14. ABSTRACT

The project goal was to perform a comprehensive review of how to improve the overall ship repair process and identification and implementation of actions to improve performance. The major cause of the perception that FISCSI Bahrain contracting was failing in its ship repair mission was due to a lack of engagement with our internal (inter-government) and external (shipyards and alteration boat repair contractors) customers. This was in large part due to short periods of assignment overseas which resulted in vacancies in key billets and was compounded by high work volume. Four major changes to how it engages with its customers. Most of the remaining expectations of the customers were realized, at least in part, as a result of internal analysis of the contracting process and the minimization of non-value added activities. Other improvement actions were also identified and will be achieved by working with the customers to provide timely feedback regarding the quality of the ship repair package documents that originate from them. The specific improvement actions are captured in the section of the report titled, “Ship Repair Production Standards & Contracting Processes.” Additional actions identified as to meet customer expectations are addressed in the section of the report titled, “Business Rules.”

15. SUBJECT TERMS

U. S. Navy Ship Repair

16. SECURITY CLASSIFICATION OF:
(Must fill out U, C, or S for fields 16 a, b and c)

a. REPORT
U

b. ABSTRACT
U

c. THIS PAGE
U

17. LIMITATION OF ABSTRACT
None

18. NUMBER OF PAGES
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Jodi D’Agostino

19b. TELEPHONE NUMBER (include area code)
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This is an Applied Systems Design Project requirement for the IU-UNC LogMBA Program, a two-year joint MBA between Indiana University’s Kelley School of Business and the University of North Carolina at Chapel Hill’s Kenan-Flagler Business School.
Navy Ship Repair – Southwest Asia

John Ryan, Navy Field Contracting Office Bahrain
Navy Ship Repair – Southwest Asia

John Ryan, Navy Field Contracting Office Bahrain

**Agenda**

1) Perception
2) Performance
3) Improvements
4) Summary
Voice of the Customer

Government

- Contracting process takes too many days
  - Overall
  - HQ Reviews
  - Legal Reviews
- Lack status updates
- Contracting “Rules” change
Voice of the Customer

**Government**

- Contracting process takes too many days
  - Overall
  - HQ Reviews
  - Legal Reviews
- Lack status updates
- Contracting “Rules” change

**Industry**

- Need more time to develop quality quotes/bids
- Not being given the opportunity to compete
- Takes too long to be paid
### Procurement Administrative Lead Time

<table>
<thead>
<tr>
<th>Contract Type</th>
<th>FY’10</th>
<th>NAVSUP Standards</th>
<th>CAMIS</th>
<th>SPS</th>
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<tr>
<td>&lt;$150K Simplified Acquisition</td>
<td>671</td>
<td>&lt;$25K = 20 days</td>
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**Crushing the Standards – Legit? How?**
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**Crushing the Standards – Legit? How?**

**Outcomes of Haste**
- Poor quality of contracts
- Limit competition
- Poor quality of quotes/bids
Process Improvements

1) **Customer relationship management**
   - Insist that sufficient time allocated to contract process
   - Regularly meeting with all stakeholders (Status)
   - Drive customer compliance to provide contract oversight
   - Drive accountability of IGE & SOW quality

2) **Retire CAMIS**
   - Redundant system (34K data entries per year)
   - Drive/enforce correct usage of SPS

3) **Reduce number of contracts awarded for on-going ship maintenance (Chartered rapid improvement event)**
   - Validate current multiple award contract process
   - Identify opportunities to improve
   - Reduce number of funding transactions
   - Ensure correct SPS tracking

4) **Shed Fund Custodian Role**
   - Bulk funding/lack of proper controls/efficiency
Process Improvements

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   - Ensure correct SPS tracking

4) Shed Fund Custodian Role
   - Bulk funding/lack of proper controls/efficiency
Process Improvements

5) Inter-port Differential
   – Capture difference in costs to perform repairs at major U. S. Navy “hubs” versus other locations in the region

6) Business Rules
   – Restrict customers from selecting the contracting office that will perform contract
   – Drive consistent acceptance standards for requests
Summary

Project Results
– We are well on the road to improved performance and reporting

Key Learning Points
– Go back to the basics
  • Enforce standards
  • Enforce correct use of systems
  • Need to develop command focus/awareness of uniqueness of ship repair contracting

Questions
Improving Fleet and Industrial Supply Center, Sigonella, Italy, Detachment Bahrain’s Ship Maintenance Contracts in Southwest Asia

Executive Summary

The impetus for this project was feedback received by senior management as to the speed to award contracts for the repair of United States Navy, Coast Guard, and Maritime Sealift Command ships in Southwest Asia.

The initial focus of the project was to address the perception that too much time passes between the receipt of customer request and the award of a contract. After close consultation with the supported ship repair activities that generate requirements as well as with the contractors a much more accurate understanding emerged as to their expectations of the contracting process. The customer’s expectations are captured in the section of the report titled, “Voice of the Customer.” However after consultations, the project goal shifted to a comprehensive review of how to improve the overall ship repair process and identification and implementation of actions to improve performance. Please note that the project goal was to improve the performance of FISCSI Bahrain contracting, not to necessarily achieve hard dollar savings.

The major cause of the perception that FISCSI Bahrain contracting was failing in its ship repair mission was due to a lack of engagement with our internal (Inter-government) and external (Shipyards and alteration boat repair contractors) customers. This was in large
part due to short periods of assignment overseas which resulted in vacancies in key billets and was compounded by high work volume. To address this, the contracting office has made four major changes to how it engages with its customers. A customer engagement strategy was implemented as detailed in the section of the report titled, “Enhanced Customer Engagement.”

Most of the remaining expectations of the customers were realized, at least in part, as a result of the internal analysis of the contracting process and the minimization of non-value added activities. Other improvement actions were also identified and will be achieved by working with the customers to provide timely feedback regarding the quality of the ship repair package documents that originate from them. The specific improvement actions are captured in the section of the report titled, “Ship Repair Production Standards & Contracting Processes.” The final areas identified as requiring changes in order to meet customer expectations reside mainly in the areas addressed in the section of the report titled, “Business Rules.”

