CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

April 14, 2006

Honorable Duncan Hunter
Chairman
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515-6035

Dear Mr. Chairman:

Section 322 of the conference report accompanying the National Defense Authorization Act for Fiscal Year 2006 required that the Congressional Budget Office (CBO) review the Navy's *Report on Proposed Congressional Budget Exhibits for Navy Mission-Funded Shipyards*. CBO's review, which assesses whether the Navy's report comprehensively addresses the matters specified in the conference report as being of concern to the Congress, is attached.

If you would like further details about this analysis, we would be pleased to provide them. The review was prepared by Daniel Frisk, who can be reached at (202) 226-2761, and by R. Derek Trunkey, who can be reached at (202) 226-2916.

Sincerely,

Donald B. Marron

Donald B. Marron
Acting Director

Attachment

cc: Honorable Ike Skelton, Ranking Member
House Committee on Armed Services

Honorable John Warner, Chairman
Senate Committee on Armed Services

Honorable Carl Levin, Ranking Member
Senate Committee on Armed Services

Honorable Joel Hefley, Chairman
House Subcommittee on Readiness

Honorable Solomon P. Ortiz, Ranking Member
House Subcommittee on Readiness

Review of Proposed Congressional Budget Exhibits for the Navy's Mission-Funded Shipyards

April 14, 2006

The Congress of the United States ■ Congressional Budget Office

Introduction and Summary

The Navy currently owns and manages four shipyards, which operate under two distinct financial systems. The Norfolk Naval Shipyard in Portsmouth, Virginia, and the Portsmouth Naval Shipyard in Kittery, Maine, are financed through the Navy Working Capital Fund (NWCF). Under that revolving-fund mechanism, Navy units pay for maintenance and repair services at those shipyards from the units' appropriated funds, at prices that are intended to cover the shipyards' full operating costs.[1] The Puget Sound Naval Shipyard in Bremerton, Washington, and the Pearl Harbor Naval Shipyard in Pearl Harbor, Hawaii, had been under the NWCF as well; now they are funded through direct appropriations to the shipyards, an approach known as "mission funding." As part of its ongoing Regional Maintenance Plan, the Navy intends to move the Norfolk and Portsmouth shipyards to mission funding starting on October 1, 2006.[2]

One important difference between working-capital-funded (WCF) shipyards and mission-funded shipyards is the information that they report to the Congress. Currently, the Congress receives a separate budget exhibit on WCF activities for each of the military services. The Navy's exhibit includes a section on WCF shipyards that contains information about their orders and revenues, expenses, workload, staffing, billing rates, and performance.[3] Because the Pearl Harbor and Puget Sound shipyards are mission funded, they are no longer included in the WCF exhibit. Although the Congress receives separate budget exhibits on appropriations for mission-funded shipyards and their Navy customers, the WCF budget exhibit is the Congress's only source of information about shipyards' costs and performance. Consequently, the Congress now lacks such information for half of the Navy's shipyards.

To improve shipyard reporting and address concerns about the decreased visibility of the operations and costs of mission-funded shipyards, the Congress asked the Navy to submit a report with proposed budget exhibits that address a number of specific topics.[4] The Navy released its *Report on Direct Funding for Puget Sound Naval Shipyard and Report on Proposed Congressional Budget Exhibits for Navy Mission-Funded Ship-*

1. The Navy supports its ships using three levels of maintenance: organizational, intermediate, and depot. Organizational-level maintenance, which involves routine tasks such as inspection, lubrication, and assembly of minor parts, is typically conducted by a ship's crew without external assistance. Intermediate-level maintenance, which is performed by Navy and civilian personnel at designated facilities (including on tender ships), requires more-specialized work on ships' systems and equipment. Depot-level maintenance, which is usually carried out by civilians at shipyards, involves the most exhaustive work, such as ship overhauls, alterations, refits, restorations, and major repairs.

2. For details of that plan, see Department of the Navy, *Report to Congress: Pearl Harbor Regional Maintenance Pilot* (May 2001).

3. For an example, see Department of the Navy, *Fiscal Year 2007 Budget Estimates Submission: Justification of Estimates—Navy Working Capital Fund* (February 2006).

4. U.S. House of Representatives, *National Defense Authorization Act for Fiscal Year 2006*, conference report to accompany H.R. 1815, Report 109-360 (December 18, 2005), p. 59.

yards in March 2006. The exhibits in that report contain information about shipyards' funding, performance, workload, workforce, and infrastructure. (A description of the exhibits begins on page 11 of the attached Navy report; the exhibits themselves appear in Appendix C.)[5]

The Congress also requested that the Director of the Congressional Budget Office (CBO) submit a review of the Navy's proposed budget exhibits.[6] Concurrently, at the request of the House Committee on Armed Services, CBO is studying the advantages and disadvantages of working-capital funding and mission funding in general and as they apply to naval shipyards. CBO previously submitted a potential template for shipyards' reporting to the Congress in its document *Comparing Working-Capital Funding and Mission Funding for Naval Shipyards: An Interim Report* (December 1, 2005). A copy of that template appears after page 5 of this document.[7]

Generally speaking, the Navy's proposed budget exhibits for mission-funded shipyards address the matters specified in the Congressional request and are consistent with CBO's template for reporting. The exhibits improve on current reporting to the Congress by including:

- Information about all mission-funded shipyards;
- Separate information for each mission-funded shipyard; and
- Clearly defined sections and data covering all of the major aspects of operations at mission-funded shipyards.

The Navy's proposed budget exhibits also provide information for each shipyard that is not included in CBO's template, such as:

- A narrative description of shipyards' mission and capabilities;
- The number of home-ported ships supported;
- Additional metrics of shipyard performance;
- Days of labor expended, categorized by type of work;

5. The budget exhibits in the Navy's report contain preliminary data. Later in March, the Navy provided actual exhibits to the Congress and CBO to support the President's 2007 budget request.

6. U.S. House of Representatives, *National Defense Authorization Act for Fiscal Year 2006*, p. 60.

7. Unlike the Navy's budget exhibits, CBO's template does not combine data from intermediate-level maintenance facilities and depot-level facilities (shipyards). Consequently, the numbers in CBO's template will not match those in the Navy's exhibits.

- The number of apprentices participating in the shipyard apprentice program and the program's costs;[8]
- A summary of capital purchases and military construction projects; and
- Schedules and labor expenditures for each maintenance availability.[9]

The Navy's proposed exhibits lack some useful information, however. For example, they show only one year of historical data. Including additional years would more clearly reveal any long-term patterns in shipyards' operations and performance as well as any effects of the transition to mission funding. (CBO's template provided for five years of historical data.)

The Navy's proposed exhibits also combine data for intermediate-level maintenance facilities and shipyards that were merged as a result of the Navy's Regional Maintenance Plan.[10] Separating out data for the two types of facilities would make the performance of shipyards easier to identify, although it would add to the length and complexity of the report. A compromise might be to make that information available in backup material or as part of a separate report.[11]

The elements in the Navy's report—as requested by the Congress—are specific to mission funding, whereas CBO's template would allow for comparable NWCF elements, when appropriate. If the Norfolk and Portsmouth shipyards remain under the NWCF, or if historical data from working-capital-funded shipyards are displayed, the Navy will have to adjust its exhibits to also include data unique to working-capital funding, such as net operating results and billing rates.

Comments on Specific Sections of the Navy's Report

Other possible additions to the proposed exhibits are specific to individual sections and are addressed below. (The exhibits have a beginning narrative section, five numbered sections, an unnumbered section on hulls completed, and a glossary.)

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8. The shipyard apprentice program (part of the shipyard workforce revitalization program) teaches employees production-trade skills through on-the-job experience and classroom training.
9. The Navy classifies ship maintenance work by "availabilities," based on when a ship is available for maintenance.
10. The Pearl Harbor Shipyard was integrated with the Pearl Harbor Intermediate Maintenance Facility, and the Puget Sound Shipyard was integrated with intermediate-level facilities in Bangor and Everett, Washington.
11. In addition to the budget exhibits submitted to the Congress, a more detailed and frequent report might be appropriate for internal Navy management of mission-funded shipyards. The Navy currently produces quarterly *Financial and Operating Statements*—each of which contains more than 30 pages of detailed data on revenues, costs, hulls in progress, hulls completed, unit costs, and labor—for individual NWCF shipyards. No such comprehensive reports exist for mission-funded shipyards (although informal, nonstandardized briefings do occur).

Narrative Section

Above the budget displays, the Navy provides a brief narrative describing the functions of naval shipyards and their funding mechanisms. It would also be useful to describe any major events—such as emergency ship repairs or unexpected ship deployments—that affect the workload, workforce, costs, or performance at each shipyard.

Section 1: Funding Summary

The Navy's proposed funding summary exhibit is consistent with CBO's template. For clarity, the "Department of Defense" (DoD) row in the data table could be retitled to indicate that it includes only DoD customers outside the Department of the Navy.

Section 2: Performance Metrics

The proposed exhibit on performance metrics is roughly consistent with CBO's template. However, additional measures of quality could be useful to the Congress. The Navy's proposed quality metric is the guarantee deficiency rate, which measures the number of work defects (per 1,000 labor days) that occur within 90 days of a ship's leaving a shipyard. The guarantee deficiency rate does not measure the magnitude of the required repairs, however, so by itself it may not accurately indicate a shipyard's quality. For example, a minor deficiency in a ship's galley and a major deficiency in a propulsion system would each count as a single deficiency, although the propulsion deficiency would presumably be much more laborious to repair. To address that issue, the Navy could also calculate and display the total annual cost to repair guarantee deficiencies for each shipyard.

Another potentially useful measure of quality—proposed to CBO by shipyard representatives—is the percentage of sea trials successfully completed on the first attempt. Although that metric may be relatively static (often 100 percent) on an annual basis, failed sea trials directly affect the readiness of the fleet. The Navy has struggled to find a quantifiable and objective link between shipyard performance and fleet readiness. That metric, combined with schedule adherence (discussed below), could serve as an interim indicator of shipyards' effects on readiness until better metrics are developed and incorporated into the Navy's exhibits. If no relationship between maintenance and readiness is found, either the Navy may need to revisit its readiness measures or maintenance may not be providing improvements in readiness. To make good management decisions, the Navy needs to be able to determine which of those statements is true.

Section 3: Performance Information

The proposed exhibit on performance information is consistent with CBO's template, assuming that the Navy defines and accounts for overhead consistently among shipyards. The title of that section could be changed to "Cost and Workload" to better reflect its content. Some cost categories are similar but not identical to the current NWCF cost categories. Noting and highlighting any such differences, as well as any metrics that are new because of the integration of depot- and intermediate-level facilities, would be beneficial.

