

MEMORANDUM OF AGREEMENT  
BETWEEN  
NAVAL AIR SYSTEMS COMMAND  
AND  
NAVAL SUPPLY SYSTEMS COMMAND

Subj: NAVAL AIR DEPOT (NADEP) MATERIAL SUPPORT

1. Background: This Memorandum of Agreement (MOA) outlines the strategic direction and requirements to realign NAVAIR Depot (NADEP) material management functions to the Naval Supply Systems Command (NAVSUP). The goal of this partnership is to improve NADEP material availability in support of aviation depot maintenance, improve depot production efficiency, and improve weapons system availability to the warfighter. This MOA outlines the basic strategy of the partnership, which is based on transferring material support functions currently performed by the NADEPs to NAVSUP. This entails the physical transfer of material and material management functions from NADEP Cherry Point and NADEP Jacksonville to the cognizance of Fleet and Industrial Supply Center (FISC) Jacksonville and the standardization of material management/support business processes between all NADEPs and their supporting FISC.

This Partnership Agreement reflects development of an enterprise approach to material support at NADEPs and provides the foundation and measures of effectiveness for all other agreements, including local agreements. Elements in this Partnership Agreement are consistent with NAVAIR's Policies and Goals for NAVAIR Depot Material Management and NAVSUP's Strategic Plan for Aviation Industrial Support (Objective 1.4.4).

NAVICP Code 034 is the aviation lead for NAVSUP's Assistant Chief of Staff for Industrial Support (ACOS-IS) issues and will liaison with NAVAIR 6.0 for all Aviation Depot Material Support policy and guidance. FISC Jacksonville is designated the FISC Center of Excellence for Aviation Depot Support, providing material management guidance to ensure standardized support is provided to all NADEPs. FISC Jacksonville and FISC San Diego will provide local support to their partnered NADEP(s).

2. Scope: This agreement applies to NAVAIR and the NAVSUP enterprise. Elements in this Partnership Agreement are

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agreed to by NAVAIR and NAVSUP and are to be documented in NAVSUP's Strategic Plan for industrial support and supported by NAVSUP's ACOS-IS. This initiative seeks to re-align people, inventory, and business processes across FISC and NADEP communities related to material support processes for all depot level aviation repair business including Foreign Military Sales, inter-service, and other services except that associated with public-private partnerships. The goals of the initiative are:

- Maximize planned material onhand at local FISC when needed to support aircraft, engine, and component production.
- Minimize customer wait time for unplanned material requirements and planned requirements not onhand at time of induction, thus minimizing impact to the depot artisan and lost productivity.
- Minimize the generation and holding of excess and obsolete material.

Implementation of the overarching business rules is critical to the success of this initiative. Paramount to being able to accurately provide material on hand at point of induction requires the disciplined use and leveraging the full functionality of Manufacturing Resource Planning II/Manufacture Repair Overhaul (MRP II/MRO).

3. Performance Requirements and Functions: NAVSUP is overall responsible for, and will execute, an enterprise approach to managing NADEP material support requirements to defined performance standards. Corporate requirements for NADEP material support performance as detailed herein will be closely monitored.

a. Requirements. The following elements are the broad NADEP material management performance requirements and reflect the goal:

- NADEPs and FISCs will jointly utilize the full functionality of MRP II/MRO to forecast dependent demand material requirements using independent demand forecasts provided for components, engines, and aircraft. Critical elements include:

- NADEPs will load eight quarters of airframe

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- production requirements (independent demand)
  - NADEPs will load eight quarters of engine production requirements (independent demand)
  - NADEPs will load eight quarters of component production requirements (independent demand)
  - NADEPs will develop, manage, and maintain Bills Of Material
  - NADEPs and FISCs will jointly manage and maintain Replacement Factors
  - FISCs will manage and maintain Lead Times
  - FISCs will utilize the Parts Ordering Placement Report (POPR) to identify dependent demand requirements to be ordered lead time in advance.
  - NADEPs and FISCs will utilize report output from MRPII/MRO to identify emergent material requirements identified during teardown and disposition processes.
- FISCs will maintain minimum of 95% material availability for forecasted requirements at the point when required by production lines for airframes, engines, and component workload as measured by Pick Lists.
- FISCs will achieve a locally agreed to Average Customer Wait Time (ACWT) for all material requirements during a production quarter. ACWT baselines and goals will be established and included in local MOAs.
- NADEPs will maintain Bill of Material (BOM) accuracy equal to or greater than ninety percent.
- FISCs will provide dedicated management of both material not onhand at induction or requirement date and any defective material received.
- FISCs will achieve a locally agreed to pre-expended inventory availability and achieve standardized process and availability goals across all NADEPs/FISCs by October 2004.
- FISCs and NADEPs will ensure no more than 7% of all components that are inducted for repair go to G

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condition, maintain an average age of G components of 180 days or less, and conduct joint quarterly reviews of aged G components with participation of NAVICP.

- FISCs will provide daily updates on a "critical parts hot list" to the NADEP Production Officers.
- FISCs will manage locally manufactured inventory.
- FISCs will manage all locally procured items, and feed demand for non-NSN items to NAVICP for provisioning decisions. For NSN items not immediately available, FISCs will submit demand documents to the cognizant inventory control point.
- FISCs will ensure material management functions are ISO 9001:2000 compliant.
- FISCs will ensure material management functions comply with A-76 Performance Work Statement (PWS) and/or Pilot Program performance standards in place at the NADEPs.