In summary, while a significant number of performance improvements have been identified and are being taken for action by FISCSI Bahrain Contracting, the main concern expressed by the customer, which is that their requirements take to long to be awarded, is not valid - contracts are awarded well within regulatory standards. Effective articulation of the submission deadlines for contract actions is essential to change what are currently unreasonable expectations.
Improving Fleet and Industrial Supply Center, Sigonella, Italy, Detachment Bahrain’s Ship Maintenance Contracts in Southwest Asia

Project Charter

The initial project goal was to decrease the amount of time between receipt of a customer’s procurement request and the award of a ship repair contract. Enclosure (1) provides the Plan of Actions and Milestones that were agreed to by this paper’s author, CAPT Christopher Ray, Chief Contracting Officer for Fleet and Industrial Supply Center Sigonella Italy (FISCSI), the project sponsor, and Dr. Haynes, the academic advisor. While all of the main elements of the milestones were performed, albeit with a few modifications for which explanations are provided, the scope of the project evolved well beyond its initial boundaries. In short, a comprehensive review of the entire ship repair process was performed. Numerous action items have been identified of which many are still in-progress. Before diving into the details of how to improve the ship repair contracting process, an introduction to the mission of performing ship repair in the Southwest Asia region will be provided.

Introduction to Navy Ship Repair in South West Asia

FISCSI has two offices located in the Middle East. The larger of the two is located in Bahrain and provides the full range of ship repair contracts ranging from major repairs
that require dry-dock facilities and take many months to perform to small, yet critical, repairs required to quickly return ships to sea. The Bahrain office in conjunction with Norfolk Ship Support Activity Detachment Bahrain, additionally establishes various ship repair agreements which validate the capabilities of ship repair companies and pre-establish the terms of the contract. The smaller office is located in Dubai and generally awards contracts for voyage repairs (Damages that occur to ships during the course of their deployment) as well as scheduled maintenance of ships homeported outside of the continental U.S. Enclosure (2) provides the organization charts for these two offices. The enclosure also explains the certification process that a contractor needs to complete in order to attain a master agreement for repair and alteration of vessels with FISCSI. The two offices directly receive requests and generally take action independently of each other.

The workload performed in Bahrain during fiscal year (FY) 2010 (’10), totaled 1200 contract awards valued at over $34 million. Approximately 90% of the actions are in support of monthly maintenance and repairs aboard the patrol costal ships, mine sweepers, and coast guard cutters. The remaining 10% is made up of contracts for large scheduled maintenance availabilities, which are generally over $150,000 and take between 30-90 days to complete, and contracts to support emergent repairs to non-local based ships that are operating in the region. Enclosure (3) lists the forward positioned ships and provides the cost and the number of actions to repair both forward stationed ships and those ships that are only temporarily operating in the region.
A number of organizations are involved in completing the ship repair mission. The Bahrain contracting office has either an internal or external customer service relationship with all of them, which is explained in the next section.

**Customer Engagement**

In large part due to the challenges in attracting qualified contracting officers and management staff the Bahrain office had great difficulty in filling key billets; billet gaps of over one year were common place. These staffing deficiencies, as well as the large volume and time criticality of the work-in-progress, significantly affected the Bahrain Office’s ability to provide proper attention to managing our relationship with our customers. The lone success story in our relationships with our ship support repair activities is that a very robust exchange of information occurs at the contract specialists to ship support surveyors/technical level. Establishing and maintaining this critical inter-organizational line of communication is attributable to a management decision made 4 years ago to align ship repair branch positions to specific customers. Unfortunately, management at both the contracting office and the ship repair activities were often not aware of the exact status of pending actions nor did they have a clear understanding of various deficiencies in procurement request documents. Additionally, the regulations inherent in government contracting were often not applied in an accurate or consistent manner. It was as a direct result of feedback provided to high headquarters by the operational fleet commanders, as well as the ship support activities, that ship repair was selected for an in-depth applied project case analysis. The initial task was to go out and
meet with our main customers and to listen what they had to say regarding the support that they receive from FISCSI Bahrain. Enclosure (4) provides a listing of FISCSI Bahrain contracting’s internal and external customers.

Voice of the Customer

Between 18 and 21 October, 2010, the Navy Central Command (NAVCENT) Fleet Maintenance Office (N43) sponsored two events which focused on ship repair. The first event was a two day event that brought together the government ship repair engineering community, the commanders of the forward deployed squadrons, FISCSI Bahrain contracting, along with a representative from the Defense Logistics Agency. This event was directly followed by a two day industry symposium, which provided an opportunity for the ship repair engineering offices and FISCSI Bahrain contracting office to share briefings and enter into detailed discussions with our regional ship repair contractors. The below lists summarize the critical customer service elements that were captured in listening to both sets of customers; internal and external.

Voice of the Customer – Internal

1. The contracting office must be able to rapidly produce a signed contract.

2. The leadership of the ship repair activities needs frequent status updates from contracting including reliable award date estimates.

3. The perception that higher level headquarters reviews required within the contracting chain of command are not sufficiently responsive.
4. Legal counsel takes overly conservative positions. Too many days are lost due to legal justifications and approvals going back and forth between contracting and the ship repair activity.

5. Lacking clear understanding of key contracting rules. Specifically, what is the geographic area of competition when awarding major ship repair actions and what methodology is used to calculate interport cost differential?

Voice of the Customer – External

1. Need more advance notice between receipt of request for quotes, bid due dates, and the beginning of the period of performance.

2. Ship repair contractors not based in Bahrain and UAE strongly felt that they were not being given the opportunity to compete to receive major ship repair contracts. Considerable effort is spent by the contractors to become ship repair agreement holders with U.S. Navy.

3. It takes too long to be paid after completion of work.

Some of the areas identified above will be examined and can be corrected by engagement with our customers. These areas include keeping the leadership of the ship repair activities informed and the coordination of legal review. Additionally, some of the challenges associated with providing contractors additional time in order to prepare their bids as well as the matter of contractors experiencing delays in receiving payment can be improved with enhanced customer engagement.
Enhanced Engagement with Ship Repair Activities

In order to ensure that our customers are kept abreast of their work-in-progress, the FISCSI Bahrain’s ship repair branch supervisor, along with the primary assistant of the ship repair branch, are now regular attendees at their primary customer’s production meetings. Additionally, the leaders of the ship repair activities are welcome to attend the FISCSI Bahrain weekly work-in-progress review meeting. The FISCSI Officer in Charge also visits these leaders at least weekly. These visits are scheduled and synchronized to ensure that our reports to fleet commanders are accurate and aligned.

