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IN REPLY REFER TO:

NAVICPINST 4105.1A

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NAVICP INSTRUCTION 4105.1A

From: Commander, Naval Inventory Control Point

Subj: BUY OUR SPARES SMART (BOSS III) PROGRAM

Ref: (a) Naval Supply Systems Command ltr 7100 Ser 133A/6171
of 4 Oct 96
(b) DD Form 1692, APR 92, ENGINEERING CHANGE PROPOSAL (ECP)
(c) MIL STD 973, Configuration Management
(d) Logistics Engineering Change Proposal Program
Memorandum of Agreement

Encl: (1) Logistics Engineering Change Proposal (LECP) Data Form

1. Purpose. This instruction establishes policy and operating procedures for the Buy Our Spares Smart (BOSS III) Program.

2. Cancellation. ASO/SPCC JOINTINST 4105.1, BUY OUR SPARES SMART (BOSS III) PROGRAM, of 1 October 1994.

3. Scope. The BOSS III program reduces supply support costs and maintains readiness by improving the reliability, maintainability, and logistics of spare part items. This is achieved through initiatives which extend serviceable item life, or effect process improvements which save fleet man-hours associated with maintenance actions. The BOSS III program fosters a logistics partnership between the Naval Inventory Control Point (NAVICP), Navy Hardware System Commands (HSCs), In-Service Engineering Activities (ISEAs), Naval Shipyards, Naval Aviation Depots (NADEPs), Aviation Intermediate Maintenance Depots (AIMDs), Naval Air Warfare Centers (NAWCs), Cognizant Field Activities (CFAs), Fleet users, and private industry.

4. Background. As the overall DOD budget is reduced, funding for procurement and repair of Naval secondary item inventory will continue to decline. To sustain readiness levels while reducing costs, the Navy established the BOSS III program. Per reference (a), Navy Comptroller (NAVCOMPT) policy allows the use of Navy Working Capital Fund dollars to finance supply support system

cost reductions through reliability, maintainability, and logistics improvements. Ideas for Logistics Engineering Change Proposals (LECPs) which promote reliability improvements, Integrated Logistics Support (ILS) solutions, and maintenance philosophy enhancements can originate with any of the BOSS III logistic partners. This program provides a framework for receiving, evaluating and implementing such ideas for improvement. Each initiative must be reviewed for engineering, logistics, and financial savings impact prior to a decision on funding approval. Technical configuration control remains with the HSC, ISEA or Cognizant Field Activity (CFA).

5. General. The major focus of the BOSS III Program is the pursuit of initiatives that will enhance reliability and maintainability of NAVICP managed items to improve readiness and ultimately lower the life cycle costs of material for the NAVICP and the fleet. The vehicle used for implementing the process is the LECP. By definition, an LECP is a reliability or maintainability related Engineering Change Proposal (ECP) (officially, a cost reduction, justification code "R" ECP) for an NAVICP managed item, sponsored and funded by NAVICP, designed to reduce support costs while maintaining or improving safety and performance. The ECP form, reference (b), must be prepared in accordance with the procedures and rules of reference (c), appendix D. The BOSS III program elements include:

a. Reliability Improvements (LECPs) which implement a design change or a complete change out with a new item.

b. Maintenance Philosophy Enhancements such as procuring test equipment, providing training in maintenance or operation, or changing the authorized level of repair.

c. ILS Solutions such as Tech Manual changes, Training changes, Supply Support changes, etc.

The LECP process allows NAVICP to use Navy Working Capital Fund dollars for funding LECP reliability improvement investments which meet the established criteria, that are beyond their Material Support Date (MSD). Current Return on Investment (ROI) criteria guidelines will be resident in the BOSS III Program Office. Savings are considered to be repair and procurement avoidance to the Navy Working Capital Fund. Investment is defined as non-recurring engineering and logistics costs plus equipment buys.

The overall BOSS III LECP process includes the receiving, evaluating, and implementation of the LECP.

6. Responsibilities. The BOSS III Program Office at NAVICP Philadelphia coordinates and executes all policy issues, and provides the customer with a single point of contact. The program office sets and administers policy, and markets the program to the Fleet, contractors, and other Department of Defense (DoD) activities. Aviation related LECPs are processed at the program office. A Program Office Annex also exists at NAVICP Mechanicsburg and is the focal point with regard to Maritime (surface and subsurface) LECPs.