Section 4: Workforce

The Navy's proposed workforce categories are consistent with CBO's template. The information about the apprentice program is a useful addition.

Section 5: Infrastructure and Capital

Although the inclusion of the "Facilities Sustainment, Restoration, and Modernization" cost category is an addition to CBO's proposed template, the Navy's exhibit lacks data on the value of facilities and capital equipment. Comparing annual upkeep expenses with the total value of facilities and capital equipment would allow the Congress to roughly gauge the reasonableness of those expenses. For example, if capital equipment has an average life of 20 years, annual capital expenses should average about 5 percent of the total value of capital equipment. Data on the size of a shipyard, such as the total square feet of industrial and office space, would also be useful to include, as would summary metrics of the material condition of capital and facilities.

Untitled, Unnumbered Section on Hulls Completed and in Progress

The Navy's proposed exhibit on hulls completed and in progress is another addition to CBO's template. However, the schedule adherence metric (displayed in the exhibit as "Percent Late") could be improved. The proposed measure of schedule adherence assesses how closely the actual duration of a ship's maintenance availability matches the planned length, with duration running from the maintenance start date (induction) to the maintenance end date (delivery). As that metric is currently calculated, some shorter-than-expected maintenance availabilities could offset other, protracted ones.

Fleet and shipyard representatives told CBO that a comparison of expected and actual end dates was more important than a comparison of expected and actual durations. Consequently, the following two metrics might be more appropriate measures of schedule adherence:

- The percentage of hulls completed during a fiscal year that were late (delivered after the planned end date), and

- The maximum and average percentage lateness of all deliveries, with lateness measured as the actual end date minus the planned end date, divided by the duration of the maintenance. Counting early deliveries as zero percent late may be warranted if, for example, two on-time availabilities are preferable to one early delivery and one late delivery—as was indicated in CBO's meetings with shipyard and fleet maintenance representatives. Such counting would avoid the situation in which an early delivery offset a late delivery.

Glossary

The Navy could improve and expand the glossary of terms in the budget exhibit. Some acronyms and abbreviations—most notably, types of maintenance availabilities—are not defined in that glossary.

CBO's Template for Shipyard Reports to the Congress (Numbers are for the Pearl Harbor Naval Shipyard)

(In the dollars of each fiscal year)

	Actual						Projected	
	2001	2002	2003	2004	2005	2006[a]	2007	2008
Revenue (Millions of dollars)								
Operation and Maintenance								
Atlantic Fleet	NYA	NYA	NYA	NYA	NYA			
Pacific Fleet	NYA	NYA	NYA	NYA	NYA			
NAVSEA	NYA	NYA	NYA	NYA	NYA			
Navy Procurement	NYA	NYA	NYA	NYA	NYA			
Navy Shipbuilding and Conversion	NYA	NYA	NYA	NYA	NYA			
Other Department of Navy	NYA	NYA	NYA	NYA	NYA			
Other Department of Defense	NYA	NYA	NYA	NYA	NYA			
Foreign Military Sales	NYA	NYA	NYA	NYA	NYA			
Other Federal Government	NYA	NYA	NYA	NYA	NYA			
Other[b]	NYA	NYA	NYA	NYA	NYA			
Total	NYA	NYA	NYA	NYA	NYA			
Costs (Millions of dollars)[c]								
Direct Military Labor	15.1	16.5	21.7	28.8	31.1			
Direct Civilian Labor	110.7	125.0	145.2	157.0	176.8			
Direct Materials	32.5	24.2	29.4	29.6	39.6			
Direct Contract	31.1	36.0	23.6	23.3	39.5			
Other Direct Costs[d]	NYA	NYA	NYA	NYA	NYA			
Overhead[e]	121.3	146.9	172.2	155.9	169.6			
Total	306.5	337.8	371.2	374.3	439.3			
WCF Operating Results (Millions of dollars)								
Net Operating Result	n.a.	n.a.	n.a.	n.a.	n.a.			
Accumulated Operating Result	n.a.	n.a.	n.a.	n.a.	n.a.			
End of Fiscal Year Carryover	n.a.	n.a.	n.a.	n.a.	n.a.			
Capital (Millions of dollars)								
Capital Expenditure	19.9	23.2	24.2	16.1	9.0			
Capital Depreciation	n.a.	n.a.	n.a.	n.a.	n.a.			
Capital Replacement Value	NYA	NYA	NYA	NYA	NYA			
Facilities (Millions of dollars)								
Military Construction	0	20.0	18.5	7.0	5.1			
Base Operating Support	NYA	NYA	NYA	NYA	NYA			
Facilities Replacement Value	NYA	NYA	NYA	NYA	1,373			
Labor								
Military End Strength	607	641	684	758	757			
Civilian End Strength	3,742	3,985	4,072	4,330	4,302			
Direct Military Labor-Days	17,312	18,391	22,273	22,586	24,782			
Indirect Military Labor-Days	48,384	46,254	52,275	70,253	71,150			
Direct Civilian Labor-Days	365,798	381,842	401,032	441,782	476,373			
Indirect Civilian Labor-Days	279,544	270,016	244,578	292,011	303,400			

Continued

Continued

	Actual						Projected	
	2001	2002	2003	2004	2005	2006[a]	2007	2008
Rates (Dollars)								
Current Burdened Rate[f]	800	844	877	806	876			
Navy Reimbursable Rate	NYA	NYA	NYA	NYA	NYA			
Non-Navy Reimbursable Rate	NYA	NYA	NYA	NYA	NYA			
Working Capital Fund Rate	n.a.	n.a.	n.a.	n.a.	n.a.			
Hulls Completed This Fiscal Year								
Number	8	6	3	2	3			
Budgeted Labor-Days	338,851	309,128	94,289	94,957	529,770			
Actual Labor-Days	353,600	255,200	100,000	63,100	536,400			
Ratio of Actual Labor-Days to Budgeted Labor-Days	1.04	0.83	1.06	0.67	1.01			
Scheduled Weeks	153	123	43	49	182			
Actual Weeks	152	129	45	49	187			
Average Percentage Late[g]	0	6.3	5.0	0.3	4.3			
Maximum Percentage Late	0	23.4	14.9	0.5	12.8			
Average Labor Cost per Hull (Millions of dollars)	13	13	11	13	68			
Hulls in Progress at End of Fiscal Year								
Number	NYA	NYA	NYA	NYA	NYA			
Budgeted Labor-Days Remaining	NYA	NYA	NYA	NYA	NYA			
Percentage of Work Remaining	NYA	NYA	NYA	NYA	NYA			

Source: Congressional Budget Office.

Notes: This table is intended to serve as a template that shipyards could use in reporting to the Congress. As such, it includes space for data from the current fiscal year, five years of past data, and two years of projected data to provide historical context and show potential trends. Additional detail and backup information should be available, in a standard format, for all categories. Similar reports for intermediate-level maintenance facilities may be useful.

NYA = not yet available; NAVSEA = Naval Sea Systems Command; WCF = working-capital funding; n.a. = not applicable.

a. The current fiscal year.

b. The categories included in other revenue should be defined.

c. The totals in this section do not match the sums of the categories (all of which were provided separately by the Navy) because they include some costs not in the individual categories.

d. Other direct costs include travel and transportation related to a specific repair.

e. Overhead should include costs for base operating support; indirect labor, materials, contracts, and travel; training; support services (such as the Defense Finance and Accounting Service); and headquarters support (NAVSEA). Mission-funded yards do not now include all those categories.

f. Equals total costs divided by direct labor-days. Capital depreciation is included in WCF rates, but capital expenditure is not included in the current burdened rate. Direct material expense is included in the current burdened rate but not in WCF rates. The table should also provide a definition or reference for other rates.

g. Early completions count as zero percent late.

REPORT ON DIRECT FUNDING FOR PUGET SOUND NAVAL SHIPYARD
&
REPORT ON PROPOSED CONGRESSIONAL BUDGET EXHIBITS FOR NAVY MISSION-FUNDED SHIPYARDS

March 2006

TABLE OF CONTENTS

1. Requirement:

As a result of concerns about the impact of the transition of Puget Sound Naval Shipyard out of the Navy Working Capital Fund (NWCF) to funding on a direct basis, Section 322 of the National Defense Authorization Act for Fiscal Year 2006 imposed limitations on the Department of the Navy to transition the two remaining NWCF shipyards to mission funding. Among the concerns, is the ability to maintain total cost visibility, performance accountability and quality of work. In accordance with Section 322, the Secretary of the Navy may not convert funding for east coast shipyards from the NWCF to direct, or "mission", funding before 1 October 2006 and is required to submit two reports to congressional defense committees not later than 1 March 2006. The required reports are to address the following concerns:

- Report on the impact of Direct Funding on Puget Sound Naval Shipyard
- Report on Proposed Congressional Budget Exhibits for Navy Mission-Funded Shipyards

This submission addresses both reporting requirements.

2. Executive Summary

The Navy is implementing a Regional Maintenance Plan (RMP) to streamline and transform the Navy ship maintenance process to best use the total maintenance resources available in a region to respond to the Department of Defense (DoD) warfighting strategy and the Chief of Naval Operations (CNO) Fleet Response Plan (FRP).

A key element of the RMP is the consolidation of separate ship maintenance (intermediate and depot) facilities within a region. In 1997, a proof of concept pilot program at Pearl Harbor, Hawaii, was established to evaluate the consolidation initiative. The first challenge was to evaluate the best method of financing. Intermediate level maintenance was financed in the Operation and Maintenance, Navy (OMN) appropriation and the shipyards were financed in the NWCF. A common financing mechanism would permit objective evaluation by allowing full consolidation and work force flexibility. After extensive study, mission funding was chosen as the best financing method. An objective assessment of the Pearl Harbor Pilot was documented previously in the *Report to Congress, Pearl Harbor Regional Maintenance Pilot* submitted to Congress in May 2000. The Report clearly substantiates that the pilot expectations were fully and successfully achieved.

A second pilot effort at the Puget Sound Naval Shipyard and Naval Intermediate Maintenance Facility, Pacific Northwest (which includes Trident Refit Facility Bangor and Everett intermediate maintenance facility), began in 2003, also under mission funding. As a result of the extensive evaluation of the Pearl Harbor pilot, the Puget Sound transition was more an implementation of the lessons learned and learning curve successes from Pearl Harbor, than the charting of unknown territory.

Puget Sound prototype lessons learned. The knowledge acquired through constant communication between Pearl Harbor and Puget Sound allowed for 'lessons learned' to be transitioned and applied. The most important lesson was the requirement for early establishment of a highly capable transition team led full time by a senior manager with financial expertise and a broad shipyard experience base. The team worked in concert with Pearl Harbor counterparts and extensively employed the Report mentioned above.