The customer’s concern that the legal review process was delaying the award of critical ship repair contract was in some regards accurate. The customer provided specific examples of when legal review had resulted in multiple-day delays in the contract award process. The reasons for the delays were two-fold. In both cases, additional information was required before a legal assessment could be performed. Some of this information can only be provided by the ship repair activities. Other information, such as the establishment of operational limitations for ship movements, needs to come from squadron commanders. We were able to facilitate the improved communication in both of these areas. First, the FISCSI Bahrain legal counsel has created an open door policy for the ship repair activities. Hands-on assistance is provided in order to streamline the drafting of legal justifications and approvals. This has prevented the back and forth passing of documents between offices. With regards to operational policy documents
that need to come from squadron commanders, the contracting office now acts as a facilitating partner with the ship repair activity; the effort is not left to the ship repair activity to perform on its own.

*Enhanced Engagement with Ship Repair Contractors*

Another area in which we can improve customer satisfaction is to reduce the number of occasions in which our external customers have had difficulty getting paid. The contractors were asked to provide a list of their problem payment contracts. FISCSI Bahrain contracting reviewed the lists and most of the outstanding payments were due to performance by the contractor which was not included in the contract. With the correct training these types of events can be avoided as the ship repair activities have technical representatives positioned aboard the ships that are undergoing repairs. As these government employees are in frequent and direct communication with the contractor’s staff, they are ideally positioned to ensure that misunderstandings do not occur. Accordingly FISCSI Bahrain contracting has provided general training to the leadership of the ship repair activities on this problem and, as of November 22, 2010, now requires the ship repair activities to train and nominate contracting officer representatives for all ship repair contracts. The contracting office appointments contracting officer representatives and ensures that these responsible agents are the only one permitted by the contract to perform and sign acceptance for completed ship repair work items.
Enhanced Engagement with Fleet Maintenance Office & Operational Commanders

The remaining customer service area that can be improved by enhanced engagement requires a joint effort by the ship repair activities and contracting to provide our ship repair contractors with additional days to prepare their bids. The NAVCENT N43 has recently stood-up a quarterly maintenance meeting that will act as a working group to address this specific issue along with all matters that have an impact on our ability to perform ship repair in Southwest Asia. The Joint Fleet Maintenance Manual (JFMM) establishes standards for how far in advance of the anticipated start of the period of performance that a ship repair package should be submitted to contracting. The key time standards are 120 days in advance for major ship repair actions and 14 days for voyage repairs.

The contracting office uses the standard procurement system (SPS) to write contracts and manage contract data and Contract Action Management Information System (CAMIS) to manage work-in-progress. A report was run in CAMIS to determine the average time between receipt of a ship repair activity’s work package and that start of the period of performance. The result for fiscal year 2010 was an average of less than 32 days for major maintenance actions and less than 8 days for smaller contracts. While the timeliness of contracting may be superior, the drive to meet deadlines has definitely had an effect on quality of the documentation required to support the contract action as well as on our ability to ensure 100% compliance with contracting regulations. The quarterly maintenance meeting is the forum to address the importance of meeting contracting time
submission standards. It is FISCSI Bahrain contracting’s responsibility to articulate the benefits to all parties of getting closer to the JFMM submission time standards; education of the customer on contracting’s main processes and the impact of insufficient process time is essential as all parties share a mutual interest to support the end goal of a timely, high quality contract.

Having addressed those areas of customer performance that can be improved with enhanced customer engagement; the next step is to understand the internal processes of contracting and the identification of the key measures of performance. Knowledge of these systems and measurable elements are essential to being able to address the “number one” customer concern.

**Ship Repair Production Standards & Contracting Process**

The current “as-is” process flow chart has been documented and is provided as enclosure (5). In summary, the contracting office receives a funded ship repair package, sends out a request for bids to those contractors with whom we have ship repair agreements, receives back quotes from the contractors, and then signs a contract with that contractor who submitted the lowest priced and technically acceptable bid.
The standards for how quickly a contracting office should be able to place a customer’s requirement under contract are set by Naval Supply Systems Command (NAVSUP). Contracting requirements are divided up into two categories based on their dollar value; simplified acquisition procedures (SAP) and large contracts. Requirements under $150,000 are considered SAP and are a less labor intensive process. High dollar requirements involve additional policy requirements and reviews, which require additional time. The standards are provided in the chart below. A report was run in CAMIS to determine the average time between receipt of a ship repair activity’s work package and contract award for FISCSI Bahrain contracting. The results for fiscal year 2010 are provided in the below chart.

<table>
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<td>Large Contract</td>
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While we are well within the time standards to perform routine contacts, about 10% of the FISCIS Bahrain ship repair contracts are to support voyage repairs. Voyage repairs are performed in order to restore a ship to full mission readiness. Based on the military importance to restore the ship to full mission readiness, voyage repair actions receive top priority upon receipt by the contracting office. Unfortunately neither of the information management systems used by the contracting office capture the customer’s required
delivery date (RDD), which for ship repairs is the period of performance start date (While it is likely more accurate to calculate the RDD as the start date plus the duration time period to perform the repairs, since voyage repairs as usually performed in just a few days the performance start date can suffice as the key metric). In discussions with key customers and internal staff the overwhelming opinion is that the ship repair contracts are almost always awarded in time to support the start of the period of performance. A review of the last 10 high priority ship repair requirements received by FISCSI Bahrain contracting provided confirmation: all of the requirements were awarded in time to meet the required start date. Based on the above data, FISCSI Bahrain contracting meets established performance standards. Meeting standards and doing so in a most efficient manner are, of course, two different things.

“As-is” Process Analysis and Decomposition

A detailed analysis of the process, with a focus on activities that impact the speed to award and the identification of opportunities to eliminated non-valued added activities and/or improve efficiencies, was performed. Additionally, in the process of performing this analysis the entry of data into had to be further decomposed CAMIS data entry. A screen shot of the data CAMIS data entry is provided as enclosure (6). The results of this analysis fit into three general areas: (1) CAMIS is non-value added; (2) The significance that poor quality initial government estimate (IGE) and statements of work (SOW) have on the speed to award, due to work hours lost in effort to correct; and (3) The
identification of the opportunity to reduce the number of contracts by changing our strategic business rules.