Ideas for Logistics Engineering Change Proposals (LECPs) which promote reliability improvements, Integrated Logistics Support solutions, and maintenance philosophy enhancements can originate with any of the BOSS III logistic partners. The Navy has established a Program Office FAX line (1-215-697-2122), a Program Office Annex FAX line (1-717-790-1135), and a BOSS III Web Site (www.boss3.navy.mil) which provide quick, accessible ways for conveying cost saving ideas. The BOSS III homepage provides information on LECPs, the BOSS III program, requirements for submitting proposals, and points of contact.

The steps of the BOSS III LECP process include:

a. The LECP originator identifies a candidate for which the reliability/maintainability will be increased, the support costs will be reduced, and the safety and performance will be maintained or improved.

b. The LECP candidate is submitted to the NAVICP BOSS III Program Office or Program Office Annex as appropriate. The initiative is reviewed for applicability to BOSS III. The cognizant NAVICP program or weapons managers are determined and notified. Supporting documentation (i.e., technical drawings, Master Item File (MIF) data, etc.) is assembled. The submitter is notified of receipt of their proposal. The item is entered into the centralized database where administrative, historical, logistical, and financial savings status will be maintained.

c. NAVICP will gather "Quick Look ROI" data to determine if the LECP should proceed. The enclosure (1) LECP Data Form will be completed. A glossary of terms is included at the end of enclosure (1).

d. The initiative is forwarded to the appropriate NAVICP program or weapons manager for review, and concurrence or nonconcurrence in the proposed action. NAVICP then coordinates with the originator and the applicable System Command, ISEA, or CFA to complete enclosure (1), the BOSS III Cost Analysis Data

Requirements. The NAVICP program or weapons manager will research the proposed initiatives along with the cognizant HSCs and determine which candidates to take forward to the Investment Board. The weapons manager, where possible, should encourage the use of shared risk, with the HSCs investing a portion of the total funds required, where warranted. After completion of review, forward the recommended command position, along with supporting rationale, to the Program Office or Program Office Annex as appropriate.

Program or weapons managers should also notify the Program Office of any LECP initiatives received directly from outside sources such as contractors. This would include unsolicited Engineering Change Proposals (ECPs) which could be processed as LECPs if BOSS III criteria are met.

Program or weapons manager responses should be reviewed by the Program Office or Annex for soundness of position, accuracy of projected financial savings, and clarity of response. Any unclear positions or suspect data analysis should be clarified.

If the LECP candidate has been rejected, a formal command response giving final disposition should be sent to the submitter by the Program Office or the Program Office Annex, as applicable.

The Program Office will update the database. Statistical reports, performance measures, management tools and external command reports should be produced as required.

e. For approved candidates, NAVICP will perform the cost benefit analysis utilizing the ROI model. All ILS elements are reviewed to determine affordable overall support solutions. Initiatives covered under BOSS III include reliability improvements, ILS solutions, repair of consumables, repair turn around time (RTAT) reductions, stock consolidations, etc. NAVICP has been allotted Navy Working Capital Fund obligation authority to finance reliability improvements. In many cases, these will involve Class I Engineering change approval and an LECP will be required.

In gathering data on any initiative candidate, the NAVICP sponsor must be able to address what data will change to generate projected savings. The initiative might result in changes that involve reduced demand, modification or retrofit of systems, reduced procurement, reduced turnaround time, reduced repair costs, reduced maintenance costs, reduced training costs, and increased MTBF (Mean Time Between Failures).

A breakdown of investment costs required must also be gathered as part of the ROI equation. NAVICP should maintain documentation to support all projected costs and savings numbers associated with the cost-benefit analysis. This documentation is essential to ensure audit ability.

Investments made from the Navy Working Capital Fund will be recouped based on the annual surcharge computation as reflected in the latest NAVSUP guidance.

f. If the LECP candidate does not meet the ROI requirements, the Program Office will notify the originator via written correspondence.

g. If the LECP candidate meets the ROI requirements, NAVICP will sponsor the LECP through the Investment Board review process.

It should be noted that many of the previous steps are worked concurrently, rather than sequentially.

Prior to the Investment Board review, an initiative package must be prepared and presented to the Preinvestment Board. The initiative package prepared for the Investment Board must include the following information:

- (1) Cover Sheet - Title of initiative and date of Investment Board.
- (2) Background - Brief history of the candidate.
- (3) Problem - Summary of why the item(s) was chosen as a candidate.
- (4) Solution - Summary of the proposal.
- (5) Cost - A breakdown of the Investment Costs.
- (6) ROI Summary of the Return on Investment calculation by year. Reliability assessments and final ROI calculations will be performed by the supporting engineering component. If the proposal does not lend itself to the ROI model, a compatible calculation using similar methodology of the model may be used with the concurrence of all Board members.

