

GAO Highlights

Highlights of [GAO-17-54](#), a report to congressional committees

Why GAO Did This Study

The Navy has over 150 non-nuclear surface ships that it repairs, maintains, and modernizes using privately owned shipyards. The Navy concluded in 2010 that readiness of the surface ship force was below acceptable levels. This, in addition to the concerns of leadership about cost and schedule growth, led to a revised readiness strategy and, in 2015, introduction of a new contracting strategy for ship repair, referred to as MAC-MO.

House Report 114-102 accompanying the fiscal year 2016 National Defense Authorization Act included a provision for GAO to review the Navy's implementation of the MAC-MO strategy. This report assesses (1) the potential benefits of the MAC-MO contracting strategy, (2) process changes the Navy has made to address any challenges and to capitalize on anticipated benefits, and (3) how the strategy will potentially affect the Navy's ship repair industrial base.

GAO analyzed the Navy's acquisition planning documentation, lessons learned, and contracts. GAO interviewed Navy officials and visited regional maintenance centers in Norfolk, Va.; San Diego, Calif.; and Mayport, Fla. GAO also interviewed previous and prospective Navy ship maintenance contractors.

What GAO Recommends

GAO recommends the Navy assign responsibility to a single entity to systematically assess implementation of the MAC-MO strategy. DOD agreed with GAO's recommended action and plans to report biennially on strategy implementation.

View [GAO-17-54](#). For more information, contact Michele Mackin at (202) 512-4841 or mackinm@gao.gov.

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NAVY SHIP MAINTENANCE

Action Needed to Maximize New Contracting Strategy's Potential Benefits

What GAO Found

The Navy's Multiple Award Contract, Multi Order (MAC-MO) contracting strategy for ship repair offers a number of potential benefits compared to the former Multi Ship, Multi-Option (MSMO) contracting strategy, including increased competition. A key difference is that the MAC-MO strategy intends to control costs through the use of firm-fixed price contracts and the use of third-party planners, which could be cost-effective if the planner produces clearly defined work specifications for the repair contractor to price and execute. Prior to implementation of the new strategy, the Navy conducted market research and pilot-tested attributes of the strategy with pilot maintenance periods for a number of ships.

The Navy recognized several lessons learned from its pilot maintenance periods and has made subsequent process changes to address key lessons and support MAC-MO. These include a longer time frame for the planning process for finalizing work requirements (see figure). According to the Navy, this additional time is needed to promote stable requirements and, therefore, pricing.

Changes to Planning Milestones for Maintenance Periods under the Navy's New Strategy

Original milestones (in days)



Proposed milestones (in days)



Source: GAO analysis of Navy documentation. | GAO-17-54

The Navy is assessing outcomes of individual maintenance periods; however, it lacks a systematic process involving the fleet- and shore-based maintenance communities to assess overall implementation of MAC-MO. This is inconsistent with federal standards for internal control, which state that management should evaluate its response to risks and evaluate progress made toward program objectives. Not ensuring progress is systematically assessed—particularly in light of the many stakeholders involved—could undermine the Navy's ability to obtain the improved outcomes it seeks with the MAC-MO strategy.

The MAC-MO strategy will increase competition opportunities and set aside work for small businesses, but it is too soon to determine how these changes will impact the ship repair industrial base. Industry viewpoints GAO collected on MAC-MO varied both by shipyard location and contractor size. However, former MSMO contract holders reported that the uncertainty associated with the need to continually compete for work could result in decisions to reduce their workforce and facilities. Small businesses GAO spoke with have in the past mostly performed work as subcontractors to MSMO contract holders, but many expressed interest in competing as prime contractors under MAC-MO.