**CAMIS**

CAMIS preceded the fielding of SPS. While it does not provide any unique capabilities that cannot be performed by SPS, it has continued to be used, in a reduced role, at FISCSI Bahrain contracting for a number of reasons. As noted previously, one of the key contracting performance metrics is the speed between receipt of a requirement and contract award. Receipt of the funding document is not the same as receipt of an actionable package, which would need to include a SOW, an IGE, as well as other documents. CAMIS provided management with visibility of pending workload actions. Upon receipt of a funding document, an initial CAMIS entry is processed. Unfortunately, the timing of the initial SPS entry is often delayed due to the complexity associated with our current process of decomposing work packages into “competition groupings” and then requesting and processing the required funding documents. The use of “competition groupings” is addressed in greater detail later in this report. The complexity associated with the various funding scenarios is captured and identified using “(…)” within the text blocks on the “as-is” process flow chart. The main purpose of CAMIS was to ensure that management had visibility of all actions pending; independent of the SPS entry. CAMIS was also used to perform general contract data queries along with reports used to assess productivity. During FY ’10, over 32,000 individual data entries/selections were made.
for just the ship repair contract actions at FISCSI Bahrain contracting. This workload equates to ½ of a full time procurement technician.

Ending the use of CAMIS required that initial SPS entry be performed at a much earlier point in the process. The initial SPS entry also needed to be performed at an earlier point to comply with regulations associated with the employment of SPS; which is designated as the Department of Defenses’ enterprise contracting system. SPS data integrity is essential for a number of reasons to include the ability to capture key performance metrics of the contracting process; such as the length of time it takes to place a requirement under contract. So, while performing the initial SPS entry at an earlier point in the process has resulted in adding a few days to our key metric, it had to be done to achieve regulatory compliance.

**Quality of IGEs & SOWs**

A major impediment to being able to quickly move from contract receipt to contract award is the poor quality IGE and SOW. A proper IGE should provide an estimate of the fair and reasonable cost based on labor and material, to contract the required ship repairs. As noted in a recent Department of Defense report on FISCSI Bahrain’s ship maintenance contracts, the IGEs are often adjusted, after the receipt of the contractors bid proposal, in an attempt to justify the price of the contractor’s proposal. The update of the IGE requires reviews and actions by both the contracting office and the customer and in
most cases is a non-value added activity. As a result of this report, all of our ship repair activities are currently taking actions to improve their cost estimates.

A poor SOW will often not be discovered by a contracting specialist. Deficiencies usually only become apparent after the contract office has released a request for quotes and contractors then respond with requests for clarifications. Staffing these requests for clarifications require that actions be taken by the contracting office and the customer. Any clarification must be shared with all the parties that could potentially bid to perform the work. The usual result of this type of situation is that the solicitation has to be updated and the bid due date extended, which in turn delay contract award. It is not unusual that a request for quotes has to be updated more than once during the solicitation process. FISCSI Bahrain contracting’s solution to this problem has been to address it within the enhanced customer engagement effort. All too many times in the past, the ship repair activity’s management has not been made aware of the challenges that contracting has experienced with the quality of their ship repair packages. The importance of high quality IGEs was shared with our customer via official correspondence, which includes two IGE samples. A copy of this document is provided as enclosure (7).

**Opportunity to Reduce the Number of Competed Contracts**

We believe that there is the potential to reduce the labor hours involved in the award of ongoing maintenance contracts for ships forward positioned in SWA. Our contracting office performs approximately 450 contracts per year to support the ongoing maintenance
of ships forward positioned in Bahrain. The vast majority of these contacts are below $25K. The award of a contract is labor and time intensive. Starting on February 15, 2011, we plan to hold a week long rapid improvement event tasked to explore opportunities to reduce the workload associated with getting these requirements under contract as well as to identify any opportunities that may exist that could improve our ability to award contracts for short notice voyage repairs in a short length of time.

A list of the initial actions to support this event are identified and captured on the current draft of the rapid improvement event project charter. A copy of the charter is provided as enclosure (8). While this project has the potential to improve of overall efficiency and responsiveness to meeting customer requirements, it has equal value as a verification/validation of our current contracting process. Our current process is to decompose work packages into “competition groupings.” This method increases the number of companies that have the opportunity to compete for a contact and may achieve a lower overall price for the required maintenance; however it definitely increases the number of contract actions performed. The goal of the event is to determine the most cost effective and responsive methods for performing this process. It is safely estimated that a workload reduction that at least equates to ½ of a full time procurement technician will result from this improvement event.

The remaining customer service focus is to provide much clearer guidance, for both internal and external customers, as to how to calculate and apply interport cost; which is the key driver in the determination of which repair contractor will win the award. This is
a very important point due to the dispersed geographic locations of the ship repair contractors.

**Business Rules**

The consideration of the calculation of interport cost differential is a complex task. There are a significant number of logistical challenges that arise in order to be able to provide logistical support and force protection to both the ship’s crew and ship repair activity personnel. We need to consider our ability as well as the cost to move the supplies and personnel required to perform ship repairs at sites that are located away from our major logistics hub and forward logistic support sites in the Southwest Asia. There also military planning considerations. Due to the dynamic security situation in the Arabian Gulf region, NAVCENT N43 would like to have as many ship repair contractors as possible to hold ship repair agreements with FISCSI Bahrain contracting. A large ship repair industry base is more capable to meet any sudden increase in to the number of ships that require repairs. On the other hand, accomplishing the mission of the ship repair activities and ships can be made significantly more challenging if the repairs were to be made outside of Bahrain or UAE (Ship repair agreement holders exist in Kuwait and Oman, and could, if eligible, win a major ship repair contract).

In an effort to improve what in the past has been a very confused process, FISCSI Bahrain contracting is engaged with regional stakeholders to develop a methodology to calculate inter-port cost differential that takes into account not just the diesel fuel burned
to reposition ships, but also the costs associated with transportation of materials, the cost
to deployment the ship repair activity’s personnel, and the cost of not having a capital
ship of the U. S. Navy available to perform operations. This last factor is a major cost
driver which has been hitherto not been included when making these types of
considerations. The resulting methodology will allow all the stakeholders to be more
aware of the possibility as to when ship repairs might be awarded to a shipyard that is not
in close proximity to a main U. S. Navy port of call.

