DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON, D. C 20350

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SECNAVINST 7710.3
NCB-21
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SECNAV INSTRUCTION 7710.3

From: Secretary of the Navy

Subj: SHIP COST ADJUSTMENT (SCA) REPORT

Encl: (1) SCN Asset Position Format
(2) Shipbuilding Contract Data Format

1. Purpose. To provide guidance and identify responsibilities for the preparation and approval of the Ship Cost Adjustment (SCA) report within the Department of the Navy.

2. Cancellation. OPNAV Instruction 7710.1B and Report Control Symbol OPNAV 7710-1.

3. General. The SCA report is prepared by the Commander, Naval Sea Systems Command (COMNAVSEASYSCOM) and forwarded, after review by the chain of command, to the Comptroller of the Navy. The annual report is the culmination of ship pricing analyses conducted for all ships and craft funded directly under the SCN appropriation and is prepared in two steps:

a. The development of the best cost estimate for each ship in the shipbuilding program, taking into account the ship characteristics issued by the Chief of Naval Operations (CNO), the estimated cost at completion of the construction or conversion contract, including associated changes and escalation, as well as procurement prices and all other factors influencing cost. COMNAVSEASYSCOM is responsible for developing these estimates.

b. The review of the SCN appropriations, status and development measures for balancing the programs with available resources requires the cognizance of and decisions by COMNAVSEASYSCOM, the CNO and the Secretary of the Navy or their representatives.

4. Objectives

a. To provide an updated cost estimate of each ship program within the total shipbuilding program to all levels of management in the DON.

b. To provide data on which to balance the shipbuilding program.

c. To serve as a "baseline" both for internal management of the shipbuilding program and for budget submission to higher authority.

d. To provide the financial status of the SCN appropriations for the information of all levels of management in the DON.

5. Procedures and Responsibilities

a. COMNAVSEASYSCOM. COMNAVSEASYSCOM shall collect, analyze and evaluate all data necessary for the development of ship cost estimates. COMNAVSEASYSCOM shall develop the best cost estimate for each ship in the shipbuilding program, including an assessment of status of shipbuilding claims coverage when applicable, and shall prepare recommendations necessary to balance the shipbuilding program within available financial resources. COMNAVSEASYSCOM shall submit an SCA Summary Letter Report to the CNO (OP-92) with a copy to CNO (OP-322). This report shall contain the following:

(1) The end cost of each SCN program and a summarization of outfitting and post delivery costs.

(2) Principal reasons for SCA increases or decreases.

(3) Sources available for reprograming or recoupment of funds.

(4) Recommended liquidation of funding deficiencies or application of funding excesses, including reprogramings.

(5) Proposed rebalancing of deficiencies and excesses to preserve the fiscal integrity of each appropriation.

(6) Impact of funding deficiencies on future budgets.

(7) An assessment of the status of shipbuilding claims and claims coverage, when applicable.

b. CNO. The CNO will review and analyze all details of the SCA report. As part of this review and analysis, the CNO may be required to conduct program reviews with COMNAVSEASYSCOM Comptroller personnel as well as Ship Acquisition Program Managers (SHAPM). These reviews are required in order to evaluate all available data to determine the best cost estimate for each ship in the shipbuilding program. Once this determination has been made, the CNO will render specific decisions on the main issues relating to funding levels, program priorities, DON policies or other program questions. The decisions may include the steps to be taken to bring program and resources into balance. CNO will transmit these decisions to the Comptroller of the Navy (NCB).

c. NCB. The Director of Budget and Reports will present the CNO approved SCA to the Assistant Secretary of the Navy (Shipbuilding and Logistics) (ASN(S&L)) and to the Assistant Secretary of the Navy (Financial Management) (ASN(FM)) for review and approval within the Secretariat. The Director of Budget and Reports will coordinate items requiring resolution within the DON and will issue the final SCA approval letter, reflecting CNO and SECNAV decisions, to COMNAVSEASYSCOM.

d. COMNAVSEASYSCOM will implement the SCA decisions including any changes in the allocation of funds.

e. The SCA report shall conform to the following schedule:

COMNAVSEASYSCOM Submission to CNO	10 May
CNO decision	20 May
Decision due to NAVCOMPT	25 May
NAVCOMPT approval letter	5 June

f. The SCA report serves as a management aid within the Navy and as a baseline for the management of the shipbuilding program. Using the above schedule, the reports then become the basis for developing the succeeding year's DON budget submission to NAVCOMPT and OSD. Maintaining the schedule will provide data which is critical to sound budget justification. Every effort must be made to meet established submission dates.

6. Coordination. The Director, Fiscal Management Division (OP-82) is designated as the point of contact and coordinator for action within OPNAV, and between OPNAV and NAVCOMPT. The SCN appropriation manager (OP-322) will assist in matters that interface between OPNAV sponsors and OP-82.

7. Additional Data. Enclosures (1) and (2) are newly established in this instruction. The SCA report will include data as required by enclosure (1) which will display the SCA asset position by fiscal year and by each P-1 line item within that fiscal year. Enclosure (2), which reflects contract award data, will be forwarded to the Director, Budget and Reports within one week after a basic ship construction, conversion or reactivation contract award by COMNAVSEASYSCOM with a copy to ASN(S&L).

8. Action. Addressees shall follow the guidance outlined above in the development of SCA reports.

9. Report. This report is assigned symbol NAVCOMPT 7710-1 and is approved for three years from date of this change transmittal.

James F. Goodrich
Under Secretary of the Navy

Distribution:(next page)

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SCN ASSET POSITION

FY 19

PROGRAM	GROSS ASSET	SCA PROPOSED USES	NET ASSET

FY 19

(Provide similar data for each active fiscal year appropriation).

Shipbuilding Contract Data

Contract #: Ship type:

Contract Type: Award Date:

Contractor: Award Price:

Summary:

(Specify new or contract option; negotiated share line for target to ceiling costs; and any other unique contract features included in the award price other than basic construction.

Budget Analysis:

Target Price:

Ceiling Price:

Profit: Budgeted Change Order Estimate:

Comparison of Budget vs. Award ($ in millions)

Basic Construction* - Appropriated

Actual Award

Difference

(* Also report any other factors included in the award price "other than basic construction -- plans, escalation, HM&E, etc.")

Explanation of Net Program Asset/Shortfall

($ in Millions)

Estimated Labor costs: Estimated labor hours at completion:

Estimated Material cost: