NAVSUP WSS INSTRUCTION 4105.1B

From: Commander, NAVSUP Weapon Systems Support

Subj: LOGISTICS ENGINEERING CHANGE PROPOSAL (LECP)

Ref: (a) Naval Supply Systems Command ltr 7100 Ser 133A/6171 of 4 Oct 96
(b) MIL STD 973, Configuration Management

Encl: (1) NAVSUP WSS LECP Submission Package

1. Purpose. This instruction establishes operating procedures for the Logistics Engineering Change Proposal (LECP) Program.


3. Scope. In accordance with references (a) and (b), the LECP Program seeks opportunities to reduce supply support costs, improve reliability, maintainability and/or initiate improvements that enhance or provide additional capabilities for the end user. This may be achieved through engineering initiatives which extend service life of an item, the introduction of a new, enhanced replacement item, or changes to the Level of Repair Analysis (LORA), resulting in a more efficient and responsive logistics chain. The LECP Program fosters a logistics partnership between NAVSUP Weapon Systems Support-Philadelphia (WSS-P), Naval Hardware Systems Command (HSC), In-service Engineering Activities (ISEAs), Naval Shipyards, Fleet Readiness Centers (FRCs), Naval Air Warfare Centers (NAWCs), Cognizant Field Activities (CFAs), Intermediate and Organizational Levels of Maintenance and private industry.

4. Background. As Federal and DoD budgets have the potential to be reduced, funding for procurement and repair of Naval secondary item inventory will continue to be challenged. In the 1990s, to sustain equipment readiness while reducing costs, the Navy established the Buy Our Spares Smart (BOSS III) Program. Per reference (a), Navy Comptroller (NAVCOMPT) policy permits the use of Navy Working Capital Fund (NWCF) to finance supply support system cost reductions through
reliability, maintenance, and logistics improvements. The NAVSUP WSS-P LECP Program provides a procedural framework for receiving, evaluating, and implementing such ideas for improvement. Each initiative must be thoroughly reviewed for engineering, logistics, and financial impacts, 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 LECP Program is the pursuit of initiatives to enhance reliability and maintainability of NAVSUP WSS-P managed items, improve readiness, and ultimately lower the life cycle material costs for the Navy and Marine Corps. The vehicle used for implementing the process is the LECP. By definition, an LECP is a reliability or maintainability related Engineering Change Proposal (ECP) for a NAVSUP WSS-P managed item, which is sponsored, and in some cases, entirely funded by NAVSUP WSS-P with NWCF.

6. Candidate Selection. Candidates can be nominated from a variety of sources, such as the Fleet Navy and Marine Corps (warfighter), Naval Air Forces (NAVAIR) Program Offices, Original Equipment Manufacturers (OEMs) or a NAVSUP WSS-P Integrated Weapons Support Team (IWST). Systems identified to have high costs, low availability and/or reliability are often flagged as candidates. NAVSUP WSS-P uses an Opportunity Index to identify and rank potential, aviation PBL candidates. The NAVSUP WSS-P Opportunity Index (OI) is a tool that categorizes and prioritizes weapons systems in order to identify those systems with significant supportability challenges. The Opportunity Index is split into two different levels to identify supportability challenges: Performance Based Logistics (PBLs) at the System Level and Logistics Engineering Change Proposals (LECPs) at the NIIN level.

Given that an LECP is an ECP, the majority of LECP candidates are identified by the applicable NAVAIR Program Office. The platform specific degrader lists, such as the CILR (Critical Item Logistics Review) are also good sources to identify candidates.

The LECP program may cover:

a. Reliability improvements 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. Integrated Product Support (IPS) Solutions such as Technical Manual Changes, Training Changes, Supply Support changes and so on.

7. Return on Investment (ROI). The LECP process allows NAVSUP WSS-P to use NWCF 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 NAVSUP WSS-P Philadelphia, Supply Chain Solutions 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, and equipment buys (including both installs and spares). The ROI workbook is a go/no go decision making tool. An LECP initiative will not go forward unless the NWCF ROI is greater than 1 to 1 in 7 years. Once the LECP is approved by both NAVSUP WSS-P internal boards and SPARCOM (Spares Committee), the ROI workbook will be used for tracking purposes up until a year after installation is complete/investment recouped. This will ensure that the NWCF gets paid back for the investment and that all installations have been completed.

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 Investment Board members.