Potential to Influence Site Selected for Major Ship Repairs

With two contracting offices awarding ship repair contracts in Southwest Asia it has, in
the course of this applied project, become obvious that some of the ship support activities
are directing their requirement to specific offices based on where they might desire the
ship repair actions be performed. Instances have been identified in which the required
repair did not have to be performed at the site requested by the ship repair activity. In
order to standardize how FISC SI Code 200 performs ship repair in Southwest Asia,
business rules have been drafted between the Bahrain and Dubai contracting offices and
forwarded up to high headquarter for review. A copy of the draft business rules provided
as enclosure (9).
Conclusion

The major cause of the perception of failing to award ship repair contracts in a timely manner was due to a lack of proper engagement with the internal customers. An effective articulation of the submission deadlines for contract actions is essential to change what have been unreasonable expectations - contracts are awarded well within regulatory standards. Short tour lengths, gaping key billets and high work volume contributed to the poor engagement. Most of the remaining customers concerns can and have been addressed as a result of an analysis of the contracting process and the minimization of non-value added activities. Other improvements can only be achieved by working with the customers to provide timely feedback regarding the quality of the ship repair package documents that originate from them and working with the customer to improve the quality of those documents.

Lastly, the project goal was to improve the performance of FISCSI Bahrain contracting, not to achieve hard dollar savings. In the process of performing this project many areas have been assessed, some improvement actions performed and many still in-progress. The total labor hours saved, from process improvements that have been captured in this report is estimated to equivalent to one procurement technician.
Plan of Action and Milestones

LOGTECH MBA – Applied Project Course EX800
POA&M – Decrease Time to Award Shipyard Contract
John “Mike” Ryan

25 AUG 2010

Project Goal: Decrease the amount of time between receipt and contract award for requests for the repair and alteration of vessels.

Phase II

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Action elements and Deliverables</th>
</tr>
</thead>
<tbody>
<tr>
<td>23 SEP 2010 Identify what is Most Important to the Customer</td>
<td></td>
</tr>
</tbody>
</table>

The customer in this particular case is more than the activity requesting the work to be performed. The customer includes the service component (i.e. US Navy or US Coast Guard) and those “Operational” commands which mission task these units when they are embarked or home ported in this geographic region. Deliverables include: (1) List of key customers and persons contributing to the achievement of the project goal; and (2) Validate the “Voice of the Customer” and the “Voice of the Business.”

| 08 OCT 2010 Describe the “As-Is” Condition and Measure Recent Performance |

Deliverables include: (1) Process map/flow chart (To include documenting the existing business rules for the initial receipt and screening of ship repair procurement packages, the internal assignment of ship repair procurement packages within the contracting office [Workload balance], and management methods used to manage work-in-progress; (2) Collect baseline data; and (3) Explain the methods currently used by the contracting office to engage with requesting activity and other key stakeholders (Service components & “Operational” commands).

| 11 OCT 2010 Phase II Progress Report Due to Mentor |

Provide all project status to include copies of all deliverables required to Dr. Haynes via project sponsor.

| 22 OCT 2010 Perform Process Analysis (identify cause of problem/opportunity to improve) |

The value of speed is expected to be the overarching goal to achieve during this milestone (Little’s Law). Deliverables include: (1) Value stream map; (2) List prioritized root causes of the output relationship (Include estimates of the impact of each root cause to the outputs); and (3) Identify potential opportunities to more effectively engage with “Stakeholder” activities.

| 05 NOV 2010 Implement Solutions & Control Updated Processes |

Deliverables include: (1) “To-Be” Process Map (To include time standards, updated business rules for receipt/screen/assignment of shipyard procurement packages, and document management system to ensure effective oversight of work-in-progress); (2) Document enduring data collection plan to capture on-going process performance against the time processing standards found in the “To-Be” process map.

| 15 NOV 2010 Phase II Submit Draft Report to Review Partner (Kristin Gatti) |

Draft report will include copies of all deliverables required. The draft will be written in executive format style.

| 24 NOV 2010 Phase II Submit Draft Report to Mentor |

Update report based on feedback received from Ms. Gatti and submit to Dr. Haynes via project sponsor.

Christopher J Ray
CAPT, SC, USN
Project Sponsor

Enclosure (1)
Organization Charts & Ship Repair Agreements

**FISCSI Det Bahrain**

- **Officer In Charge**
  - CDR Mike Ryan

- **Dir of Acq/Dep OIC**
  - Ms. Michelle Gray

- **Shore Support Supv**
  - Mr. Gary Hall
  - Contract Specialist
    - Cécile Virgino
    - Abhilash Moorkoth
    - Robert Kois
  - Purchasing Agent
    - Flordeiza Briones

- **Fleet Support Supv**
  - Ms. Joyce Cartwright
  - Contract Specialist
    - Ganesh Swaminathan
  - Contract Specialist
    - Ching Belen
  - Contract Specialist
    - Aldrin Pal
  - Contract Specialist
    - John Clayton

- **Fleet Operation Officer**
  - Ltjg David Guo
  - Contract Specialist
    - LSC(SW) Allan Gascon

- **Financial Mgmt Analyst**
  - Rowena Reformina

- **Procurement Tech**
  - Edith Fuentes
  - Jesintha D’Souza
  - Hazel Gorde

- **Fleet Operations Officer**
  - Robert Kois

**FISCSI Det Dubai**

- **Officer In Charge**
  - LCDR Bari Jones

- **Deputy OIC**
  - Ms. Laurie Lenser

- **Counsel**
  - Robert Kois

- **Shore Support**
  - Purchasing Agent
    - Cheryl Geneciran

- **Fleet Support**
  - Purchasing Agent
    - Glenda Quilacio
    - Irene Pamfilo

Enclosure (2)
Ship Repair Agreements

**Master Ship Repair Activity (MSRA)**
& **Agreement for Boat Repair (ABR)**

**Agreements Validate Capability**
& **Set Contract Terms and Conditions**

- **Saves Time**
- **Partnership**
- **Gives Confidence**

Eligible to Complete for Ship Repair Contracts

**MARAV Certification**

**Certification Process**

- Initiation (Process can be started by Industry and/or US Government)
- Questionnaire (6th FLR / FISC INST 4209.2A)
- Site Visit to Contractor
  - Contracting Office performs Financial Responsibility Assessment
  - US Gov Engineers assess Capabilities and review Industrial Process Certifications
- NSSA OIC Recommends Issuance of MARAV
- Contracting Issues MARAV / ABR Agreement
- Contractor Signs and Returns Agreement

