THE ASSISTANT SECRETARY OF THE NAVY
Research Development and Acquisition
1000 Navy Pentagon
Washington DC 20350-1000

JAN 27 2005

MEMORANDUM FOR DISTRIBUTION

Subj: DIMINISHING MANUFACTURING SOURCES AND MATERIAL SHORTAGES (DMSMS) MANAGEMENT GUIDANCE

Ref:
(a) DoD 4140.1-R, DoD Supply Chain Material Management Regulation, 23 May 2003
(b) NAVSO P-3692, Independent Logistics Assessment Handbook, 30 Dec 2003
(c) DASN(L) Memo, DMSMS, 10 May 2004
(d) DASN(L) Memo, Evaluation Criteria for DMSMS, 20 Aug 2004
(e) SECNAVINST 5000.2C, 19 Nov 2004
(f) SECNAVINST 4105.1A, Independent Logistics Assessment (ILA) and Certification Criteria, 5 Mar 2004

This memorandum provides Department of the Navy (DoN) guidance for management of Diminishing Manufacturing Sources and Material Shortages (DMSMS). It is applicable to all DoN Acquisition Category (ACAT) Programs (including joint programs) that have cognizance over embedded microelectronics. Using a predictive, disciplined approach to define, measure, analyze, improve and control DMSMS, programs can improve system availability and significantly reduce DMSMS costs. A DoN Microelectronics Commodity Team (MCT) will be established to mitigate redesign costs and schedule impacts as well as implement optimal service wide solutions.

Reference (a), paragraph C3.6, established Department of Defense (DoD) policy for management of DMSMS. It requires each Service component to develop a process to proactively manage DMSMS from program initiation through a system's total life cycle. References (b) through (d) identified DMSMS as a top priority and required all ACAT programs to implement a proactive DMSMS plan. To ensure that programs comply with references (a) through (e), Program Executive Officers, Direct Reporting Program Managers, and Systems Command Commanders will direct Program Managers (PMs) to:

1. Establish a formal DMSMS plan for all cognizant ACAT programs. The DMSMS plan will cover all phases of the life cycle, from program initiation through sustainment and disposal. Key elements of the DMSMS plan include processes to:

a. Integrate DMSMS strategies with technology roadmaps;
b. Utilize configuration data (e.g., Bill of Materials, preliminary Bill of Materials, preferred parts lists, etc. per paragraph 2);
c. Identify and forecast piece part obsolescence impacts and mitigations for all configurations (DoN recommended predictive tools are provided in attachment (1));
d. Use predictive cost-effective industry solutions that reduce DMSMS risk and enhance performance;
e. Identify systems that utilize the same components and technologies, and establish commodity management and preferred material processes to standardize use of like materials across programs;
f. Provide and utilize documentation and metrics that track DMSMS cases and trends, associated solutions and cost;
g. Assess the contractors' DMSMS programs and ensure that they meet program requirements. This should include consideration of a DMSMS management incentive clause; and
h. Utilize Business Case Analyses to support DMSMS decisions.

2. Manage obsolescence at the piece part level for all active microelectronics. Bill of Material data can be used by program offices and contractors to effectively mitigate obsolescence risk. Attachment (1) provides recognized DoN tools to assist in obtaining and analyzing Bill of Materials, as well as the data fields used by these tools to meet DoD shared data objectives.

3. Ensure Performance Based Logistics (PBL) agreements address mitigation of DMSMS risk to the program and government. PBL agreements do not relieve program managers from their responsibility to manage DMSMS. PBL agreements should also require an exit strategy that provides DMSMS configuration data access necessary to transition product support capability.

4. Provide DMSMS plans to the Deputy Assistant Secretary of the Navy (DASN) for Logistics by July 2005 for all cognizant ACAT programs (post Milestone A). Reporting requirements for metrics described in paragraph 1f and a briefing schedule of selected programs will be issued under separate correspondence.

For programs that retire prior to January 2007, responsible system managers should assess DMSMS risk and manage their programs accordingly, but are not required to establish and submit formal DMSMS plans.

The MCT will develop web based training materials for use by the acquisition community. DMSMS management will be assessed in accordance with references (d) and (f). I have also initiated a further review of DoN organic DMSMS forecasting tools with the objective of optimizing our resources to meet shared data objectives. Requests for additional information on this subject should be directed to DASN Logistics.

John J. Young, Jr.
Assistant Secretary of the Navy
(Research Development and Acquisition)

Attachment
1. DMSMS Tools and Bill Of Materials Data Information

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DMSMS Tools and Bill Of Materials Data Information

DoN Recognized DMSMS Bill Of Materials (BOM) Tools/Services

- Sunset Supply Base: Naval Surface Warfare Center, Corona CA (Code QA 24). SSB Branch Head: Raymond Tadros: Phone 951-273-4209/e-mail Raymond.tadros@navy.mil.

DoN Recognized DMSMS Predictive Tools/Services

- Obsolescence Management Information system (OMIS), Naval Undersea Warfare Center, Keyport WA (Code 424). OMIS Branch Head: John Tilton: Phone 360-315-7472/e-mail john.r.tilton@navy.mil.

- Horizon Suites. Naval Surface Warfare Center, Crane IN (Code 6044). Horizon Suites Branch Head: Cathi Crabtree: Phone 812-854-5394/e-mail cathi.crabtree@navy.mil.

Bill Of Materials (BOM) Data Information

The following provides the minimal information that the tools listed above use and will also meet DoD shared data objectives. The preferred format is in an editable electronic format using XML data standards. Minimum information includes:

- Item name/description;
- Prime contractor part number including packaging and revision codes;
- Commercial and Government Entity (CAGE) Code;
- Associated original and manufacturer name, part number and CAGE Code, that includes packaging and revision codes;
- Unit quantity; and if applicable;
- Firmware version.