



DEPARTMENT OF THE NAVY

NAVAL SEA SYSTEMS COMMAND
2531 JEFFERSON DAVIS HWY
ARLINGTON VA 22242-5160

IN REPLY REFER TO

NAVSEAINST 4400.3A
OPR SEA 04MS
3 Mar 94

NAVSEA INSTRUCTION 4400.3A

From: Commander, Naval Sea Systems Command

Subj: SUPPLY LEVELS FOR MAJOR SYSTEMS AND EQUIPMENT MANAGED
BY NAVAL SEA SYSTEMS COMMAND (NAVSEA)

Ref: (a) NAVCOMPT Manual, Volume 7, Chapter 5, Paragraphs
075363 and 075364

1. Purpose. To provide revised policy and procedures for determining requirements, budgeting, and procuring spare systems/equipment to be placed in the supply system or held in special storage programs. This instruction also provides for reduction in inventory as catastrophic risks diminish.
2. Cancellation. NAVSEAINST 4400.3 of 14 March 1985.
3. Scope. This section applies to all 2F, 2J, and 2S cognizance equipment managed by NAVSEA and those items managed by SPCC but budgeted by NAVSEA with the following exceptions:
 - a. Propellers and shafting which are governed by promulgation of minimum stock levels which identify the location and quantities to be positioned in support of the operating Fleet and which are agreed upon with the Fleet Commanders.
 - b. Boats and Landing Craft (SMIC B1).
 - c. Reactor Plant Equipment (SMIC X1).
 - d. Gas turbine engines for which the number of spares are computed based upon installed Fleet population, mean time between removals and total pipeline time in accordance with reference (a).
 - e. Rotatable Pools
 - f. Planned change out programs except demand based change out programs.
4. Background. Reference (a) sets forth the requirements, budgeting, and procurement policy for principal items, i.e., end items of major importance which require detailed analysis and examination of all factors affecting their supply and demand. Certain categories of material are, because of their failure modes, long procurement lead times and the degree of support required, amenable to this



management criteria. Reference (a) also defines budget policy for procurement of major spare systems and equipment as insurance spares as part of new construction, conversion, or modernization programs.

5. Definitions

a. Predicted Demand Items. Systems or equipment which have experienced an average annual demand or for which an anticipated demand based on installed population and failure mode is expected.

b. Insurance Items. Systems or equipments required to replace severely damaged installations when such installed equipment cannot be readily repaired or a replacement procured due to extended repair or acquisition lead time. These items do not have an anticipated demand which justifies system stock.

c. Construction Spares. Systems or equipment procured by the Ship Program Manager (SPM) to insure their availability in the event of a catastrophe, failure, or major casualty that threatens a delay in a construction, conversion, or modernization program. Construction spares are stored under segregated, controlled, off-line conditions under SPM management.

d. Population. The total number of a specific end item installed in ships and craft of the active fleet, Naval Reserve Training Fleet, Military Sealift Command, Coast Guard, and at designated training facilities as well as planned installations (through the approved Five Year Defense Plan) in ships under construction, conversion, or modernization.

e. Program Requirements. Requirements for material related to authorized programs such as new construction, conversion, modernization, ship alteration, training and outfitting of ships and other authorized activities.

f. Acquisition and Repair Lead Time (ALT/RLT). The elapsed time between the generation of a requirement and delivery of a new or repaired item. Acquisition and repair lead time includes administrative lead time.

6. Policy

a. It is Navy policy to support mission critical installed systems equipment with shore based spare systems equipment to minimize disruptions resulting from severe casualties. Establish an insurance level requirement for non-predicted demand items as follows:

(1) One insurance spare is required if the total planned population is 1-50 installed units (including training).

(2) Two insurance spares are required if the total population is 51 or more installed units (including training).

b. The initial spares for a newly introduced system or equipment will be budgeted and procured under the same appropriation as the originating program requirements per reference (a). Follow-on, additional spares will be budgeted and procured under the applicable Other Procurement, Navy (OPN) or Weapons Procurement, Navy (WPN) appropriation.

c. The life cycle inventory manager for each system equipment will be responsible for the procurement, asset control, and issue of all material for maintenance, insurance, Fleet modernization, new construction, conversion, and modernization programs except Ship Program Manager (SPM) managed items procured as construction spares. Construction spares will be transferred to the cognizant life cycle inventory manager upon completion of the shipbuilding contract.

7. Responsibilities

a. Inventory Manager and Program Manager:

(1) Use the following factors in determining insurance and predicted demand levels for existing or newly introduced (first of a kind) systems or equipment.

(a) Total population (installed and planned program systems equipment).

(b) Acquisition and repair lead time.

(c) Existing usage or estimated failure rates.

(d) SPM budgeted construction spares.

(2) Provide for reduction of insurance levels as the likelihood of use due to catastrophic failure diminishes. Likelihood of use can diminish as a result of reduction in the number of supported ships or proven equipment reliability.

(3) Establish, considering the above factors, a predicted demand level if issues have been made in two of the last three

years or if at least one failure per year is predicted to occur in the next three years.

(4) Include determined insurance demand level requirements in the appropriate OPN or WPN budget, or submit insurance requirements to the cognizant originating organization for equipment/systems newly introduced through the new construction, conversion, or modernization programs for inclusion in the appropriate budget.

(5) Request SPM release of a construction spare if replacement is for a critical requirement on an active Fleet ship and all efforts to repair or replace with the next lower assembly have been attempted without success.

(6) Budget and procure a replacement unit or repair the removed unit for any issue made in accordance with paragraph 7a(5) above. The requirement will be included in the applicable OPN or WPN budget for procurement or in the Operation and Maintenance, Navy (O&MN) budget for repair.

(7) Submit requirements for insurance level quantities greater than two as a specific line item in the appropriate OPN or WPN budget. Approval of budget quantities will constitute Chief of Naval Operations approval to procure and maintain these levels.

b. Technical Manager will provide to the assigned inventory program manager the projected failure rate for systems/equipment newly introduced into the Fleet and will review proposed Contractor Furnished Equipment (CFE) lists and make recommendations for required insurance levels.

c. Ship Program Manager (SPM)

(1) Determine with the Life Cycle Manager if construction insurance level spares are required for NAVSEA assigned equipment or systems newly introduced into the Fleet. The criteria will be as prescribed in paragraph 6a.

(2) Include construction insurance level spare requirements in the applicable ship budget.

(3) Direct procurement action to be initiated by the cognizant NAVSEA Participating Manager for Government Furnished Equipment (GFE) or the appropriate private shipyard for CFE.

(4) Direct the private shipyard procuring CFE spares to transfer assets to the supply system at the conclusion of the applicable ship construction effort.

(5) Advise the applicable inventory program manager of the impact when a SPM controlled spare must be issued to meet an active Fleet requirement.



KENNETH C. MALLEY

Distribution:

SNDL FKM13 SPCC
FKP18 WPNSTA
FKP1M NAVSURFWARCENDIV
FKA1F COMNAVSUPSYSCOM
FKM9 FISC
FKP8 SUPSHIP
FKP7 NAVSHIPYD
C84B COMNAVSEASYSKOMDET

Copy to:

NAVSEA Special List Y2

SEA 04MS (15)
SEA 09D31 (5)
SEA 09P3 (50)

Naval Publications and Printing Service Office, NDW

Stocked: (150 copies)

Naval Aviation Supply Office
Physical Distribution Division, Code 103
5801 Tabor Avenue
Philadelphia, PA 19120-5099