Additionally, Puget Sound communicated to its workers through an Integration Management Team, communication handouts, and posting progress on a local website allowing for better alignment and understanding for the workforce and its customers. Learning from Pearl Harbor, Puget Sound made certain that the main labor unions were involved early on and had strong, vocal representation to better align the labor unions with the transition to Mission Funding. For additional information on Puget Sound lessons learned, see Appendix A.

Total cost visibility was maintained under mission funding as the extant Shipyard Management Information System (SYMIS) used in NWCF was retained and continues to provide the requisite cost data. To demonstrate the ability to maintain total cost visibility, the Department of the Navy and the Offices of Under Secretary of Defense (Comptroller) (OUSD(C)) and Under Secretary of Defense (Acquisition, Technology & Logistics) (OUSD (AT&L)) formulated a high level cost metric measuring budgeted versus actual costs for all major functional areas of the activity. This data was routinely submitted to the Office of the Secretary of Defense staff for review.

The primary benefit of the transition is the flexibility to manage all maintenance resources in the region to support the FRP. While some sharing of production personnel had occurred prior to consolidation efforts in the Pacific Northwest, this required special actions for identifying resource requirements and availability, preparing funding documents (different documents and accounting procedures and processes), establishing facility access, and other burdensome administrative processes - all causing delay in accomplishing needed work. After consolidation, there is a combined Workload and Resource Report (WARR) document for all ship maintenance work in the command regardless of location. As the priority of maintenance work in the region is identified or amended by the customer-focused, customer-represented Local Board of Directors, the workforce is immediately and easily aligned to execute that priority. This flexibility was not readily available in the past.

3. Background

In March 1994, the CNO announced a RMP to streamline the Navy ship maintenance process, reduce infrastructure, maximize productive output, and reduce costs. The RMP consisted of three phases.

Phase I: Optimize interoperability of platform specific intermediate level maintenance activities. The underlying rationale for streamlining the ship maintenance process was the evolution in the size and composition of Navy forces. Over time, the ship maintenance organizational structure in each region had evolved to accommodate a much larger and more complex force of ships than existed in the 1990s. With the

reduction in ship population, maintenance activity staffing became smaller, but the facilities and organizational structure remained about the same. The specialization, duplication, and overlap that existed in different maintenance activities in a region limited the flexibility to best use the total resources available. This phase consisted of consolidating and integrating Intermediate Maintenance Activities within each region.

Phase II: Integrate intermediate and depot activities (Pearl Harbor Pilot and Puget Sound Prototype). In 1997, the Navy established a pilot program in Pearl Harbor to demonstrate the benefits of consolidating separate ship maintenance facilities in a region; i.e., the Naval Shipyard and the Intermediate Maintenance Facility. The purpose of the pilot was to demonstrate that a single maintenance activity could successfully support the full spectrum of work (both intermediate and depot level) with a combined civilian and military workforce, and maintain Fleet readiness and responsiveness. The Pearl Harbor pilot concluded on September 30, 1999. In December 2000, the OUSD(C) approved permanent mission funding of the Pearl Harbor Naval Shipyard. The report concluded that the Pearl Harbor Regional Maintenance Pilot showed no degradation in performance as a result of mission funding.

Capitalizing on the success of the Pearl Harbor Shipyard experience, the Department of the Navy obtained approval from the Office of the Secretary of Defense to conduct a prototype effort at Puget Sound Naval Shipyard and Intermediate Maintenance Facility for the period 1 October 2003 through 30 September 2005.

In December 2005, the Office of the Secretary of Defense approved the permanent mission funding at Puget Sound Naval Shipyard and approved the transition of the Norfolk and Portsmouth public shipyards from the NWCF to direct funding beginning in FY 2007, subject to Congressional approval.

Phase III: Single Maintenance Process. The consolidation of all waterfront maintenance activities at major homeports into single commands, Regional Maintenance Centers (RMC), was completed in 2004. This alignment provides the structural basis for executing a single maintenance process in all regions. The Mid-Atlantic Regional Maintenance Center in Norfolk, VA has been designated as the Lead RMC and is tasked with ensuring all RMCs execute Fleet maintenance and modernization in a standardized manner. Commander, U.S. Fleet Forces Command is leading the effort to develop process standardization via ongoing initiatives such as SHIPMAIN, Carrier Team ONE, the Surface Warfare Enterprise and the Undersea Enterprise.

The SHIPMAIN Process aligns or combines a number of surface ship maintenance and surface ship and carrier modernization processes into a cohesive, single process. The SHIPMAIN program provides a disciplined management process with objective metrics.

Both the aircraft carrier and submarine maintenance communities have adopted a "Team One" organization. Carrier Team One and Submarine Team One both provide a structure for the management and long-term systematic improvement of cost, schedule and quality performance during highly complex and workload intense aircraft carrier and submarine

depot availabilities. The focus of Team One is the integration of the efforts of contributing organizations into an effective total process.

4. Report on Direct Funding for Puget Sound Naval Shipyard

4.1 Cost Visibility.

Concurrent with the January 7, 2003 decision by the Office of the Secretary of Defense to conduct a two-year mission-funded prototype at the integrated intermediate and depot maintenance activity at Puget Sound was direction to develop criteria that retained total cost visibility and performance accountability. Working with OUSD(C) and OUSD (AT&L), the Department of the Navy adopted various cost elements from existing NWCF financial reports and used them to report actual execution during the two-year prototype period. Called the "Virtual 1307 Report", budgeted and actual execution data was collected and reported on a quarterly basis, in the following categories:

Salaries and Wages – Civilian and Military
Material, Contracts, Other Costs
Navy/Marine Corps Intranet
Other Procurement, Navy
Centrally Managed Programs
Base Operating Support and Facility Sustainment, Restoration, and Modernization
Defense Finance and Accounting Service

The Navy utilized its existing SYMIS system for use at the consolidated intermediate and depot level ship maintenance activities at Puget Sound and Pearl Harbor, which enabled the activities to maintain the same cost data as NWCF shipyards.

4.2 Total Cost of Consolidated Ship Maintenance Operations

Total costs of consolidated ship maintenance operations were maintained during the two-year mission-funded prototype at Puget Sound and compared to the budget. FY 2004 expenditures were within 2.1 percent of the budget ($1,284.4 million vs. $1,257.3 million projected). For FY 2005, expenditures were within 4.6 percent of the budget ($1,265.1 million vs. $1,325.9 budget). Some data collection and reporting anomalies were experienced early on, but corrected operating procedures yielding information uniformity were in place by the end of FY 2004.

4.3 Depot and Intermediate Work

Both Puget Sound and Pearl Harbor differentiate between intermediate and depot work by charging actual direct labor hours to separate Customer Order Acceptance Records. This standardized procedure will be applied across all consolidated activities. Only depot work is reported under Title10 United States Code (U.S.C.), Section 2466. This includes all contracted out support for depot maintenance.

Maintenance facility consolidation allows the shipyards to utilize separate categories for depot and intermediate work. All intermediate level maintenance work shall be reported as "I" level costs regardless of where the work is performed. Previously, if intermediate level work was performed at the shipyard, it was categorized as depot maintenance. Consolidation allows intermediate level work to be correctly identified, regardless of

where the work is performed. Additionally, if the work is initially assigned as intermediate maintenance, but is subsequently determined to be beyond the technical definition of intermediate maintenance, it will be re-categorized as depot maintenance.

4.4 Shipyard Buyout Costs

To transfer the shipyards from the NWCF to direct funding, liabilities and closeout of accounting records of the NWCF activities must be completed. Estimated buy-out costs for Norfolk and Portsmouth Naval Shipyards, based on projected 30 September 2006 balances contained in the Accounting Report 1307, Statement of Operations are shown below:

$ In Millions	Norfolk	Portsmouth	Total
Unexpended Capital Outlays	$14.6	$11.5	$26.1
Accounts Payable Less Receivable	$10.6	$11.5	$22.1
Accumulated Operating Results	$6.9	$28.7	$35.6
Accrued Annual Leave Liability	$35.9	$16.6	$52.5
Total Projected Buy-Out Cost	**$68.0**	**$68.3**	**$136.3**

- Unexpended Capital Outlays: NWCF capital purchases/obligations that are expected to occur by the end of FY 2006, but the cash disbursement will not be recorded until FY 2007 or later.

- Accounts Payable Less Receivable: The expected net balance of accounts payables less receivables as of the end of FY 2006.

- Accumulated Operating Results: The value of potential operating losses through FY 2006.

- Accrued Leave Liability: The DoD Financial Management Regulation stipulates that a revolving fund activity that loses employees through reorganization or transfer to an appropriated-financed activity shall transfer cash equal to the amount of any funded accrued annual leave value to Treasury as miscellaneous receipts.

The Department of the Navy will work closely with the Defense Finance and Accounting Service to close out the NWCF shipyard accounting records and determine the final exit costs to transfer the shipyards from the NWCF. The Department of the Navy is committed to ensuring NWCF cash solvency, and the FY 2007 budget request includes resources to transition the shipyards to mission funding.

4.5 Operational Flexibility During Funding Gaps.

In the absence of a regular appropriation, mission funded activities are generally able to continue limited operations under a Continuing Resolution Authority (CRA). Under the Pearl Harbor and Puget Sound pilot / prototype operations, there has never been a funding gap that precluded operations. Additionally, it is estimated that up to 30% of mission funded workload will be financed in other than annual appropriations, for which funded work could carryover.

The Office of Management and Budget (OMB) previously issued guidance for funding gaps allowing for select activities, such as activities otherwise authorized by law (e.g. activities funded with multi-year or no-year appropriations) to continue operations. The OMB guidance pre-dates the shipyard mission-funding concept, and since all naval shipyards were financed in the NWCF, they were allowed to continue operations albeit on a limited basis (existing funded orders).

The flexibility provided by the NWCF cash corpus would allow NWCF activities to continue operations and avoid furloughs or shutdown for a limited period, as long as the overall NWCF cash balance remained positive. Even if furloughs were avoided though, no new work could commence. This limited flexibility was considered minor compared to the overall benefits of mission funding. The Department of the Navy has no objection to additional authorizing language to allow continued operations during periods when a funding gap occurs.

Maintenance Cost Exceed Annual Appropriations. All activities financed by Congressional appropriations are required to balance workload priorities against funding availability as a key tenet of sound financial management. Successful ship maintenance is a derivative of many factors, to include sound operational decisions, flexible and responsive organizational structures, and good business and financial practices. When combined, these attributes optimize program management and produce positive results, regardless of the financing methodology employed. The Department of the Navy is confident that operational effectiveness can be maintained under mission funding and does not view this as an impediment to mission funding the shipyards.