**DFAR 217.7103-6:** Requires annual review of MARAVs & ABRs

---

**MSRAs & ABRs**

- **MSRA Holders**
  - Must be Capable of Accomplishing 55% of a Selected Restricted Availability (SRA) on a FFG 7 class ship or larger
  - Within own Facility & Utilizing own Shops & Workforce

- **FFG-7 class ship**
  - 4,200 ton displacement
  - 200 person crew
  - 136m length
  - 14m beam
  - 6.7m draught
  - 2 ship gas turbine engines

**SRA: 60-90 Days to perform Maintenance, Repairs and Upgrades**

Examples: Tank Preservation, Propulsion and Ship Systems, Hull, Mechanical and Electrical Systems…

---

**ABR (Agreement for Boat Repair)**

- Same process as MSRA
- Contractors that do not meet all the requirements to be a MSRA holder
- Eligible to compete for repair work in those areas in which they possess the Capability

**General List of Capabilities**

- Pipefitting
- Hose Fabrication
- Lagging
- Rigging
- Motor Rewind
- Pumps/Valves
- A/C & Refrigeration
- Hull
- Sheet metal work
- Tank Preservation/Cleaning
- Hull Repair
- Mechanical Systems
- Electrical Systems
- Deck Coverings
- Machinery
- Diving Services

---

Enclosure (2)
Forward Stationed Ships List and Transient Ship Repair Data

**Ship Repair**

**Bahrain Homeported**
(Exempt from Sec 7310 of Title 10, USC)

<table>
<thead>
<tr>
<th>Coast Guard</th>
<th>Military Sealift</th>
</tr>
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<tbody>
<tr>
<td>USCGC ADAK</td>
<td>Command</td>
</tr>
<tr>
<td>USCGC AQUIDNECK</td>
<td>USNS CATAWBA</td>
</tr>
<tr>
<td>USCGC BARNOFF</td>
<td>USNS FLINT</td>
</tr>
<tr>
<td>USCGC MAUI</td>
<td>USNS HUMPHREYS</td>
</tr>
<tr>
<td>USCGC MONOMOY</td>
<td>* Generally performed by FSICSI Det DUBAI Office</td>
</tr>
<tr>
<td>USCGC WRANGELL</td>
<td></td>
</tr>
</tbody>
</table>

**Navy**

Patrol Craft
USS CHINOOK
USS FIREBOLK
USS SIROCCO
USS TYPHOOSEN
USS WHIRLWIND
Mine Counter Measure
USS ARDENT
USS DEXTROUS
USS GLADIATOR
USS SCOUT

**Ship Repair**

**Transient Ships**

**US Navy & Military Sealift Command**

| Voyage Repair | Emergent Drydocking | Emergent Repairs as a Result of Collision |

Annual Requirements: Approx 100 Awards
Value: $2K - $1M

Pending opportunities to perform Availabilities to USNS with Title 10 exemption that are Forward Positioned...USNS EMORY S LAND

Enclosure (3)
Customer List

Internal Customers

Ship Support Activities
- Norfolk Ship Support Activity Detachment Bahrain
- Military Sealift Command - Ship Support Unit Bahrain
- United States Coast Guard - Surface Forces Logistics Center

Operational Commanders
- Commander Logistic Forces Navy Central Command/Commander Task Force FIFTY THREE
- Commander Naval Forces Navy Central Command
- Commander U.S. Fifth Fleet Expeditionary Strike Group FIVE
- Commander Destroyer Squadron FIFTY
- Commander Mine Sweeper XXX
- Commander Patrol Craft XXX

External Customers

Master Agreement for Repair and Alteration of Vessels
- Arab Shipbuilding and Repair Yard
- Bahrain Ship Repairing and Engineering Company

Kuwait
- Heavy Engineering Industries & Shipbuilding Co. KSC

UAE
- Dubai Drydocks

Oman
- *Oman Drydock Company (Agreement Pending)

Agreement Boat Repair
- Marine and Industrial Repair
- Sultan Air-conditioning & Refrigeration
- Muharraq Eng’g Works
- Bahrain Workshop
- Airmech
- Felmar Maintenance
- ALAA Industrial Equipment Factory (AFI)
- FDGM, Inc.

Enclosures (4)
Customer List (Cont.)

External Customers
Agreement Boat Repair

United Arab Emirate
• United Arab Marine & Shipbuilding
• Plastic Powder Coatings, Inc.
• Seven Seas Marine Services
• Seven Seas Ship Maint & Repairs
• Albawardy Marine Engine
• Grandweld
• Nico International
• Chalmers
• Felmar Tech Est.
• UMC International
Decomposition Elements

CAMIS input screen (Pre and post award)

Pre-award total input entries/selections: 17
Post award total input entries/selections: 10
FY’10 Total Inputs: 1200 x 27 = 32,400 data entries/selections
* System workload equates to $\frac{1}{2}$ of a full time contract clerk

Enclosure (6)
From: Officer in Charge, Fleet Industrial Supply Center, Sigonella, Bahrain
To: Officer-in-Charge, NSSA Detachment Bahrain
Director, Ship Support Unit Bahrain, Military Sealift Command
Branch Chief, Surface Forces Logistics Center, Patrol Boat Product Line, USCG

SUBJ: INDEPENDENT GOVERNMENT COST ESTIMATE (IGCE)

Encl: (1) Sample IGCE for Labor
(2) Sample IGCE for Supplies

1. In March 2009, FISC SI Bahrain was audited by the Office of the Inspector General, DOD, Acquisition and Contract Management Directorate. The focus of this audit was to determine if contracts for ship repairs and maintenance were properly managed and administered. The main focus was competition, price reasonableness determinations, and quality controls. One of the findings was “improvements needed for price reasonableness determinations.” The finding was due to basing price reasonableness on unsubstantiated and not fully documented revised IGCE’s.

2. In December 2009, FISC SI Bahrain had a Procurement Performance Management Assessment Program (PPMAP) inspection which was conducted by Naval Supply Systems Command (NAVSUP). The focus of this inspection was to review the operation and management of procurement functions. One finding documented by the PPMAP was inadequate price reasonableness justification. The PPMAP noted that FISC SI Bahrain was receiving and using IGCE’s that lack adequate pricing details and are insufficient as a basis for determining a reasonable price for ship repair orders.

