as a result of the DARPA COSSI solicitation) was signed on 15 Aug 1997.

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PROGRAM EXECUTIVE OFFICER (PEO) OMNIBUS AWARD. The concept for the PEO OMNIBUS support services requirement was reform-minded from its inception. A team of SPAWAR 02-21 people worked directly with PEO-SCS to develop an innovative and creative solution that would not be "business as usual" and that would result in a streamlined source selection. The request for proposal, and the resultant contracts, were structured to ensure continuous competition through the use of multiple awards and the unique concept of a "deferred award," the use of a Fixed Price IDIQ contract with Delivery Orders for end-products, NOT labor hours, the use of a single, fully burdened, annual "*work unit rate*" and the availability of a variable performance award fee. The source selection process was streamlined through the use of such concepts as a single page Source Selection Plan and a three phased evaluation process consisting of Phase One - Technical Qualifications via "yes/no" responses to 28 questions, Phase Two - Oral Presentation and Interview and Phase Three - Best and Final Offer. This effort was successfully briefed at the 14 Aug 97 NARSOC.

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PMW 152, PMW 176 AND SPAWAR 05F - TECHNICAL AND ENGINEERING SUPPORT SERVICES FOR. SPAWAR recently completed a multiple award task order procurement for services to modernize Navy communications. Efforts under this contract include engineering and technical assistance in the conduct of requirements definition, shore system/subsystem engineering, design, integration, testing, evaluation, procurement and installation; planning, managing and logistics support for system implementation; planning and execution of developmental, operational, and acceptance tests; life cycle support planning for the Department of the Navy Defense Message System (DMS), Base Level Information Infrastructure (BLII) and Joint Maritime Communications Systems (JMCOMS); and other technical and engineering services required to install an integrated Command, Control, Communications, Computers and Intelligence (C^4I) suite into new construction ships and to update and modernize ships of the active fleet. Oral proposals were successfully utilized to expedite the technical review process. Two awards were made with both contracts having a maximum order limitation of $98,100,000. The contracts provide that both awardees must be considered for each task, thus ensuring a healthy competitive environment throughout the life of the contracts to continue providing state of the art services in this rapidly changing technical area. Both awardees are committed to provide subcontracting opportunities to small and small disadvantaged businesses aggregating one-fifth of the orders received.

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SOSUS CONTRACT AWARD – SHIP OPERATIONS AND ENGINEERING SUPPORT. Since the 1950s, the Navy's SOSUS (Sound Surveillance System) has been supported at sea by a combined effort of AT&T (now Lucent Technologies) and the Military Sealift Command (MSC). The contract awarded to AT&T each year was a sole-source contract, based on its unique capabilities to perform the cable handling at sea. In an attempt to foster competition and reduce the increasing costs of this work, a waiver signed by ASN/RDA, Nora Slatkin, authorized SPAWAR to proceed with a full and open competition. Award was made to a combination of AT&T (Lucent) and MSC at significant savings over the overall estimated cost of the proposed work. Both AT&T and MSC had reviewed their technical needs and business practices

and had reduced both the number of people involved in the program, as well as the corporate structure (overhead) necessary to support the work. This award ended a 30+ year sole-source lock on this work and put the Navy in a competitive position for the future. The Cable Sea Engineering Services Procurement Team received an award from both John Douglass, ASN (RDA) and D.E. Porter, Acquisition Reform Executive, based on the success of the procurement.

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UHF FOLLOW-ON (UFO) GLOBAL BROADCAST SYSTEM (GBS) PROGRAM.   The 1997 Hammer Award for the UHF Follow-On program, the 30th awarded to the Navy, was in recognition of acquisition excellence and superior performance in building a government that costs less and works better. The UHF F/O program was cited as a model program incorporating innovative reinventions in the areas of acquisition strategy, innovative contracting, use of Integrated Product Teams, and use of commercial equipment and services to provide a state-of-the-art satellite communication capability, critical to national defense, at a substantial cost-savings.

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AAAV	Advanced Amphibious Assault Vehicle
ABC	Activity Based Costing
ACAT	Acquisition Category
ACC	Affordability Cost Candidate
ACE	Acquisition Center of Excellence
ACO	Administrative Contracting Officer
ACT	Acquisition Coordination Team
ACTD	Advanced Concept Technology Demonstration
ADC(X)	Auxiliary Dry Cargo Ship
ADR	Alternative Dispute Resolution
AM	Acquisition Manager
AP	Acquisition Plans
AR	Acquisition Reform
ARCC	Acquisition Reform Communications Center
ARO	Acquisition Reform Office
ARTWG	Acquisition Reform Team Working Group
ASD(C3I)	Assistant Secretary of Defense (Command, Control, Communications & Intelligence)
ASN(FM&C)	Assistant Secretary of the Navy (Financial Management and Comptroller)
ASN(RDA)	Assistant Secretary of the Navy (Research, Development and Acquisition)
ASR	Acquisition Strategy Report
ATD	Advanced Technology Demonstration
BCMT	Block Change Management Team
BOS	Base Operating Service
BPA	Blanket Purchase Agreements
C4I	Command, Control, Communications, Computer and Intelligence
CAIV	Cost As an Independent Variable
CBD	Commerce Business Daily
CDRL	Contract Data Requirements List
CD-ROM	Compact Disk – Read Only Memory
CEO	Chief Executive Officer
CMC	Commandant of the Marine Corps
CML	Contract Management Library
CMO	Component Management Office
CNO	Chief of Naval Operations
CO	Commanding Officer
COFD	Contracting Officer's Final Decision
COSSI	Commercial Operations & Support Savings
COTS	Commercial Off-The-Shelf