4.6 Operational and Financial Flexibility.
Before the transition of Pearl Harbor and Puget Sound to mission funding, all naval shipyards were financed in the NWCF. Under the NWCF, shipyard operations were financed through fully funded customer orders. Historically, major shipyard customers included the U.S. Pacific Fleet and the U.S. Atlantic Fleet for ship maintenance and the Naval Sea Systems Command (NAVSEA) for select ship modifications and conversions. No shipyard work could begin and no service could be provided without receipt of funded customer orders that authorized the specific work package to be completed. Upon receipt and acceptance by the shipyards, customer funds were used to pay for shipyard operating expenses such labor, materials, overhead, and capital depreciation. Thus, the availability of customer funding significantly influenced what workload was performed and when it was performed. Realignment of the shipyard workforce to satisfy emergent requirements could not be accomplished without receipt of a new funded order or a significant administrative burden.

Under mission funding, the authority to incur obligations for designated purposes are provided by Congressional appropriations and authorization language. As mission-funded activities, west and east coast shipyard operations will primarily be financed from OMN funds appropriated and authorized by Congress and allocated through the Department of the Navy to the U.S. Pacific and U.S Atlantic Fleets. Select ship modifications and conversions will continue to be financed via resources allocated to

NAVSEA. Thus, Fleet Commanders, not Fleet support activities will control workload accomplishment at the shipyards. Under mission funding, shipyard and intermediate maintenance facility workforce can be realigned as workload priorities change, thus increasing the agility of the workforce and minimizing the administrative burden. The ability of shipyard commanders to share resources, primarily workers, between projects and locations/facilities is a key enabler of the RMP. For example, workforce flexibility afforded by mission funding enabled Pearl Harbor and Puget Sound to rapidly respond to emergent repairs of the USS DENVER (LPD 9), the USS GREENEVILLE (SSN 772), the USS SAN FRANCISCO (SSN 711), and emergent drydock repairs on the USS PAUL HAMILTON (DDG 60) and USS REUBEN JAMES (FFG 57).

4.7 Capital Improvement Long Term Funding.
Under the NWCF, capital improvements over $100 thousand are planned and budgeted as part of the customer's cost. This is reported as depreciation and included in the overall NWCF shipyard rate. Under direct funding, capital improvements over $250 thousand are financed in the proper investment appropriations, such as Other Procurement, Navy (OPN). Especially considering the different expense/investment threshold amounts (NWCF vs. Appropriations), mission funding has supported a more robust capital investment program, as shown in the table below:

Pearl Harbor Naval Shipyard & Intermediate Maintenance Facility ($M)

	FY96	FY97	FY98	FY99				Average Investment
NWCF	3.5	11.9	6.8	2.1				6.1
	FY99	**FY00**	**FY01**	**FY02**	**FY03**	**FY04**	**FY05**	
OPN	8.4	5.6	19.9	23.2	24.2	16.1	9.0	15.2

Puget Sound Naval Shipyard & Intermediate Maintenance Facility ($M)

	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	
NWCF	14.9	9.0	17.7	14.3	9.6	14.3	16.6	10.7	13.4
	FY04	**FY05**							
OPN	22.5	9.5							16.0

Funding for capital investment/replenishment fluctuate from year to year at each shipyard, based on specific requirements. This will continue under mission funding. The shipyards will continue to follow the same business process and procedures for capital investment requirements that have been in place under the NWCF.

To alleviate potential concerns about the visibility of long-term capital replenishment, the Department of the Navy will propose adding a new procurement line item entitled, "Shipyard Capital Investment". This will provide the desired visibility to track budgeted and actual cost of investment items.

4.8 Compliance with Section 2460 of Title 10, United States Code
In general, the term "depot-level maintenance and repair" means material maintenance or repair requiring the overhaul, upgrading, or rebuilding of equipment as necessary,

regardless of the source of funds for the maintenance or repair or the location at which the maintenance or repair is performed.

Under mission funding, the OMN appropriation will finance the bulk of public shipyard depot maintenance and repair costs. Additionally, the annual, incremental ship maintenance costs for direct labor and material will be financed in OMN vice the current DoD WCF policy of full funding the total maintenance costs as the ship enters the yard. The cost of nuclear refueling and other work financed by other appropriations, such as the Shipbuilding and Conversion, Navy appropriation will remain fully funded in the first year of effort – for direct labor and material only. The overhead component of this work will be funded in the OMN appropriation.

The Shipyards will no longer be required to reimburse the Military Personnel, Navy (MPN) appropriation for military personnel working at the shipyards, as these costs will be directly financed in the MPN appropriation. Similarly, capital investment items such as cranes and other capital purchases will be budgeted in the proper investment appropriation, such as OPN, and clearly identifiable in budget justification materials submitted to Congress.

4.9 Compliance with Section 2466 of Title 10, United States Code
Section 2466 of Title 10, U.S.C. states that not more than 50 percent of the funds made available in a fiscal year for depot-level maintenance and repair workload may be used to contract for performance by non-Federal Government personnel. As part of the 50/50 reporting process, analysis of the projected public/private distribution of depot maintenance is conducted to determine any actions required to ensure compliance with this statutory requirement. Monitoring and adjusting the public/private distribution of any supplemental funding is another action that affects execution year compliance. As discussed in Section 4.3 above, compliance is assured because intermediate and depot work are tracked separately.

4.10 Compliance with Sections 1115 and 1116 of Title 31, United States Code
Section 1115 (performance plans) and Section 1116 (performance reports) of Title 31, U.S.C. are not viewed as impediments to mission funding of Naval Shipyards. Department of the Navy budget justification materials and other supporting justification information contain a wide array of performance information (metrics and goals) in support of multiple performance related legislation such as the Government Performance and Results Act, as well as very detailed performance information in support of the President's Management Agenda (as contained in the OMB Program Assessment Rating Tool (PART)) and the DoD Balanced Scorecard.

The PART includes a section on Ship Maintenance performance information. Summary metrics are included as part of the detailed OMN budget justification materials for Ship Maintenance, and the Department of the Navy Budget Highlights Book. The Department of the Navy fully supports working with the OSD, OMB, and the respective Congressional Committees to develop and report on metrics and goals that demonstrate total cost visibility and performance accountability. These could be accommodated within the OMB PART. Select PART metrics for Ship Depot Maintenance were

included in the FY 2006 President's Budget justification materials (Section 1B4B) More comprehensive Ship Maintenance PART information can be viewed at http://www.whitehouse.gov/omb/budget/fy2006/pma/defense.pdf. A copy of the FY 2006 PART exhibit for Ship Maintenance is included at Appendix B.

4.11 Compliance with Chapter 35 of Title 31, United States Code

Chapter 35 of Title 31, U.S.C. requires auditable financial statements to include the ability to properly charge and account for reimbursable workload. The SYMIS supports the shipyard mission to maintain (i.e., perform repairs or alterations) Navy ships. Initially developed as a NWCF cost accounting system, SYMIS is U.S. General Ledger compliant and integrated with the Standard Accounting Reporting System-Field Level that supports the accounting requirements for Department of the Navy general fund accounts. SYMIS provides pertinent shipyard financial and workload planning information, such as ship identification (name and hull number) and workload planning estimates. The system was modified to support general fund business transactions at the consolidated Pearl Harbor and Puget Sound activities as part of the Navy RMP concept. SYMIS functionality provides the capability to support the full spectrum of business activity, including reimbursable transactions in support of shipyard mission funding.

Conclusion: The regional maintenance consolidation in the Pacific Northwest reaffirmed the Department of the Navy position that mission funding provides for a more agile workforce that can best satisfy Fleet maintenance priorities without sacrificing cost visibility, performance accountability, or quality of work. Regional consolidation has optimized the use of all resources available in a region and demonstrated the Department's ability to provide rapid surge capability to respond to Fleet priorities. Mission funding enabled the maintenance activities to quickly respond to emergent Fleet operational requirements by reprioritizing work and minimizing the execution year financial impact of unplanned maintenance, a critical element of the Fleet Response Plan.

5. Report on Proposed Congressional Budget Exhibits for Mission-Funded Shipyards

FY 2006 NDAA, Section 322, subsection (c) requires the submission of proposed budget exhibits that comprehensively address specific data elements. These elements are addressed in later sections of this report (Appendix C).

To ensure comprehensive coverage in the President's Budget justification materials, the Department of the Navy proposes the following actions:

- Modification of the existing Ship Depot Maintenance exhibit (OP-30 exhibit) to reflect budgeted and actual workload by specific shipyard and hull. This exhibit will be included in the Operation and Maintenance, Navy Data Book (Volume II).

- Development of a new budget exhibit entitled 'Naval Shipyards'. The exhibit will address relevant data elements (quantitative and qualitative) identified in the

FY 2006 NDAA, section 322, sub-section (c), language. A notional exhibit with relevant data for Pearl Harbor and Puget Sound Naval Shipyards is included at Appendix C. In subsequent budget submissions, this comprehensive exhibit will be included in the Operation and Maintenance, Navy Data Book (Volume II).

– Working with OSD and OMB, the Department of the Navy will seek approval to add/modify the Ship Maintenance PART to reflect new/revised metrics that meet Committee intent to objectively compare individual shipyard performance during the fiscal year. A summary section of select metrics is currently (and will continue to be) included in the Ship Maintenance OP-5 Exhibit, contained in the basic Operation and Maintenance, Navy justification book (Volume I).

– Working with OSD and the respective Congressional Committees, the Department of the Navy will establish a new procurement line item in the Other Procurement, Navy appropriation entitled 'Shipyard Capital Investment'. The purpose of this new line item is to provide a single comprehensive line that provides program and cost visibility of Naval Shipyard capital investment items.

– Budget Justification Materials. Summary Naval Shipyard performance information will be included in the Operation and Maintenance, Navy justification book (Volume 1), Budget Activity 1: Ship Maintenance activity group (1B4B). Shipyard Capital Investment will be reflected in the Other Procurement, Navy justification book effective with the FY 2008 President's Budget request.

Lastly, the Department of the Navy will propose additional refinements to these exhibits in subsequent budget submissions to ensure the Committee's concerns are satisfactorily addressed. In this regard, the Department of the Navy proposes alternatives to the metrics listed under 5.2 and 5.3 (below). We believe this information would be more meaningful to the Committee and request favorable consideration.

5.1 Schedule Adherence.
Metric #1: Deviation from Planned Schedule.
Calculation: Actual Starting or Ending Dates minus Scheduled Starting and Ending Dates by Hull.