3. The common finding in both the audit and inspection listed above is the receipt and use of IGCE’s that lack adequate details to determine a fair and reasonable price. In the future, IGCE’s that lack pricing details cannot be accepted. I request your surveyors submit a detailed IGCE, i.e., types and hours of labor and amount of material for each ship repair order. The detailed IGCE and SOW should be submitted as a complete package with the funding document. If an unacceptable IGCE is part of the procurement package the procurement package will be considered incomplete until an adequate IGCE is provided. Your immediate attention and compliance to this issue is greatly appreciated.

J. M. RYAN
CDR. SC. USN

Copy to:
Contract File

ENCL (4)
### Sample Independent Government Cost Estimate for Labor

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<thead>
<tr>
<th>WI No.</th>
<th>CAT:</th>
<th>Acct Code:</th>
<th>Date Printed:</th>
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#### RFP Price Quotation and Cost Estimate

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<th>SUMMARY OF ALL COST-ESTIMATE</th>
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<td></td>
<td>NUMBER OF HOURS</td>
<td>HOURLY RATE</td>
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<td>BOILERMAKER</td>
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<td>TRAVEL TIME</td>
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<tr>
<td>BURNER</td>
<td>0</td>
<td>(A) MATERIAL (Insulation &amp; Misc Pipe System Mat*)</td>
</tr>
<tr>
<td>CARPENTER</td>
<td>0</td>
<td>(B) MANUFACTURER'S REPRESENTATIVE</td>
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<td>(C) CRANE AND OTHER HIRED EQUIPMENT (Staging)</td>
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<td>WELDERS/BURNER</td>
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<tr>
<td>Total</td>
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</tbody>
</table>

#### Remarks:

1. The labor categories and the amounts of hours within each of those categories are based on previous, similar levels of effort expended to accomplish similar workloads.
2. The labor rates are from a GSA Schedule (identify GSA Order number). If the labor rates are from a DoD contract, identify the DoD contract number.
3. The General & Administrative (G&A) rate is based on historical or actual rates.
4. Travel costs shown in this estimate are based on one trip for one person to travel from POINT A to POINT B for XXXX days. The costs for this anticipated travel include airfare, hotel, per diem and rental car, and are based on current TFR rates.
5. Material costs are anticipated costs for insulation, piping, and other supplies to be used for this requirement.

Prepared by:  
[Name]
Management Analyst

ENCL. (1)
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<tr>
<th>Description</th>
<th>NSN or Catalog</th>
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<th>Unit</th>
<th>Cost</th>
<th>Total</th>
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**TOTAL**: $101,806.00

PREPARED BY:
IMA REQUIREMENT
MANAGEMENT ANALYST
### Continuous Process Improvement Event - DRAFT

<table>
<thead>
<tr>
<th>Project Name: Optimizing Ship Maintenance Contracts</th>
<th>Rev No: 2</th>
<th>Date: 27 DEC 2010</th>
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</thead>
<tbody>
<tr>
<td><strong>Command:</strong> FISCSI Bahrain C200</td>
<td><strong>Deployment Champion:</strong> Flint Sibayan</td>
<td></td>
</tr>
<tr>
<td><strong>Project Sponsor:</strong> CAPT Chris Ray</td>
<td><strong>Black/Green Belt:</strong> CDR Mike Ryan</td>
<td></td>
</tr>
</tbody>
</table>

#### Business Impact ($)

**KAIZEN / Rapid Improvement Event**

The expected impacts of this project are as follows:

- **Financial savings:** Potential to reduce the labor hours involved in the award of ongoing maintenance contracts for ships forward positioned in SWA. The labor savings achieved can be employed to improve performance in functions that have traditionally not received sufficient attention – i.e. improve market research.
- **Mission savings:** Potential to improve responsiveness to contract requirements received with required start dates that are only a few days away. This is particularly important if the requirements are CASREP/Voyage Repairs (Not routine).

### Opportunity or Problem Statement (What and Extent stated in terms of the project output metrics)

**Background**

FISCSI Bahrain C200 performs approximately 450 contracts per year to support the ongoing maintenance of ships forward positioned in Bahrain. The vast majority of these contracts are below $25K. Additionally, many of the requirements are submitted with short lead times due to the dynamic nature of 5th FLT AOR.

**Problem**

a. The award of a contract is labor and time intensive. We need to explore opportunities to reduce the workload associated with getting these requirements under contract.

b. Some requirements (Urgent and routine) are received with required start dates on a few days away. We need to explore opportunities to have pre-existing contract vehicles that are available to meet these requirements.

**Goal Statement (Process Metrics).** Reduce the number of contract actions to support ongoing maintenance actions while not adversely effecting the competitive environment which could potentially result in higher prices.

**Primary Goal**

Improve efficiency – reduced labor required to place requirements under contract. The “Big X metric” is the days required to compete a requirement.

**Secondary Goal**

Enhanced our ability to provide rapid mission support. The “Big Y metric” is the number of days between receipt of a requirement and contract award.

### Scope (horizontal/vertical)

**In-Scope:** Ongoing Monthly Ship Maintenance Contracts & CASREP/Voyage Repair

**Out-of-scope:** Ship Availability Contracts

### Project Methodology:

- [ ] DMAIC
- [ ] DFSS
- [x] Kaizen

### Project Plan—list planned dates for each DMAIC phase

- **Kaizen start and end dates**
  
  Feb 15-18 (And 23-24 if required) – 0900 to 1100 daily, except 15th end at 1000

  Define/Measure/Analyze/Improve (Developed implementation plan)

  **Initial Plan of Action for Kaizen Week**

  1) List and quantify elements that make the Big X metrics; 2) Capture the current competition categories into which ongoing repairs are segregated for solicitation; 3) Collect data for number of actions by category types, 4) Analyze existing groupings. Capture adv/disadvantages of current and potential groupings. Collect and analyze data to address concern of increased prices if bundling of maintenance actions reduces the number of vendors in marketplace. Validate if the dissection of packages into groups is a sound base strategy, 5) Explore/discuss potential benefits of use of requirements types contracts (Capture adv/disadvantages)….if it does, set groupings and prioritize actions.

  If the opportunity exists to improve efficiency, it will be implemented and the Big Y metrics data captured.