8. NAVSUP WSS-P, Code 036, LECP Team Responsibilities

a. NAVSUP WSS-P, Code 036, LECP Team will coordinate and execute all guidance issues, and provide the customer with a single point of contact. The LECP Team establishes and administers LECP guidance, and markets the program to the Fleet, contractors, and other Department of Defense (DoD) activities. Aviation related LECPs are processed by the NAVSUP WSS-P, Code 036, LECP Team. Additionally, LECP Team, is responsible for the following:

(1) Will review this instruction in the 3rd quarter of each calendar year for accuracy.

(2) Will maintain a public website to provide private industry instructions in regard to how to nominate an item for consideration.
(3) Will maintain current Return on Investment (ROI) criteria guidelines.

9. How to Submit an LECP. Many of the steps below are performed concurrently, rather than sequentially.

   a. Public Website. LECP Program maintains a public website to provide private industry instructions in regard to how to nominate an item for consideration. The Opportunity Index is also made available on the site as well as this instruction. Enclosure (1), NAVSUP WSS LECP Submission Package, can be found on the LECP Program Public Website, and should be submitted to the appropriate aviation candidate or maritime e-mail address. The website can be found at the following URL:
   https://www.navsup.navy.mil/navsup/ourteam/navsupWSS-P/prod_serv/aviation/integrated_logistics_support/boss_iii

   b. Submitting an Aviation LECP Nomination. Enclosure (1) should be forwarded via email to karen.faber@navy.mil and lawrence.garvey@navy.mil.

   c. Submitting a Maritime LECP Nomination. If an LECP candidate for a NAVSUP WSS Mechanicsburg, maritime managed item appears viable, contact robert.wolfe1@navy.mil for more information.

   d. Identifying an LECP Candidate. 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. Up front communication with NAVAIR Program Office, Integrated Weapons Support Team (IWST) representative and engineering activities associated with the specific change, is strongly advised prior to beginning the process. The LECP program does not fund the Research & Development (R&D), it generally pays for the implementation of previously developed solutions.

   e. Code 036 receipt of the LECP Package. NAVSUP WSS-P, Code 0361, LECP Team will initiate a working group made up of all personnel with a stake in the process, at a minimum, will include the applicable IWST, Code 036 and Code 07, the NAVAIR Program Manager (PM) and LECP submitter. The data in the package is reviewed for validity, focusing on such factors as reliability projections, proposed installation methodology, cost of change, etc.
f. ROI Determined Sufficient. Once the ROI is run and parameters have been met, the IWST, working in conjunction with the Code 0361, LECP Team will compile all relevant data to draft a justification brief or "pitch" for review and decision boards. The Code 036, LECP Team submits a copy of the ROI workbook to Code P0134 for review/updates to Cost Recovery Rate (CRR), Other Savings and Customer Requisition tabs approximately three weeks prior to the scheduled Pre-Investment Board. NAVSUP WSS-P Code 036, LECP Team and the applicable IWST will sponsor the LECP through the Investment Board review process.

g. ROI Determined insufficient. If the ROI parameters cannot be met, Code 0361/IWST should encourage the use of shared risk, with the HSCs investing a portion of the total funds required, where warranted.

h. Rejected Candidates. If the LECP candidate has been rejected, a formal command response giving final disposition should be sent to the submitter by the Supply Chain Solutions Office.

i. ROI Documentation. A breakdown of the required investment costs must also be gathered as part of the ROI equation. NAVSUP WSS-P will maintain documentation to support all projected costs and savings numbers associated with the cost-benefit analysis. This documentation is essential to provide a substantiating record for audit purposes.

(1) NWCF LECP nonrecurring costs will be recouped via the annual Cost Recovery Rate (CRR), as reflected in the latest NAVSUP HQ pricing guidance. Investment associated with the modification/procurement of the individual item will be included in the item’s base price.

j. Pre-Investment Board. At a minimum, Pre-Investment Board members will consist of the applicable IWST, Codes 0361, P0134 and 071. Prior to its presentation to the Investment Board, an LECP initiative package must be reviewed by the Pre-Investment Board. The purpose of the Pre-Investment Board is to ensure appropriate data is included in the package for the formal Investment Board to make a well informed funding decision (e.g. ROI model, breakdown of costs). It ensures proper communication was established with the HSCs and that any outstanding logistic, financial or technical questions that might be raised at the board are resolved.
(1) The applicable IWST is responsible for constructing and presenting both the Pre-Investment Board and Investment Board Briefs. The contents of both briefs are provided in paragraph 9.k. below.