A narrative explanation will be provided in cases where significant deviation from plan occurs. The Department of the Navy proposes expanding the Ship Depot Maintenance exhibit (OP-30 exhibit) to provide additional detail related to schedule adherence. Summary information from this exhibit is included in the Ship Maintenance PART. The Department proposes to include shipyard identification, and a comparison of actual versus budgeted for the prior fiscal year, as shown below: (A copy is provided at Appendix C).

Mission Funded Depot Maintenance Exhibit (MF-30)

PEARL HARBOR NAVAL SHIPYARD & INTERMEDIATE MAINTENANCE FACILITY

FY	Hull	Name	Planned Start Date	Planned End Date	Actual Start Date	Actual End Date	Avail Type	Budgeted Mission Direct Labor MD	Budgeted Reimb Direct Labor MD	Actual Mission Direct Labor MD	Actual Reimb Direct Labor MD
FY04	SSN-0721	USS CHICAGO	03/03/04	10/10/04	03/03/04	10/16/04	DSRA	65,374	1,053	69,130	651
	SSN-0771	USS COLUMBIA	06/02/04	10/19/04	06/02/04	11/14/04	DSRA	31,962	2,307	37,858	1,881
	FFG-57	USS R. JAMES	07/14/04	12/01/04	07/14/04	12/01/04	DSRA	958		696	0
	SSN-0698	USS BREMERTON	03/24/04	12/12/06			ERO		430,869		
FY05	SSN-0688	USS LOS ANGELES	07/07/05	04/14/06			PIRA	75,864			
	SSN-0701	USS LA JOLLA	02/02/05	05/03/05	01/24/05	05/20/05	DSRA	29,050	4,801	40,612	3,037
	SSN-0772	USS GREENEVILLE	06/14/05	09/16/05	06/14/05	09/16/05	DSRA	26,668	416	32,640	311
	SSN-0763	USS SANTA FE	10/06/04	12/09/04	10/06/04	12/18/04	IDD	20,904	926	23,445	
	SSN-0718	USS HONOLULU	01/11/05	06/10/05	01/11/05	06/24/05	IDD	55,013		77,421	
FY06	SSN-0705	USS CITY OF CORPUS CHR	09/21/06	12/02/06			DSRA	28,301			
	SSN-0752	USS PASADENA	04/15/06	06/25/06			DSRA	28,590			
	SSN-0773	USS CHEYENNE	01/03/06	03/14/06			DSRA	28,891			
	DDG-0077	USS O'KANE	11/02/05	02/01/06			DSRA	812			
FY07	AS-0040	USS FRANK CABLE	01/08/07	04/27/07			PMA	24,072			
	SSN-0771	USS COLUMBIA	04/09/07	05/09/08			DMP	157,065			
	SSN-0772	USS GREENEVILLE	09/01/07	10/01/08			DMP	146,344			
FY08	AS-0039	USS EMORY S LAND	02/01/08	12/01/08			DPMA	39,119			
	SSN-0722	USS KEY WEST	10/01/07	03/01/08			DSRA	34,840			
	SSN-0773	USS CHEYENNE	07/01/08	08/01/09			DMP	139,637			
	Maximum	Percent Late	28.9%	Maximum		Percent Over MD Budget		40.7%			
	Average	Percent Late	10.5%	Average		Percent Over MD Budget		13.2%			

5.2 Quality of Work

Quality of Work metrics aid in oversight ensuring the consistent and unwavering highest quality of work is maintained.

Metric #1: Rework Required to Correct Work Deficiencies.

Department of the Navy comment: Rework Hours were used as the Quality Metric for the first year of the Pearl Harbor pilot. The FY 2000 Addendum Report to Congress stated the metric was inconclusive. Rework hours provide no degree of assessment value due to the minimal rework hours recorded.

Department of the Navy proposed metric: Guarantee Deficiency Rate (GDR). GDR identifies the number of reported deficiencies (per 1,000 mandays of work) sent back to the Shipyard during the Guarantee Period, 90 days, after the ship leaves the Yard. The number of deficiencies is factored by the size (mandays) of the availability as shown in the sample below:

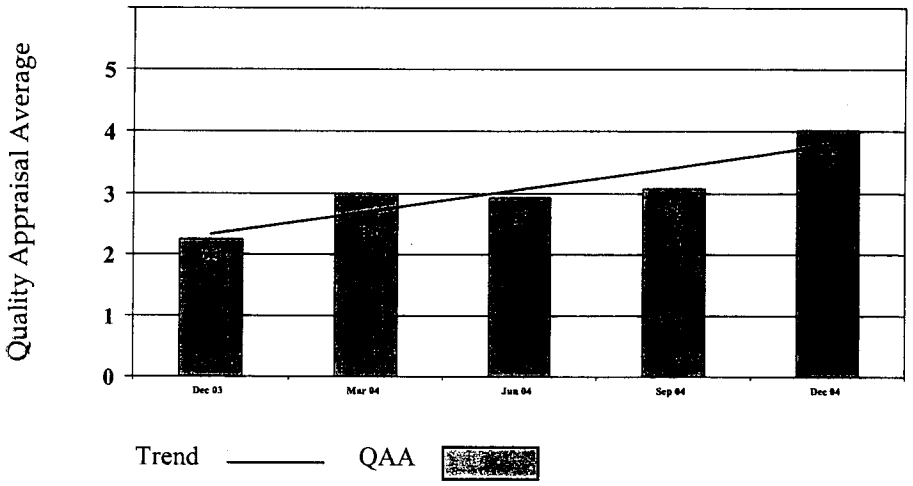
Pearl Harbor Naval Shipyard & Intermediate Maintenance Facility
Guarantee Deficiency Rate

Availability	Type	Complete Date	Mandays	# Deficiencies	GDR
USS LOUISVILLE (SSN-724)	SRA	29 Dec 03	48,300	5	.10
USS KEY WEST (SSN-722)	SRA	1 May 04	46,626	1	.02
USS BUFFALO (SSN-715)	ERO	14 Nov 04	419,767	37	.09
USS CHICAGO (SSN-721)	DSRA	16 Oct 04	69,951	1	.01
USS COLUMBIA (SSN 771)	DSRA	14 Nov 04	39,947	0	.00
USS SANTA FE (SSN-763)	DSRA	18 Dec 04	23,482	0	.00
USS LA JOLLA (SSN-701)	DSRA	23 Jun 05	43,629	0	.00

The proposed GDR metric information will be summarized and included in the proposed Naval Shipyards exhibit (Appendix C).

Metric #2: Ship Readiness.
Department of the Navy comment: A link has not been determined or measured linking readiness to maintenance quality, therefore a Ship Readiness metric would be inconclusive.
Department of the Navy proposed alternative: The Quality Appraisal Average (QAA) provides a subjective measure of shipyard performance of twelve selected areas on a scale of 1 to 5. Areas include work performance, cost performance, schedule, quality of life, and safety. This data is collected from surveys distributed to Ships, Squadrons, Type Commanders, and NAVSEA Program Offices.

Puget Sound Naval Shipyard & Intermediate Maintenance Facility
Quality Appraisal Average



Quality Appraisal evaluation is completed by assignment of a number from 1 to 5 that corresponds to the Customer satisfaction schedule where:
Satisfaction:
(1) Not at all
(2) To a small extent
(3) To a moderate extent
(4) To a great extent
(5) To a very great extent

The proposed QAA metric above will be summarized and included in the proposed Naval Shipyards exhibit (Appendix C).

5.3 Cost Management

Cost management metrics allow product delivery trend analysis within an individual activity as well as direct comparison between different activities based on a common unit of reference. For public shipyards the common unit of reference is direct labor mandays.

Metric #1: Total Annual Costs
Calculation: Sum of Direct and Indirect Military and Civilian Labor, Direct Materials, and Overhead Costs

Metric #2: Cost per Ship Availability
Department of the Navy comment: Direct Labor Days Worked on a Ship Multiplied by cost per Labor Day
Department of the Navy Proposed Metric #2: Average and maximum percentage over manday budget
Calculation: Actual mandays expended on an availability over the budgeted mandays. availability. Maximum and average values displayed.

Metric #3: Labor Rate
Calculation: Total Annual Costs (less Military Construction) Divided by Total Annual Direct Labor Days

5.4 Administrative Efficiency
Administrative efficiency allows overhead cost trend analysis within an individual activity as well as direct comparison between different activities by providing a relative measure of the overhead required for product delivery.

Metric #1: Ratio of overhead costs to total costs
Calculation: Sum of overhead labor and non-labor divided by sum of overhead labor, non-labor, direct labor, direct material, direct contracts, and other direct costs.

5.5 Completed Hull Repairs.
This metric allows trend analysis on the number of CNO availabilities completed by an activity as well as the number of homeported ships and submarines being supported by the integrated intermediate maintenance activity. This information is available in the performance criteria section of the Ship Maintenance OP-5 exhibit. Data will be included in the proposed Naval Shipyards exhibit (at Appendix C) and submitted in Volume II of the Operation and Maintenance, Navy justification materials (OMN Data Book).

Metric #1: CNO availabilities completed.
Calculation: Total number of CNO availabilities completed during the fiscal year.
Metric #2: Homeported submarines supported (non-depot) and homeported surface ships supported (non-depot)
Calculation: Number of submarines and surface ships being supported by the shipyard on the last day of the fiscal year.

5.6 In-Process Hull Repairs.
This metric allows trend analysis on the number of CNO availabilities in progress at the end of the year by activity. This information is available in the Ship Depot Maintenance (OP-30 exhibit) and will be included in the OMN Data Book.

Metric #1: CNO availabilities in progress.
Calculation: Total number of CNO availabilities in progress on the last day of the fiscal year.

5.7 Capital Replenishment.
With the exception of a change in financing (appropriated funds vice NWCF) and threshold differences, the capital equipment replenishment process at mission funded shipyards will continue to follow the same business rules, processes and procedures for planning and management of capital investment requirements as shipyards in the NWCF.

NAVSEA utilizes a management information system, entitled Capital Assets Tracking System that supports the planning, budgeting, and tracking of all shipyard capital investment projects regardless of funding source. Under mission funding, NAVSEA maintains responsibility to provide all project information, budget exhibits and

economic analysis information to ensure visibility and oversight of the shipyard capital investment program.

As addressed in paragraph 5.d. above, the Department of the Navy proposes establishment of a new procurement line item entitled 'Shipyard Capital Investment' in the OPN appropriation. The new line item will provide the desired visibility for shipyard capital equipment funding profiles and reported on the proposed Naval Shipyards exhibit and submitted in the OMN Data Book.

5.8 Workload Indicators – Effectiveness
Reports the total workload compared to the modified dry-dock capacity index. The modified shipyard dry-dock capacity includes both the capacity for dry docks and for output shops. This metric gives a relative measure of shipyard utilization

Metric #1: Capacity utilization rate.
Calculation: Assigned workload divided by the modified dry-dock capacity index.