  * Prior to Kaizen event – CDR Ryan engage with Ms. Alvares and FISC Yoko Ship Repair for ideas
### Team Selection

<table>
<thead>
<tr>
<th>Team Member</th>
<th>Office/Org</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDR Ryan</td>
<td>FISCSI BAH C200</td>
</tr>
<tr>
<td>Joyce Cartwright</td>
<td>Ship Repair Sup</td>
</tr>
<tr>
<td>Delaine Alvarez</td>
<td>FISCSI C200 Policy</td>
</tr>
<tr>
<td>Ganesh Swaminathan</td>
<td>FISCSI BAH C200 KO</td>
</tr>
<tr>
<td>Other FISCSI Ship Repair Kos</td>
<td>FISCSI BAH C200 KOs</td>
</tr>
<tr>
<td>NSSA (TBD)</td>
<td></td>
</tr>
<tr>
<td>USCG (TBD)</td>
<td></td>
</tr>
</tbody>
</table>

### IT that will likely be impacted by this project

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<thead>
<tr>
<th>None</th>
<th>ERP 1.0, eventually 1.1</th>
<th>Legacy</th>
</tr>
</thead>
</table>

**Approvals:**
- _____ Project Sponsor
- _____ Comptroller
- _____ Deployment Champion
- _____ MBB

Enclosure (8)
5th FLEET Ship Repair  
Business Rules (DRAFT)

1. All initial requirements for Navy, MSC, and USCG ship repair PRs be submitted to Code 200 Bahrain for initial review (SOW, validation of funds, IGE, etc.).

Pending Decision: I DON'T COMPLETELY UNDERSTAND THE BENEFIT OF ALL PRs BEING REVIEWED IN BAHRAIN. WE HAVE AN MSC PORT ENGINEER IN OUR OFFICE HERE IN DUBAI SO WE HAVE DIRECT CONTACT WITH THEM ALSO.

2. Ship availabilities will be competed from Bahrain. If the winner of the competition is a UAE based shipyard then ACO duties will be passed to Dubai.

Pending Decision: HOW WILL SHIP CHECKS BE HANDLED? IF ALL SHIP CHECKS ARE DONE IN BAHRAIN, THAT'S NOT FAIR TO THE CONTRACTORS IN DUABI TO BE EXPECTED TO TRAVEL TO BAHRAIN FOR EVERY SHIP CHECK.

3. Voyage Repairs (Repairs that must be performed ASAP - C2/C3/C4 CASREPs) and Continuous Maintenance Actions (Actions performed during what the maintainers call, "Windows of Opportunities" [WOOs]), will typically be assigned to Bahrain or Dubai, based on ship's next intended port of call. Dubai will be assigned all the work for ports in the UAE and Bahrain would be assigned all of the other ports in the 5th FLT AOR. The respective ship repair branch supervisors at Bahrain and Dubai will then workload assign to there contracting specialists.

Pending Decision: IF VRs WILL BE DONE AT THE INTENDED PORT OF CALL, WHY DELAY THE PR COMING TO DUBAI? MY JOB IN DUBAI IS TO ENSURE WE HAVE A GOOD PACKAGE BEFORE I ASSIGN THE WORK. I WOULD STILL HAVE TO DO THAT EVEN IF SOMEONE IN BAHRAIN HAS "ACCEPTED" THE PR.

Explanation: NSSA, MSC, and USCG have their regional HQ's on board NSA Bahrain. Their HQs include their budget offices. Due to being co-based we are best positioned to provide quick responses to PR requests (SOW, Funds, etc.). With visibility of all SWA ship repair actions, Code 200 Bahrain will be positioned to ensure compliance with the competition in contracting act (Avoid maintainers "steering work" to their preferred sources). It will also ensure that all PRs are assigned to the appropriate contracting office...Dubai or Bahrain (Ex. Avoid situations such as Tech reps performing in Bahrain yet the PR submitted to Dubai).

Pending Decision: NOT SURE I COMPLETELY AGREE AS I STATED ABOVE, WE HAVE AN MSC PORT ENGINEER WHO WORKS OUT OF OUR OFFICE. THERE HAS NOT BEEN A DELAY DUE TO US BEING IN DUBAI AND EVERYONE ELSE BEING IN BAHRAIN. WE ALSO HAVE SEVERAL APPROVED VENDORS WE WORK WITH SO COMPETITION IS BEING DONE.

Enclosure (9)
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Improving SPS Contract Structure

Contract data has been structured within SPS on the basis of building one contract line item (CLINS) per ship repair work item. A major ship repair contract can have 40-50 work items which results in a contract that contains an equal high number of CLINS. When different work items require the use of different funding, then separate CLINS must be used, however for the rest, this method of structuring CLINs is non-value added. Since the SOW is a part of the contract and must provide the work items to be performed, listing each item as a separate CLINS is redundant. This past work practice has been stopped and the contract specialists have been provided training for FISCSI Code 200 policy subject matter experts on how to more efficiently build contracts in SPS. Based on an average time of 5 minutes per CLIN build, this work process change is estimated to save over 3 hours on each major ship repair contract build into SPS. An additional benefit of this change is that it facilitates the comparison of the IGE to the contractor bid price on a bottom-line basis. The documentation will still exist for a line by line item comparison. However, for determinations of fair and reasonable the contracting specialist is able to smooth out the variations between individual work items.

Adding an Option for Additional Labor Hours

Almost half of the total contract actions captured in SPS is modifications to existing contracts. The modification process is essentially identical to the processing of the original contract action; request for bid, receive quote, determine fair and reasonable, etcetera. Due to the amount of work hours that go into awarding modifications to existing contracts, FISCSI contracting engaged with other contracting offices that write ship repair contracts in order to attempt to identify any “best-in-breed” contract modification methods. As a result, FISCSI Bahrain contracting now places an option for additional labor hours in almost all its ship repair contracts. The hourly labor rate is established as a partially priced option in the contract. This change in procedures saves time as the only element that must be negotiate to add hours on a contract is the number of additional hours required. Since the majority of ship repair contracts modifications are to add additional labor hours this change will result in significant labor hour savings. Approximately 30 minutes are estimated to be saved when performing these types of contract modifications. When multiplied by 200 actions per year, 100 hours will be saved in the course of one year; almost 2.5 weeks of work for one of our full time contract specialists.

The remaining customer service focus areas include providing clarification, for both internal and external customers, as to what is considered to be the geographic area for major ship repair competitions and how to calculate and apply interport cost differential. These items fall into the contract policy area and will be addressed next.