These performance standards will be reviewed at least semi-annually by a Management Oversight Board (MOB). The MOB will be co-chaired by AIR 6.0 and NAVSUP's ACOS-IS. Updates to the performance goals will be accomplished as required and will require AIR 6.0 and ACOS-IS approval.

b. Functions. The following material management functions with respect to aircraft, engine, and component repairs will be accomplished by FISCs in support of NADEP production. Additional functions or work closely aligned with these material management functions may transfer based on local requirements subject to AIR 6.0 and NAVSUP ACOS-IS approval.

- Centralized Industrial Support
- Supply/material management/requisitioning
- Inventory management
- Warehousing/centralized receiving
- Simplified acquisition/procurement
- Physical distribution/transportation
- Procurements via credit card
- Expediting
- Kitting

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- Outfitting
- Demand planning/Special Program Requirement development
- Forecasting
- Pre-expended inventory management
- G Condition Management
- Replacement Factor and Lead Time Maintenance
- Material in Transit (MIT)/Reports of Discrepancy (ROD)
- AVDLR management

Hazardous Materials management will be negotiated in local agreements between NADEPs and their supporting FISC and will be documented in local MOAs. Hazardous waste management and Pharmaceutical Dispensing of HAZMAT will remain the responsibility of NAVAIR.

4. Realignment elements:

a. For those functions supported by reimbursement from the NADEP, all personnel entitlements and costs/liabilities associated with the transferred positions that were incurred prior to the transfer will be provided by the NADEP.

b. Upon signature of this MOA, NAVAIR will begin the planning process for reassignment to NAVSUP identified material management functions. This may initially require the use of temporary details. Permanent organizational transfers of personnel will not occur until after the current A-76 processes have been completed to preclude employees from being subject to "Double Jeopardy" for A-76 studies ongoing at the time of transfer.

c. The NADEP Supply Officer will be attached to the supporting FISC Commanding Officer with additional duty (ADDU) to the NADEP Commanding Officer.

5. Funding: Local execution of the partnership will be funded for all activities on an annual reimbursable basis. Funding for out-years will be determined during regular reviews of the Agreement and Partnership performance, and will be based on most recent budgeted workload, service levels, and inventory investment requirements adjusted for planned workload changes. NAVAIR agrees to reimburse NAVSUP for all costs associated with delivering the workload and service levels negotiated to include all labor

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and non-labor costs. Details of the services to be provided between each NADEP activity and NAVSUP partner, including base operating support, will be addressed in local Host-Tenant Agreements. This strategy will be consistent with all three FISC/NADEP partnerships. Costs will include:

a. FISC labor resources utilized to execute required material support functions as outlined in local agreements.

b. Subject to budgetary constraints, Navy Working Capital Fund-Supply Management (NWCF-SM) will fund consumable material costs to the NAVAIR depots with the exception of pre-expended material and raw stock utilized for local manufacturing. NWCF-Depot Maintenance (NWCF-DM) will fund these items.

6. Implementation: This MOA becomes effective on the date it is signed. FISCs and NADEPs will provide to NAVICP the estimated cost of material investment necessary to achieve 95% availability and the ACWT goal that is established. NAVICP will include these requirements in the appropriate material budget.

MOA execution and implementation will take place on a phased approach with transition commencing when NWCF-SM funding is available. The transition will be managed by a Partnership Transition Executive Steering Committee (ESC). The ESC will be co-chaired by NAVICP OA and NAVAIR 6.1A and will report to NAVSUP's ACOS-IS and NAVAIR 6.0. The ESC will remain in place until such time that NAVAIR and NAVSUP collectively agree that such oversight is no longer required. Oversight responsibility will then transfer to a Management Oversight Board co-chaired by NAVSUP's ACOS-IS and NAVAIR 6.0 to review adherence to required levels of performance as agreed to herein. Compliance with material availability and ACWT goals will take place on a phased approach to take into account funding requirements and procurement lead times.

NAVSUP is responsible and accountable for execution of material management functions at NADEPs. NAVSUP has authority, as NAVAIR's agent for material support, to effect changes in material management processes as necessary.

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Minor property sufficient to perform existing functions will be transferred to and maintained locally by FISCs.

Specific implementation milestones will be met as follows:

a. Inventory capitalization. Subject to FMB approval, all NADEP material, except for pre-expended inventories will be transferred to NAVSUP and capitalized into NWCF-SM no later than October 2003. NAVSUP will bear the cost of disposal of excess and obsolete material. Prior to inventory capitalization, 100% material required for future jobs, within BOM lead times, will be on hand/on order to ensure continuity of future operations.

b. Local FISC/NADEP Partnerships. Local MOAs outlining detailed day-to-day business processes will be developed and implemented within 90 days of the effective date of this MOA. Implementation of the local MOAs includes NAVSUP oversight of material management functions by direction of a workforce that has been temporarily detailed until such time that on-going A-76 actions are complete and permanent transfers can be affected. Local MOAs will be consistent with the spirit and intent of this MOA.

7. Execution: NADEP and FISC Commanding Officers, and/or other NAVSUP enterprise leads, are responsible for the execution of all performance objectives applicable to the NADEP material support functions. This partnership will remain in effect from the date of signature and will be reviewed semi-annually.



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7 JUN 03

Date

30 JUN 03

Date