5.9 Annual Budget Management Reports. The following will be included in the proposed Naval Shipyards exhibit and submitted in Volume II of the Operation and Maintenance, Navy justification materials (OMN Data Book).

5.9.1 Obligation Authority from Department of the Navy Accounts and non-Department of the Navy sources will be included in the proposed Naval Shipyards exhibit. Additionally, the OP-30 exhibit will be further modified to include other appropriation funding sources. This will be a longer-term collaborative effort involving the Shipyards, the Fleet Commanders, NAVSEA, CNO, and the Office of the Secretary of the Navy.

5.9.2 Costs and Expenses, to include: Military Personnel, Civilian Personnel, Materials, Contracts, Travel, Supplies, Overhead and Other costs. Generally, this information is available via the Summary of Price and Program exhibit (OP-32 exhibit) submitted in the basic justification materials for each O&M activity group. This information will be expanded to include all fund sources and will be included in the proposed Naval Shipyards budget exhibit.

5.9.3 Capital Expenditures. Information related to Shipyard capital expenditures will be available in FY 2007 execution. As addressed in paragraph 5.d., the Department of the Navy proposes establishment of a new procurement line item entitled 'Shipyard Capital Equipment' in the Other Procurement, Navy appropriation. The new line item will provide the desired cost visibility of Naval Shipyard capital expenditures and included in the proposed Naval Shipyards exhibit.

5.9.4 Military Construction. Specific Naval Shipyard major construction projects are visible in the Military Construction, Navy budget justification materials. All projects are separately identified (by activity) in detailed (DD1390)

budget materials. This information will be included in the proposed Naval Shipyards exhibit.

5.9.5 Base Operating Support and Facilities, Sustainment, Restoration, and Modernization data. Although no current requirement exists to provide a sub-breakout of this information by activity group/location, the information will be included in the proposed Naval Shipyards exhibit. This will be a longer-term collaborative effort involving the Shipyards, the Fleet Commanders, Commander, Naval Installations, CNO, and the Office of the Secretary of the Navy.

5.9.6 Personnel and Labor Management to include: Military Personnel end strength and mandays, Civilian Personnel full time equivalents and mandays. This information is currently presented in the performance criteria section of the Ship Maintenance OP-5 exhibit. This information will be included in the proposed Naval Shipyards exhibit.

The Department of the Navy appreciates the opportunity to work with the Committees to develop and provide meaningful supporting budget justification materials. We request favorable consideration.

Puget Sound Naval Shipyard and Naval Intermediate Maintenance Facility Prototype

LESSONS LEARNED

PUGET SOUND PROTOTYPE
LESSONS LEARNED

Puget Sound Naval Shipyard and Naval Intermediate Maintenance Facility (IMF), Pacific Northwest began their consolidation efforts by establishing a joint Integration Management Team, which identified, chartered, monitored and advised twelve functional area transition teams, with membership from both the Shipyard and the IMF. These teams included: Financial, Employee Relations, Resources, Materials, Planning/Engineering and Quality Assurance, Operations, Business/Customer Interface, Automated Information Technology, Safety/Health and Environmental, Facilities/Equipment, Military Integration, and Cranes/Weight Handling. Each team developed a Plan of Action and Milestones (POA&M), with the projected consolidation ceremony date (May 15, 2003) and the single funding consolidation date (October 1, 2003) keenly in mind. The Integration Management Team maintained a roll-up POA&M of these twelve team efforts, posting the document as a work in progress on a local web site, as well as the dynamic memberships of each team. Specific information in a "questions and answer" format was prepared and distributed for the workforce, to help them understand the maintenance facility consolidation and changes to the funding strategy for the consolidated command.

The initial teams focused on communications, organizational stand-up, and funding concerns, as well as lessons learned from the previous consolidation of the Pearl Harbor Naval Shipyard and IMF. Frequent, ongoing liaison between the Pacific Northwest and Pearl Harbor with regard to maintenance consolidation started in June 1997 when Puget Sound Naval Shipyard personnel met with their counterparts at Pearl Harbor Naval Shipyard to discuss plans and initial approaches to consolidating depot level and intermediate level activities. Frequent contact between functional team members occurred as issues arose and options were considered. The teams made good use of the published lessons learned from the Pearl Harbor mission funding pilot. Integration meetings were also held in February 2003 and February 2004 to continue refining actions and incorporating lessons learned.

A major overarching lesson from the Pearl Harbor pilot revealed that reviews and evaluations must include the voices of labor to aid in a smooth transition for the new organization. The four main unions associated with the separate maintenance activities in the Pacific Northwest were invited to these integration efforts early and all four had strong, vocal representation, particularly in the Employee Relations Team. Another important lesson was to prevent actions that would adversely affect the ability of either maintenance activity to meet their primary missions. As an example, the first Monday after the Pearl Harbor consolidation ceremony, all former IMF employee qualifications were null and void. Production was impacted when none of them were recognized to perform maintenance work in the Shipyard databases. For the Pacific Northwest transition, when any team had doubts about the impact of an initial unifying action, the mantra of "as is, where is" was invoked. Controlled change was imperative to maintaining performance during the transition. Change Management Processes were instituted to validate and review proposed actions from the teams prior to implementation.

PUGET SOUND PROTOTYPE
LESSONS LEARNED

Learning from the Pearl Harbor pilot was crucial to the success of the Puget Sound consolidation and mission funding transition. Future shipyards transitioning to mission funding would benefit from close interaction with Puget Sound Naval Shipyard and IMF.

Puget Sound Naval Shipyard discovered that there was no new lessons learned of significance from the Pearl Harbor pilot. The most important lesson is the early formation of a highly capable transition team formed with top personnel from the key areas described in paragraph one. Also important is that the team be led full time by a financially savvy senior manager with a broad shipyard experience base. Another crucial lesson is that there should be frequent face-to-face contact with the transition team and their counterparts at the mission funded shipyards, both at the transitioning site and the mission funded sites, throughout the process and especially for the October 1st changeover.

Puget Sound Naval Shipyard has prepared detailed process instructions and financial desktop procedures and held a conference in January of 2003 on mission funding. There have been ongoing communications with the other public shipyards on mission funding. A comprehensive plan is being established for cross training personnel prior to transition to mission funding. This will include sending pre-transition personnel to Puget Sound Naval Shipyard to see a successful transition in operation, and Puget Sound Naval Shipyard sending experienced personnel to NWCF shipyards to assist in the transition process. Written process instructions, along with personnel that experienced the changeover to mission funding, will be priceless during future public shipyard transitions from the NWCF. Future transitions should be less complicated than those of the two Pacific Fleet shipyards, since these transitions will not include concurrent integration of a co-located IMF.

Key objectives and benefits were pursued throughout the integration process:

- Increased efficiency and reduced total maintenance cost.
- Improved technical skills and proficiency for military personnel.
- Fully integrated civilian and military workforce.
- Flexible workforce with individuals capable of all levels of work.

While some sharing of production personnel had occurred prior to consolidation efforts in the Pacific Northwest, this always required special actions for identifying resource requirements and availability, preparing funding documents (financial systems were different), establishing facility access, and more--all taking extra time. Consolidation of Puget Sound Naval Shipyard and the IMF resulted in a more efficient process. There is a combined Workload And Resource Requirements (WARR) document for all work in the command regardless of location. All resource needs for the Pacific Northwest are now discussed and resolved in the weekly project assessment meeting; no special funding documents are necessary to move resources, since the entire activity operates under direct funding. As the priority of maintenance work in the region is identified or amended by the customer-focused, customer-represented Local Board of Directors, the total

workforce of Puget Sound Naval Shipyard & IMF is immediately aligned to execute that priority.

The consolidated Puget Sound RMF now includes "training of sailors" in its mission statement. Military personnel working on their Battle Force Intermediate Maintenance Activity qualifications now receive unique maintenance experience through assignments on vessels undergoing repair and upgrades in a shipyard environment, as well as experience working on active vessels with constrained timeframes at intermediate facilities.

Other Issues:

Workload: Spiking work requirements at a particular worksite in the Puget Sound region are now supported by civilian and military workers with the appropriate qualifications and experience from anywhere within the region. When a production spike becomes extreme, additional support comes from other corporate Navy maintenance activities or even from private sector contractors. The flow of resources surges into or out of regions, depending on the peaks and valleys in Navy maintenance workload. When the regions are financially aligned with common funding systems, that surging results in significant schedule efficiencies and overall reduced maintenance costs. There have been major improvements in communication between NAVSEA, OPNAV, Fleet Commanders (PACFLT and Commander, Fleet Forces Command), and the shipyards. All parties now understand the problems, priorities, and budgets and operate towards a common goal. Various boards have been established that have given these parties an awareness not seen in NWCF. Under NWCF decisions were made on an availability-by-availability basis with little or no involvement from the Fleet Commander.

Workforce: There was no impact on the workforce due to the change to mission funding.

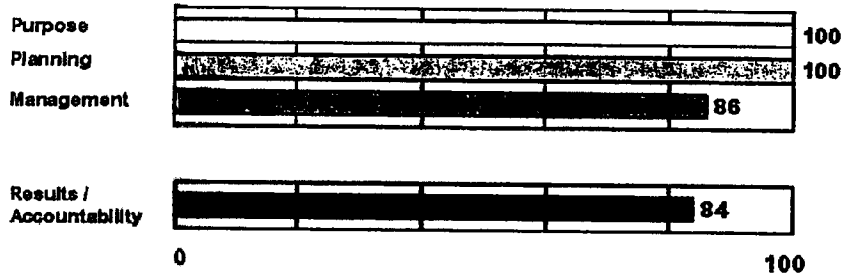
Personnel/Union Considerations: None related to mission funding.

Overall Rating	DoD Risk Area	Strategic Enabler
E	O	C

Ship Depot Maintenance

Program: *Depot Maintenance - Ship*

Agency: *Department of Defense--Military*
Bureau: *Department of the Navy*



Rating: *Effective*

Program Type: *Direct Federal*

Program Summary:
The Navy Ship Depot Maintenance maintains the appropriate material condition of naval ships. Naval ships must be properly maintained to ensure the safety of U.S. sailors and to ensure their availability to deploy for military operations.

The PART assessment shows:

- The Navy' s depot maintenance program allows Navy ships to continue to operate around the world at a high state of readiness.
- Metrics that measure maintenance schedules can be skewed by wartime requirements and do not reflect poor performance.

In response to these findings, the Administration will:

1. Work in the next year to develop indicators that measure adherence to maintenance schedule; quality control; and mission capable rates.
2. Align funding decisions for ship depot maintenance to performance metrics.
3. Work to improve the program' s financial management practices.

