



DEPARTMENT OF THE NAVY

NAVAL SEA SYSTEMS COMMAND
WASHINGTON, DC 20362-5101

IN REPLY REFER TO

NAVSEAINST 4341.2A
Ser 901/5
7 February 1986

NAVSEA INSTRUCTION 4341.2A

From: Commander, Naval Sea Systems Command
To: All Offices Reporting Directly to COMNAVSEA
Subj: POLICY ON GOVERNMENT FURNISHED MATERIAL (GFM) FOR NEW CONSTRUCTION AND
CONVERSION PROGRAMS

1. Purpose. To state the criteria for determining whether material required under a shipbuilding contract will be Government furnished or contractor furnished.

2. Cancellation. NAVSEAINST 4341.2 of 25 February 1977 was canceled by NAVSEANOTE 5215 serial 09B12/104 of 2 January 1986.

3. Scope. This instruction applies to boats and small craft as well as to ships.

4. Discussion

a. The Navy assumes an extensive contractual obligation when it undertakes to furnish material to the shipbuilder for use in the construction or conversion of a ship. This is particularly true since most material must be installed within a specific period during the construction or conversion period. The obligation normally includes:

(1) Proper identification of material and technical documentation to be provided to the shipbuilder.

(2) A warranty by the Government that the material and related technical documentation is suitable for its intended use and will be delivered by the time set forth in the contract schedule or, if not set forth, mutually agreeable in time to enable the contractor to meet the ship delivery dates.

(3) Delivery of the material and documentation in accordance with the contract schedule in (2) above, to avoid delay and disruption claims, with delivery of certain types of documentation, such as installation control/guidance drawings, in advance of material delivery.

(4) The furnishing of material which conforms to the total ship system requirements, as detailed in the ship specifications and associated drawings.

b. Federal Acquisition Regulation (FAR) 45.303-1 and 303-2 set forth the policy for furnishing material by the Government to a contractor:

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(1) Policy on Furnishing Material. It is the policy of The Government that contractors will ordinarily furnish all material required for the performance of Government contracts. However, the Government should furnish material to a contractor when it is necessary to achieve significant economy, standardization or expedited production or when it is otherwise in the best interest of the Government.

(2) Changing the Amount of Material to be Furnished by the Government:

(a) At any time after a contract has been entered into, whether as a result of formal advertising or negotiation, the contract may be bilaterally modified to provide for the furnishing of Government material, or to increase the amount to be furnished, provided there is adequate consideration for such modification.

(b) When it is anticipated that substantial quantities of Government material will become available for the contract by transfer from another contract or otherwise, the contract may provide that a unilateral increase in the amount of material, to be furnished by the Government, may be ordered by the contracting officer, and that the contract shall be equitably adjusted.

(c) Unilateral decreases in or substitutions for the material specified under a contract to be provided by the Government may be ordered by the contracting officer, subject to an equitable adjustment of the contract, in accordance with paragraph (b) of the appropriate Government Property Clause cited in FAR section 45.106.

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5. Criteria. Under the FAR policy stated in paragraph 4b above, material required to perform under a NAVSEA shipbuilding or conversion contract will ordinarily be furnished by the shipbuilder, except when, the Government should furnish material to achieve significant economy, standardization or expedited production or when it is otherwise in the Government's best interest to furnish specific material. Some examples of cases where it may be in the best interest of the Government to furnish or specify material are:

a. Economical Buys. Material can be made GFM where it can be demonstrated that significant savings to the Government will accrue through quantity procurement, considering all factors, including Government storage, handling and shipping costs, insurance costs and other risk assumptions by the Government.

b. Developmental. This category includes material in a research and development status, which has no prior naval shipboard operational experience, and material with nondefinitive specifications that must be procured or developed concurrently with the ship. Materials in this category shall be specified only when essential to satisfy an operational or ship characteristics requirement which cannot be satisfied by existing materials.