(2) For initiatives involving investments less than one million dollars, the Pre-Investment Board is delegated full approval authority.

k. Investment Board Presentation. At a minimum, the brief (pitch) presented to the Investment Board will include:

(1) Cover sheet. Title of investment, date of board, initiative POCs.

(2) Background. Brief history of the candidate.

(3) Problem/Solution. Summary of why the item was submitted and the summary of the proposal.

(4) Cost/ROI. A total of NWCF and other claimant investments, as well as the ROI to be achieved.

10. Investment Board. If initiative is approved at the Pre-Investment Board, the Investment Board will be scheduled within two weeks (schedule dependent).

a. Members. At a minimum, the Investment Board voting members will include Codes 01, 02 (when applicable), 03 and 07. Additional Directorates who have a stake in the outcome should be included as appropriate. The initiative package prepared for the Investment Board will include all relevant information reviewed during the Pre-Investment Board, in order for the Investment Board to make an informed decision. In addition, a clear delineation of the acquisition plan will be available at the time of Board.

b. Decision. Each directorate representative must give their approval (must be a unanimous decision) to go forward.

11. SPARCOM. Upon Investment Board approval, the initiative will be forwarded to the Commander Naval Air Forces (CNAF) by Code 0361, LECF Team for coordinated disbursement to members of the SPARCOM for approval. This approval is required prior to funding initiation due to Fleet budget impact as a result of this initiative buyout. SPARCOM is the final approval authority. Once written notification
is received of approval, all parties (including board members) are notified. This serves as documentation of the LECP approval.

a. NAVSUP WSS-P Code 036, LECP Team is responsible to coordinate, answer questions and track the LECP as it moves through the SPARCOM chain of approval. SPARCOM has 4-6 weeks for review (dependent upon reviewer availability).

12. Funding Document. For candidates which have been approved, the normal chain of events associated with ECP approval then takes place. At the appropriate time, the IWST will submit funded document(s), utilizing the LECP Line of Accounting (LOA). The LECP program has a specific LOA which is different from those assigned to the IWSTs normal business LOA. Any document established in ERP that is for a stock numbered item will automatically use the IWST’s default LOA, therefore some manual intervention is needed to ensure that the correct LECP LOA is used.

13. Monitoring. Each NAVAIR Program Office/NAVSUP WSS-P IWST will monitor the progress of their initiatives to ensure schedules for implementation are on target. This information will be relayed to the LECP analyst in order to update the ROI workbooks and Cost Adjustment Sheets (CAS). In addition, criteria such as installation schedules, savings achieved and performance will be reviewed a minimum of twice a year (POM/Mid-Year/Reapportionment) until installation is complete (not to exceed one year after full installation) and NWCF pay back is verified through sales with concurrence from both 0361 and P0134. Funds authorized for investment and actual funds obligated will be tracked by 0361. Pricing adjustments agreed to by 03, 0361 and 0134 will be submitted during the next fiscal year. After investment is recouped, prices will be adjusted so that the fleet customer will be charged net price for repair and standard price for procurement.

At Midyear/Reapportionment, P0134 and 0361 will review and update the ROI workbooks with the latest information available. P0134 will complete a waterfall document reflecting net customer savings.

Note: 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 back funds.
14. Cost Adjustment Sheets (CAS). OPNAV N432D publishes a data call annually, requesting NAE assistance in Flying Hour Program (FHP) budget requirement development through the Cost Adjustment Sheet (CAS) process. Program Teams have a responsibility to contribute to the development of the FHP budget for their respective platforms. It is a NAVSUP WSS-P Supply Chain Solutions Office (0361) tasking to ensure that all applicable approved LECPs with FHP cost impacts within the FYDP, are input into the FHP CAS program as part of the POM cycle. Code 0361 will develop the LECP CAS for each initiative to ensure that the FHP budget accurately reflects the true requirement. This process ensures sufficient funding levels are available to buy out item when installation begins, as well as identify FYDP cost avoidance as a result of the LECP. Each CAS is vetted through the Program Teams (AIR-4.2.2.3 FHP Cost Team, APML, CNAF N8, Fleet Class Desk and IWST) prior to 0361 formally entering the data into the CAS program.

The CAS submission and approval is essential for both the success and execution of the LECP program and cannot be underestimated. The Supply Chain Solutions office (0361) and the IWST are available to address any concerns that arise throughout the review process.

15. Maintenance Responsibility. NAVSUP WSS Code 0361 will maintain this instruction.

16. Records Management. Records created as a result of this instruction, regardless of media and format, shall be managed per SECNAV Manual 5210.1 of November 2007.

Distribution:
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