Key Performance Measures from Latest PART	*Year*	*Target*	*Actual*
Annual Measure: Overhauls	2004	3	3
	2005	4	4
	2006	4	
Annual Measure: Selected Restricted Availabilities	2004	53	59
	2005	63	58
	2006	66	
Annual Measure: Planned Incremental Availabilities	2004	2	3
	2005	2	3
	2006	7	

Program Funding Level (in millions of dollars)

2004 Actual	2005 Estimate	2006 Estimate
4,107	3,889	3,967

OMN
1B4B

Table 1 - Activity: Ship Depot Maintenance
Activity Goal: To provide maintenance necessary to sustain the operational readiness of combat forces, to ensure the safe and efficient operation of weapon systems, to renovate assets (recapitalization), and to ensure equipment is at or above fully mission capable standards prior to any transfers from the Active to Reserve Components.
Description of Activity: Depot Maintenance programs fund the overhaul, repair, and maintenance of aircraft and other equipment. Depot Maintenance is performed at both public (DoD) and private (contractor) facilities.

	Prior Year (FY 2004)						Current Year (FY 2005)				Budget Year (FY 2006)		Budget Year (FY 2007)	
	Budget		Actual Inductions		Completions		Budget		Estimated Inductions		Carry-In	Budget		
	Qty	($ in K)	Qty	($ in K)	Prior Yr	Cur Yr	Qty	($ in K)	Qty	($ in K)	Qty	Qty	($ in K)	Qty	($ in K)
Overhauls	4	428,250	3	324,496	4	0	4	689,742	3	349,956	5	4	412,452	4	378,791
Selected Restricted Availabilities	54	649,473	62	848,956	14	47	63	608,525	57	611,743	15	54	638,190	52	444,831
Planned Incremental Availabilities	2	356,667	2	399,847	3	1	2	399,608	2	476,781	2	3	446,610	4	538,925
Phased Maintenance Availabilities	13	184,607	18	336,482	11	15	21	289,854	23	274,690	4	15	166,522	14	274,294
Emergent Repair	n/a	311,239	n/a	247,550	n/a	n/a	n/a	265,830	n/a	250,691	n/a	n/a	237,678	n/a	236,150
Miscellaneous RA/TA	n/a	578,533	n/a	584,967	n/a	n/a	n/a	502,255	n/a	786,094	n/a	n/a	912,676	n/a	694,248
Continuous maintenance	n/a	309,083	n/a	367,256	n/a	n/a	n/a	353,456	n/a	289,144	n/a	n/a	262,429	n/a	237,018
Reimbursable overhead	n/a	268,200	n/a	196,534	n/a	n/a	n/a	233,589	n/a	169,066	n/a	n/a	155,431	n/a	172,619
Intermediate maintenance*	n/a	481,493	n/a	615,682	n/a	n/a	n/a	567,580	n/a	662,605	n/a	n/a	735,420	n/a	705,685
TOTAL	**73**	**3,567,545**	**85**	**3,921,770**	**32**	**63**	**90**	**3,910,439**	**85**	**3,870,769**	**26**	**76**	**3,967,408**	**74**	**3,682,560**

Explanation of Performance Variances:

FY04

Increase in actual inductions and associated funding associated with cost of war and supplemental funding. LANTFLT Regional Maintenance Centers funding shown separately FY 2006 and FY 2007.

*Further detail for Intermediate Maintenance on Table 2.

OMN 1B4B (cont'd)

Table 2 - Activity: Intermediate Level Maintenance

Activity Goal: The Intermediate Maintenance program supports intermediate maintenance performed by Navy personnel and civilians on tenders, repair ships, aircraft carriers, at Regional Maintenance Centers (RMCs), Trident Refit Facilities (TRFs), and at the Naval Submarine Support Facility (NSSF) New London.

Description of Activity: The intermediate level maintenance program funds the pay of civilian personnel, materials and day-to-day operations at the RMCs, Trident Refit Facilities, and the Naval Submarine Support Facility. The RMCs perform intermediate maintenance on ships and submarines assigned to the port. The Trident Refit Facilities provide industrial support for incremental overhaul and repair of Trident submarines and for the overhaul of equipment in the Trident Planned Equipment Replacement (TRIPER) Program. Naval Submarine Support Facility (NSSF) New London provides intermediate level maintenance, ordnance, and supply support to nuclear attack submarines, support vessels and service craft.

	Prior Year (FY 2004)		Current Year (FY 2005)		Budget Year (FY 2006)	Budget Year (FY 2007)
	Budget	Actual	Budget	Estimated	Budget	Budget
	($ in K)	($ in K)	($ in K)	($ in K)	($ in K)	($ in K)
Labor	234,805	315,718	253,738	326,111	430,869	412,878
Material	234,527	292,787	313,842	336,494	304,551	292,807
Centrally Managed (Includes NMCI Funding)	12,161	7,177	0	0	0	0
TOTAL	**481,493**	**615,682**	**567,580**	**662,605**	**735,420**	**705,685**
		W/Y		W/Y	W/Y	W/Y
Civilian on board (Work Years (W/Y))	n/a	3,939	n/a	3,923	4,992	4,650
Qty Homeported Ships Maintained	n/a	261	n/a	250	245	245

Naval Shipyards

Department of the Navy
Naval Shipyards

Description
Activity Group Function:
Naval Shipyards provide logistics support for assigned ships and service craft; perform authorized work in connection with construction, overhaul, repair, alteration, dry-docking and outfitting of ships and craft as assigned; perform design, manufacturing, refit and restoration, research, development and test work, and provide services and material to other activities and units as directed by competent authority.
Activity Group Composition:

This budget reflects two naval shipyards operating under mission funding in FY 2005 through FY 2007 and two additional naval shipyards transitioning from the Navy Working Capital Fund (NWCF) to mission funding in FY 2007. These activities and their locations are:

FY 2005 to FY 2007
Pearl Harbor Naval Shipyard and Intermediate Maintenance Facility (PHNSY & IMF) Pearl Harbor, HI
Puget Sound Naval Shipyard & Intermediate Maintenance Facility (PSNSY & IMF) Bremerton, WA
FY 2007
Norfolk Naval Shipyard (NNSY) Portsmouth, VA
Portsmouth Naval Shipyard (PNSY) Kittery, ME

Residual NWCF data for three naval shipyards, (Puget Sound, Norfolk, and Portsmouth) are reported as part of the NWCF justification of estimates Pearl Harbor Naval Shipyard and Intermediate Maintenance Facility located in Pearl Harbor Hawaii provides both depot level maintenance and fleet maintenance for submarines and surface ships assigned to the region.

Note: This represents a sample exhibit. The actual budget exhibits (by shipyard) to support the FY 2007 President's Budget will be provided in mid-March 2006.

Appendix C

Pearl Harbor Naval Shipyard and Intermediate Maintenance Facility

PHNSY & IMF, located in Pearl Harbor Hawaii provides both depot level maintenance and non-depot level maintenance for submarines and surface ships assigned to the region.

1. Funding Summary

SOURCE OF FUNDING ($000)

	PY	CY	BY
Department of the Navy			
Direct			
Operation &Maintenance, Navy (Fleet)			
Reimbursable			
Operation &Maintenance, Navy (NAVSEA)			
Shipbuilding & Conversion, Navy			
Other Procurement, Navy			
Other Department of Navy			
Department of Defense			
Other Orders			
Other Federal Agencies			
Foreign Military Sales			
Other			

2. Performance Metrics (See glossary for definitions)

PEARL HARBOR NAVAL SHIPYARD & INTERMEDIATE MAINTENCE FACILITY METRICS

Item	FY05	FY06	FY07
Quality of Work	.064	N/A	N/A
Unit Cost ($ per manday)	TBD	TBD	TBD
Administrative efficiency	TBD	TBD	TBD
CNO Availabilities Complete	5	TBD	TBD
CNO Availabilities in process at end of FY	4	TBD	TBD
Homeported Aircraft Carriers Supported (non-depot)	0	0	0
Homeported Submarines Supported (non-depot)	16	14	13
Homeported Surface Ships Supported (non-depot)	12	12	11
Capacity Utilization Rate	97.0%	95.8%	95.7%

3. Performance Information (See glossary for definitions)

PEARL HARBOR NAVAL SHIPYARD & INTERMEDIATE MAINTENANCE FACILITY ($K)

Estimates ($ 000)	PY	CY	BY
Direct Civilian Labor	209,179	TBD	TBD
Direct Military Labor	21,908	TBD	TBD
Direct Material	83,656	TBD	TBD
Direct Contracts	TBD	TBD	TBD
Other Direct Costs	TBD	TBD	TBD
Overhead Civilian Labor	176,439	TBD	TBD
Overhead Military Labor	33,556	TBD	TBD
Overhead Non-Labor	46,348	TBD	TBD
Total	571,086	TBD	TBD

Note: Direct Contracts and Other Direct Costs included in Direct Material.

Appendix C

Department of the Navy
Naval Shipyards

Workload

Workload changes are consistent with fleet requirements and also reflect shipyard process improvements. FY 2005 actual workload reflects a 6.2 percent increase above the FY 2005 estimate included in the FY 2006 President's Budget Estimate. The majority of the increase during FY 2005 execution is directly due to work associated with complex submarine availabilities

	FY2005	FY2006	FY2007
Total Direct Mandays	**661,280**	**653,329**	**652,379**
Shipbuilding and Conversion, Navy (ERO, RCOH, etc...)	204,771	257,905	204,300
Surface Ship	246	800	0
Submarines	208,861	127,093	199,809
Inactivation Work	0	0	12,624
Non-CNO availability Depot Work (RA/TA, CM, Emergent Repair, etc...)	87,460	113,118	95,251
Regional Maintenance Center (Non-Depot)	159,942	154,413	140,395
Total Indirect Mandays	**464,299**	**505,391**	**495,524**
Production and General Overhead	464,299	505,391	495,524
Total Mandays	**1,125,579**	**1,158,720**	**1,147,902**
Straight Time Mandays	1,003,650	1,084,130	1,084,143
Overtime Mandays	121,929	74,590	63,759

Notes:

1. HRMC not included in FY05, included in FY06-07
2. Indirect Mandays do not include Leave

Appendix C

4. Workforce

The majority of the Pearl Harbor workload is highly complex submarine work that requires a skilled workforce. In order to have a skilled workforce ready to accomplish this workload the activity is undertaking appropriate personnel and training initiatives.