c. Complex Materials. This category includes materials of such complexity that the Government must be responsible for exercising direct surveillance over the various phases of their procurement and manufacture. Also included in this category are materials incorporating technological advances which are beyond the state of the art of the shipbuilding industry.

d. Long Lead Time Items. The production lead times of materials in this category are of such length as to control the ship completion dates, thus procurement action must be started prior to award of the ship contract if the ship is to be delivered on a reasonable schedule. Some of these items may require procurement in advance of the program year of the ship. Where appropriate and practicable, contractual arrangement should be made to transfer a Government prime contract for long lead time material to the shipbuilder(s) as part of the award of the shipbuilding or conversion contract(s). Techniques by which long lead time equipment can be authorized for procurement by shipbuilders should be considered prior to a determination to make long lead time material Government furnished.

e. U.S. Government Stock in Long Supply. When an item required in a shipbuilding contract is in Government stock, in long supply, such a stock item may be furnished as GFM as a means of reducing the stock on hand. In such cases, the activity recommending that the item be made GFM shall advise the Ship Acquisition Program Manager (SHAPM) who shall ensure that the procurement activity is made aware of the reason for the demand so that the effort to reduce stock will not result in a replenishment order which will return to its previous long supply status. This category shall be used sparingly and only when it is determined that such stock still meets specification requirements and the cost savings are real and clearly outweigh the Government's obligations with respect to GFM.

f. Single Source Items for Small Ships and Craft. This category includes those noncomplex items that can be obtained from only one source, are made especially for the Navy, and are a major component in small ships and craft.

g. Outfit Supply. This category includes items which are standard stock items of a portable nature not requiring installation by the shipbuilder. Such items normally are assembled by the outfit supply activity. They shall be included in the list of Government furnished material contained in the contract (Schedule A) only if the materials are called for in the ship specifications, or are scheduled for stowage by the shipbuilder. They must be, however, specifically identified. Outfit supply material which is required by the COSAL and not included in the specifications, shall not be listed in Schedule A.

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h. Standardization

(1) NAVSEA standardization policy is to minimize the sizes, types, and varieties of equipments and systems installed in ships to save costs and enhance interchangeability, reliability, maintainability, and logistic support. Equipments are not standardized for the sole purpose of making all equipments identical, but rather to achieve life-cycle-cost savings in acquisition, repair parts support, supply, maintenance, training, documentation, and availability. In some instances, standardization can best be achieved by the Government's furnishing or specifying certain equipment or components to prime contractors or shipbuilders.

(2) Equipment categories that may best be standardized through GFE are as follows:

(a) Weapon systems/equipment

(b) Electronic equipment

(c) Complex HM&E systems or equipment that is costly, not normally available from commercial sources, or requires unusual logistic support.

(3) Equipments in these categories are often identified by Government owned detail designs resulting from extensive development programs and are good candidates for government furnished or government specified equipment to shipbuilders. Such equipment should be standardized within a class and throughout the fleet wherever practicable. This should be accomplished by furnishing or specifying the equipment to shipbuilders whenever a specific system or equipment meets ship design requirements. However, material should not be made GFM for the sole purpose of achieving such standardization.

D) (4) To all extents practical, when material is furnished by the Government to the lead ship of a class, identical items will be used in all ships of the class. This may be achieved by the Government combining ship class requirements into a single procurement, by the Government obtaining options for follow ship equipments at the time lead ship equipments are procured, or by the Government specifying the specific items in follow ship contracts as equipment to be provided by follow shipbuilders (Government Specified equipment).

i. Naval Security Group Command Items. Items under the cognizance of the Naval Security Group Command Headquarters are mandatory to be Government furnished.

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6. Action. The SHAPMs and Participating Managers (PARMs) shall comply with the criteria set forth herein for planning, budgeting and funding of GFM and the negotiation of Ship Project Directives for the procurement of GFM.

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