

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARY OF DEFENSE (ACQUISITION AND  
TECHNOLOGY)  
UNDER SECRETARY OF DEFENSE (COMPTROLLER)  
ASSISTANT SECRETARY OF DEFENSE (COMMAND,  
CONTROL, COMMUNICATIONS AND INTELLIGENCE)  
GENERAL COUNSEL  
INSPECTOR GENERAL  
DIRECTOR OF OPERATIONAL TEST AND EVALUATION  
DIRECTORS OF DEFENSE AGENCIES

SUBJECT: Common Systems/ISO-9000/Expedited Block Changes

My June 29, 1994 memorandum on Specifications and Standards directed the use of performance specifications to the maximum extent practicable, and the development of a streamlined procurement process to modify existing contracts to encourage contractors to propose non-government specifications and industry-wide practices that meet the intent of military specifications and standards which impose government-unique management and manufacturing requirements. Although much progress is being made in applying these principles on new contracts, this progress has itself shown that government-unique requirements on existing contracts prevent us from realizing the full benefits of these changes by requiring, in a single facility, multiple management and manufacturing systems designed to accomplish the same purpose. Because it is generally not efficient to operate multiple, government-unique management and manufacturing systems within a given facility, there is an urgent need to shift to facility-wide common systems on existing contracts as well.

In order to meet our military, economic and policy objectives in the future, and to expedite the transition to this new way of doing business, the direction given in my June 29, 1994, memorandum is hereby revised. In addition to the direction given there for government-unique specifications and standards, I now direct that block changes to the management and manufacturing requirements of existing contracts be made on a facility-wide basis, to unify management and manufacturing requirements within a facility, wherever such changes are technically acceptable

to the government. The single point of contact for this effort will be the Administrative Contracting Officer (ACO) assigned to a facility.

The Under Secretary of Defense for Acquisition and Technology shall issue additional guidance necessary to facilitate the Department's streamlined review of contractor's proposals to replace government-unique management and manufacturing requirements in existing contracts with uniform requirements within the contractor's facilities.

We cannot afford to allow "business as usual" to delay this initiative. I therefore request that you and your leadership take an active role in expediting the transition of existing contracts and procurements to common systems.

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SUBJECT: Common Processes/ISO-9000/Expedited Block Changes

Secretary Perry 's memorandum of November \_\_, 1995 requested that I promulgate guidance for making block changes to unify the management and manufacturing requirements of existing contracts on a facility-wide basis, wherever such changes are technically acceptable to the government. Secretary Perry further directed that the single point of contact for this effort will be the Administrative Contracting Officer (ACO) assigned to a facility. Accordingly, I am providing the following additional guidance on these issues.

ACOs are directed to encourage contractors to prepare and submit concept papers describing desired non-government specifications and industry-wide practices that will permit uniform facility-wide management and manufacturing systems and a method for moving to such systems. Contractor recommendations should be accompanied by a cost-benefit analysis adequate to determine the rough order of magnitude of the costs and benefits to the contractor of the proposed system changes (including any impact on the cost of performance of existing contracts). The evaluation of the rough order of magnitude cost impact on existing contracts should ordinarily be made without requesting certified cost data. While replacement of government-unique management and manufacturing systems with common, facility-wide systems should, in the long run, reduce the costs to both our contractors and the DoD, contractors will in most cases incur transition costs that equal or exceed savings in the

near term. We expect that cases where this does not hold true are in the minority, mostly dealing with high value, long-term

contracts. The goal therefore is to use an expedited, streamlined approach to ensure that the contractor's proposal is technically acceptable and to quickly identify those cases where there may be a significant decrease in the cost of performance of existing contracts.

Where a proposal is technically acceptable and there are no significant cost decreases in the cost of performance of existing contracts, the ACO, after appropriate consultation with program managers, shall issue class modifications to those contracts without seeking an equitable adjustment to those contracts. In those cases where the contractor's proposal will result in significant decreases in the overall net cost of performance of existing contracts, the contractor should be asked to propose an equitable adjustment (consideration) and to submit detailed cost data in support of the proposed amount. The negotiation of equitable adjustments should not delay the modification of other contracts.

Note that the specific shift from MIL-Q-9858A to ISO-9000 does not in itself result in significant contractor savings in shorter-term contracts, and hence can generally be made on an expedited basis.

I also direct that, effective immediately, ACOs have the authority to execute class modifications, subject to receipt of necessary programmatic authorization from affected components.

The Defense Contract Management Command (DCMC) shall be the focal point for implementing these efforts within DoD, and will facilitate the coordination of the change process. Tab A depicts the block change process detailing underlying assumptions, roles, and responsibilities.

The Commander, DCMC should prepare for me and for the Component Acquisition Executives a brief quarterly report that describes the progress achieved in replacing government-unique management and manufacturing specifications and standards in existing contracts with non-government specifications and industry-wide practices.