A Preinvestment Board will look at each candidate prior to its going to the actual Investment Board. The Preinvestment Board consists of representatives from the NAVICP Comptroller,

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the respective NAVICP Operations Directorate, and the Engineering Directorate as appropriate. The Preinvestment Board serves four purposes:

- (a) Ensures appropriate data is included in the package for the Investment Board to make a funding decision (i.e., ROI model, breakdowns of costs, etc.).
- (b) Ensures ROI is sufficient to merit Investment Board review.
- (c) Ensures proper communication was established with the HSCs.
- (d) Identifies any outstanding logistic or technical questions that could be raised at the Board. These must be resolved prior to Investment Board.

For initiatives involving investments less than \$500K, the Preinvestment Board will be delegated full approval (obligations) authority. Such initiatives will be considered approved for Navy Working Capital Fund investment, and a full Investment Board will not be required. The following conditions must be met before considering Preinvestment Board review and approval:

1 All decisions must be unanimous. Each directorate representative will cast one vote only, regardless of the number of Preinvestment Board members present.

2 Minutes will be generated which document the approval action.

3 Fiscal year cumulative obligation totals will not exceed the budget execution plan without full Investment Board concurrence.

h. After review by the Preinvestment Board, NAVICP conducts the Investment Board review for final approval. The Board is represented by the NAVICP Comptroller, the respective NAVICP Operations Directorate and the Engineering Directorate as appropriate.

The program or weapons manager sponsoring the initiative will present the candidate, with BOSS III Program Office assistance. In addition to presenting the package, the program or weapons manager should bring copies of the complete ROI model plus any backup documentation supporting the proposal.

The sponsor will contact the PMA and TYCOM to obtain their concurrence. Fleet buyout, and its impact on cash flow, is a major consideration for LECP approval.

The Board will make a decision for funding authorization for the initiative. The decision could be made at the Investment Board or, if there are additional questions, could be made contingent on further action, or at the next Investment Board.

Upon Investment Board approval the initiative will be forwarded to OPNAV N41 by the cognizant NAVICP Program Office, for coordinated disbursement to members of the SPARCOM for approval per reference (d). This approval is required prior to funding initiation due to Fleet budget impact as a result of initiative buyout.

(1) The Program Office will notify the originator of the results.

(2) If not already accomplished, the originator will prepare and submit the formal LECP to the HSC.

(3) NAVICP and the applicable System Command, ISEA, or CFA will coordinate the LECP through the implementation process.

For candidates which have been approved, a funding document should be started upon authorization. Dependent upon the source of procurement, the Program Office will either prepare a request for contractual procurement or an in house manual procurement package. The attachment on the procurement package should cite the services or identification of spares required. A unique account code will be used to identify all BOSS III funded investments.

Each program or weapons manager must coordinate with their Contracting Officer to ensure existing contracts or new contracts are properly negotiated to include services and/or new spares required. Because of the restrictive time frames on return on investment, it is imperative to have expeditious processing of contract awards.

The Program Office will monitor the progress of each initiative to ensure schedules for implementation are on target. Funds authorized for investment and actual funds expended will be tracked. In addition, savings will be reviewed through the life of the initiative to measure actual savings against projected savings. These investment/savings values will be reported to the

comptroller for incorporation in NAVICP budget submissions and reports to NAVSUP.

If at some point in the life of the initiative, the projected savings will not materialize, funds authorization may be pulled back. If a contract has been awarded, termination costs will be considered in the decision of whether to pull funds back.

7. Maintenance Responsibility. - NAVICP Mechanicsburg Code 0581 will be responsible for the maintenance of this directive.

8. Procedural Responsibility. - NAVICP Mechanicsburg Codes 01, 0582, 0583, 0584, 84, 87, and NAVICP Philadelphia Codes 01, 033, 036, 07 will provide appropriate comments/concurrence to the maintenance organization.


JAMES J. RAMSEY
By direction

Distribution:

NAVICP Philadelphia Codes 01, 033, 0364, 07

NAVICP Mechanicsburg Codes 01, 0581, 0582, 0583, 0584, 84, 87