WORKFORCE

Item	PY	CY	BY
Civilian End Strength	4,291	TBD	TBD
Military End Strength	739	TBD	TBD
Total Workforce	**5,030**	**TBD**	**TBD**

PHNSY & IMF Apprentice Program

The shipyard apprentice program is a vital element of shipyard workforce revitalization. Focusing on blue-collar production trade skills it results in employees that are Department of Labor certified journeymen with technical certificates or associate degrees. Planned apprentice program enrollment is as follows:

Item	PY	CY	BY
First year apprentices	155	140	100
Second year apprentices	130	150	135
Third year apprentices	120	125	145
Fourth year apprentices	100	125	120
Total Workforce	**505**	**540**	**500**

Note: Second and subsequent year apprentice numbers for CY an d BY are based on normal attrition from initial hires.

Apprentice program costs include apprentice salaries while in a training status, tuition, books, and other instructional costs.

$K	PY	CY	BY
Apprentice Program Cost	**6,673**	**6,890**	**6,752**

Appendix C

5. Infrastructure Accounts (See glossary for definitions)

PHNSY & IMF INFRASTRUCTURE SUPPORT ACCOUNT SUMMARY ($K)			
Estimates ($000))	PY	CY	BY
Base Operating Support (OMN)	13,643	13,930	14,069
Capital Equipment (OPN)	9,009	7,483	10,748
Facilities Sustainment, Restoration, & Modernization (OMN)	22,296	25,468	21,080
Military Construction (MILCON)	5,100	0	0
Total	50,048	46,881	45,897

PHNSY & IMF CAPITAL EQUIPMENT PROJECT SUMMARY ($K)		
Project Title	**FY**	**COST**
SHAFT PRE-HEAT SYSTEM	2005	340
HP AIR COMPRESSOR	2005	594
DRYDOCK ELEVATOR	2005	790
TEMP ELEC DIST SYSTEM	2005	766
SLUDGE TRUCK	2005	853
CORPORATE SOFTWARE (Data Recovery)	2005	188
ORACLE TRANSFORMATION FOR CORP APPS	2005	592
CORPORATE APPLICATION STORAGE	2005	678
E-FEM	2005	640
CNC LASER FABRICATOR	2005	538
60 TON PORTAL CRANE, ADDL FUNDS	2005	120
MCON P-309 COLLATERAL EQUIPMENT	2005	2,910
	FY TOTAL	**9,009**

LED LIGHT SYSTEM	2006	980
PIPE BENDER NUCLEAR	2006	400
55 TON MOBILE CRANE	2006	700
VLS LASER CLADDING SYSTEM	2006	800
HIGH PRESSURE AIR COMPRESSORS	2006	900
SLUDGE TRUCK	2006	700
PORTABLE SMALL BATCH PAINT DISPENSING SYSTEM	2006	542
UNIX SERVER REPLACEMENT	2006	451
CORPORATE SOFTWARE	2006	510
NMS UPGRADE	2006	615
ORACLE 10G UPGRADE	2006	135
PSS UPGRADE	2006	169
SUPDESK UPGRADE	2006	285
TS/TSD	2006	296
	FY TOTAL	**7,483**
SHAFT LATHE	2007	6600
PORTABLE SUBSTATIONS	2007	900
DC GENERATOR	2007	950
CORPORATE SW	2007	660
NMS UPGRADE	2007	310
PSS UPGRADE	2007	311
SUPDESK UPGRADE	2007	150
PHNSY-SERVER	2007	450
PHNSY-SECNET	2007	417
	FY TOTAL	**10,748**

Appendix C

Department of the Navy
Naval Shipyards

PHNSY & IMF MILCON PROJECTS SUMMARY ($K)		
Project Title	**FY**	**COST**
Drydock 4 Shore Power Improvements (P-266)	2005	5,100
	FY 2005 TOTAL	**5,100**

Appendix C

Department of the Navy
Naval Shipyards

PEARL HARBOR NAVAL SHIPYARD & INTERMEDIATE MAINTENANCE FACILITY											
FY	Hull	Name	Planned Start Date	Planned End Date	Actual Start Date	Actual End Date	Avail Type	Budgeted Mission Direct Labor MD	Budgeted Reimb Direct Labor MD	Actual Mission Direct Labor MD	Actual Reimb Direct Labor MD
FY04	SSN-0721	USS CHICAGO	03/03/04	10/10/04	03/03/04	10/16/04	DSRA	65,374	1,053	69,130	651
	SSN-0771	USS COLUMBIA	06/02/04	10/19/04	06/02/04	11/14/04	DSRA	31,962	2,307	37,858	1,881
	FFG-57	USS R. JAMES	07/14/04	12/01/04	07/14/04	12/01/04	DSRA	958	0	696	0
	SSN-0698	USS BREMERTON	03/24/04	12/12/06	03/24/04	TBD	ERO	0	430,869	TBD	TBD
FY05	SSN-0688	USS LOS ANGELES	07/07/05	04/14/06	07/07/05	TBD	PIRA	75,864	0	TBD	TBD
	SSN-0701	USS LA JOLLA	02/02/05	05/03/05	01/24/05	05/20/05	DSRA	29,050	4,801	40,612	3,037
	SSN-0772	USS GREENEVILLE	06/14/05	09/16/05	06/14/05	09/16/05	DSRA	26,668	416	32,640	311
	SSN-0763	USS SANTA FE	10/06/04	12/09/04	10/06/04	12/18/04	IDD	20,904	926	23,445	0
	SSN-0718	USS HONOLULU	01/11/05	06/10/05	01/11/05	06/24/05	IDD	55,013	0	77,421	0
FY06	SSN-0705	USS CITY OF CORPUS CHR	09/21/06	12/02/06	TBD	TBD	DSRA	28,301	0	TBD	TBD
	SSN-0752	USS PASADENA	04/15/06	06/25/06	TBD	TBD	DSRA	28,590	0	TBD	TBD
	SSN-0773	USS CHEYENNE	01/03/06	03/14/06	TBD	TBD	DSRA	28,891	0	TBD	TBD
	DDG-0077	USS O'KANE	11/02/05	02/01/06	11/02/05	TBD	DSRA	812	0	TBD	TBD
FY07	AS-0040	USS FRANK CABLE	01/08/07	04/27/07	TBD	TBD	PMA	24,072	0	TBD	TBD
	SSN-0771	USS COLUMBIA	04/09/07	05/09/08	TBD	TBD	DMP	157,065	0	TBD	TBD
	SSN-0772	USS GREENEVILLE	09/01/07	10/01/08	TBD	TBD	DMP	146,344	0	TBD	TBD
	Maximum	Percent Late	28.9%	Maximum			Percent Over MD Budget	40.7%			
	Average	Percent Late	10.5%	Average			Percent Over MD Budget	13.2%			

Glossary

Performance Metrics:

Schedule Adherence: Two metrics, Average Percentage Late and Maximum Percentage Late. The percentage late is calculated by dividing the availability actual duration by the scheduled duration (as stated in the last Presidential Budget).

Manday Budget Performance: Two metrics, Average Percentage Over Manday Budget and Maximum Percentage Over Manday Budget. The percentage over manday budget is calculated by dividing the availability actual mandays by the budgeted mandays (as stated in the last Presidential Budget).

Quality of Work: This metric reports the number of post delivery discrepancies per 1,000 mandays of actual expenditures.

Unit Cost: This metric reports the total cost less direct material, direct contract, other direct, and MILCON per direct labor manday delivered. CY and BY reflect the budgeted values.

Administrative Efficiency: This metric reports the total cost less direct material and direct labor divided by total cost less direct material. CY and BY reflect the budgeted values.

CNO Availabilities Complete: This metric reports the total number of CNO availabilities completed during the PY.

CNO Availabilities in Progress at end of FY: The metric reports the number of CNO availabilities in progress at the end of the PY.

Homeported Aircraft Carriers Supported: Number of homeported aircraft carriers supported by activity. Determines activities non-depot workload.

Homeported Submarines Supported: Number of homeported submarines supported by activity. Determines activities non-depot workload.

Homeported Surface Ships Supported: Number of homeported surface ships supported by activity. Determines activities non-depot workload.

Shipyard Capacity Utilization: This metric reports the total workload compared to the modified dry-dock capacity index. CY and BY reflect the budgeted values.

Performance Information:
Direct Civilian Labor: Includes actual direct civilian labor cost (accelerated by benefits) plus direct overtime cost.

Direct Military Labor: Total military salary cost times percentage of military mandays spent on direct work.

Direct Material: Actual material (piece-part) costs.

Direct Contracts: Includes all contract labor costs.

Other Direct Costs: Includes direct costs not included in direct material and direct contracts. Examples include travel costs and equipment rental costs.

Overhead Civilian Labor: Includes actual overhead civilian labor cost (accelerated by benefits), overhead overtime, differential costs, bonuses, lump sum leave costs, and transportation incentive program costs. .

Overhead Military Labor: Total military salary cost less that reported as direct military labor.

Overhead Non-Labor: Includes such non-labor costs as overhead travel, telecommunications, office, shop, and furniture purchases less than OPN $250,000 threshold, crane maintenance, and Janitorial services. ...

Infrastructure Accounts: These accounts provide the funding for infrastructure operation, maintenance, and replacement as follows:

Base Operating Support (OMN): Base Operating Support finances utilities, maintenance, security, transportation, and port operations costs required to support industrial operations.

Capital Expenditures (OPN): The Capital Budget Authority reflects the financing of essential fleet support equipment and other capital improvements critical to sustaining shipyard operations, improving productivity, meeting health, safety and environmental requirements and lowering production costs.

Facilities Sustainment, Restoration, & Modernization (OMN): The Sustainment, Restoration, and Modernization Budget Authority reflect the financing of essential infrastructure maintenance and modernization.

Military Construction (MILCON): Budget Authority reflects the financing of essential infrastructure replacement critical to sustaining shipyard operations, improving productivity, meeting health, safety and environmental requirements and lowering production costs.

Glossary of Terms

CNO	Chief of Naval Operations
CRA	Continuing Resolution Authority
DFAS	Defense Finance and Accounting Service
DoD	Department of Defense
FRP	Fleet Response Plan
GDR	Guarantee Deficiency Rate
IMF	Intermediate Maintenance Facility
MPN	Military Personnel, Navy
NAVSEA	Naval Sea Systems Command
NDAA	National Defense Authorization Act
NWCF	Navy Working Capital Fund
OMN	Operation and Maintenance, Navy
OMB	Office of Management and Budget
OPN	Other Procurement, Navy
OUSD (AT&L)	Office of the Undersecretary of Defense (Acquisition, Technology & Logistics)
OUSD (C)	Office of the Undersecretary of Defense (Comptroller)
PART	Program Assessment and Rating Tool
QAA	Quality Assurance Average
RMC	Regional Maintenance Centers
RMP	Regional Maintenance Plan
SYMIS	Shipyard Management Information System
USC	United States Code
WARR	Workload And Resource Report