CPARS	Contractor Performance Assessment Reporting System
CPS	Corporate Payment System
CSB	Cost Savings Board
CSIE	Command Standards Improvement Executive
CV/CVN	Aircraft Carrier/Aircraft Carrier Nuclear
CVX ICAN	CVX Integrated Communications Network Program
DACM	Defense Acquisition Career Management
DARPA	Defense Acquisition Research Projects Agency
DAU	Defense Acquisition University
DAWIA	Defense Acquisition Workforce Improvement Act
DCAA	Defense Contract Audit Agency
DCMC	Defense Contract Management Command
DFAR	Defense Federal Acquisition Regulations
DITY	Do It Yourself
DMS	Defense Message System
DoD	Department of Defense
DoN	Department of the Navy
DPCSC	Defense Procurement CIM Systems Center
DRPM	Direct Reporting Program Manager
DUAP	Dual Use Application Program
EC/EDI	Electronic Commerce/Electronic Data Interchange
EES	Elastomeric Ejection System
ERP	Extended Retrofit Period
EVM	Earned Value Management
FAA	Federal Aviation Administration
FACNET	Federal Acquisition Computer Network
FAR	Federal Acquisition Regulations
FARA	Federal Acquisition Reform Act
FASA	Federal Acquisition Streamlining Act
FISC	Fleet and Industrial Supply Center
FSC	Federal Supply Code
FSG	Federal Supply Group
HHG	Household Goods
IDQ	Indefinite Delivery Quantity
IOC	Initial Operating Capability
IPPD	Integrated Product and Process Development
IPT	Integrated Product Teams
ISCS	Integrated Ship Control System
IT	Information Technology
J&A	Justification and Approval
JDUPO	Joint Dual Use Program Office
JMCOMS	Joint Maritime Communications System
LOA	Letter of Agreement
M&S	Modeling and Simulation

MAP	Management Action Plan
MARCORPS	Marine Corps Systems Command
MCCDC	Marine Corps Combat Development Command
MCO	Marine Corps Order
MDA	Milestone Decision Authority
MEO	Most Efficient Organization
MIL-STD	Military Standard
MYP	Multi-Year Procurement
NADEPS	Naval Aviation Depots
NAPS	Navy Acquisition Procedures Supplement
NARSOC	Navy Acquisition Reform Senior Oversight Council
NAS	Naval Air Station
NASA	National Aeronautics and Space Administration
NAVAIR	Naval Air Systems Command
NAVFAC	Naval Facilities Engineering Command
NAVIPC	Naval Inventory Control Point
NAVSEA	Naval Sea Systems Command
NAVSUP	Naval Supply Systems Command
NCAT	National Center for Advanced Technologies
NECO	Navy Electronic Commerce On-Line
NLL	Naval Logistic Library
NSSN	New Attack Submarine
NSWC	Naval Surface Warfare Center
NUWC	Naval Undersea Warfare Center
OIPT	Overarching Integrated Product Team
OMB	Office of Management and Budget
O&MN	Operations and Maintenance, Navy
ONR	Office of Naval Research
OPNAVINST	Chief of Naval Operations Instruction
OSA	Open Systems Approach
OSD	Office of the Secretary of Defense
OS-JTF	Open Systems-Joint Task Force
OSO	Outsourcing Support Office
OTA	Other Transaction Authority
OT&E	Operational Test & Evaluation
PASA	Pre-Award Support Assistance
PBBE	Performance Based Business Environment
PD2	Procurement Desktop - Defense
PEO	Program Executive Officer
PEO ARBS	PEO Acquisition Related Business Systems
PM	Program Manager
POC	Point of Contact
PWS	Performance Work Statement
QASP	Quality Assurance Surveillance Plan
RDT&E	Research, Development, Test and Evaluation
RFP	Request for Proposal
RSI	Receipt Stowage Issuance

RYG	Red/Yellow/Green
S&T	Science and Technology
SAM	Sailor Arranged Move
SAP	Simplified Acquisition Procedure
SAT	Simplified Acquisition Threshold
SBA	Simulation Based Acquisition
SECNAV	Secretary of the Navy
SECNAVINST	Secretary of the Navy Instruction
SPAWAR	Space and Naval Warfare Systems Command
SPI	Single Process Initiative
SPS	Standard Procurement System
SUPSHIP	Supervisor of Shipbuilding and Repair
SYSCOM	Systems Command
TBMD	Theater Ballistic Missile Defense
TMIC	Technology Management Information Center
TOC	Total Ownership Cost
USD(A&T)	Under Secretary of Defense (Acquisition and Technology)

DEPARTMENT OF THE NAVY

IMPLEMENTATION OF ACQUISITION REFORM

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