



**SERVICE LEVEL AGREEMENT
BETWEEN
THE DEFENSE LOGISTICS AGENCY (DLA)
AND
THE NAVAL SEA SYSTEMS COMMAND (NAVSEA)**

**In Support Of
DLA's Business Systems Modernization
Concept Demonstration**

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1. Introduction

1.1 Preface

The following Service Level Agreement (SLA) is in support of DLA's Business Systems Modernization (BSM) initiative. BSM is the centerpiece of DLA's Enterprise Resource Planning (ERP) transformation. This SLA will focus on DLA's BSM Concept Demonstration (CD) period only, also known as Release 1. This agreement has been established jointly by the Defense Logistics Agency (DLA) and the Naval Sea Systems Command (NAVSEA). The NAVSEA activity participating in this SLA is Norfolk Naval Shipyard (NNSY).

1.2 Scope and Objectives

- a) BSM CD is DLA's "time of discovery". As such, this SLA is limited in the number of DLA service offerings and the number of customer activities involved. Specifically, DLA will focus on a new service offering called collaborative demand planning during CD.
- b) The objective is to establish a process under which DLA and NAVSEA agree to develop the SLA process.
- c) The intent of this agreement is to establish an environment in which the SLA becomes a structured tool for setting mutually agreeable expectations and measuring how effectively those expectations are being met.
- d) Performance data will be reviewed for the purpose of measuring effectiveness of the business process changes included in DLA's CD, specifically collaborative demand planning. Individual performance targets will not be set for BSM CD but a cost feasibility study of certain targets may be warranted with the goal of implementing targets for BSM Release 2.
- e) This SLA does not override or supercede any existing DoD and/or intra-service policies and standards regarding absolute or comparative levels of support.
- f) It is understood that the nature and content of this agreement will expand considerably as BSM reaches Full Operating Capability (FOC) targeted in FY 2005.

1.3 Roles & Responsibilities

- a) The responsibility for negotiating the agreements contained herein and the monitoring and management of this agreement resides with the DLA Customer Account Manager (CAM) and NAVSEA.
- b) The responsibility for executing this SLA lies with the Defense Logistics Agency and NNSY.
- c) The responsibility for developing future service offerings lies with the DLA CAM and NAVSEA, with the support and input of all of DLA's components. Future SLA's will be negotiated on a yearly basis until BSM reaches FOC, then as necessary.

2. Service Offerings

- a) NAVSEA agrees to participate in collaborative demand planning for those items included in the BSM CD and have met the selection criteria described at 2.c. The NAVSEA activity participating in this planning is NNSY. As a logistics partner to NNSY, FISC Norfolk will be included in any discussions pertaining to planning.
- b) DLA and NAVSEA agree to partner by maximizing the effectiveness of collaborative demand planning. The focus will be exploring relationships, the tools available (i.e. Manugistics), the planning horizons and the levels of collaboration.

- c) The selection criteria for items where collaborative demand planning will be accomplished is any BSM CD item ordered by NNSY (UIC N00181) or FISC Norfolk (UIC N00189) and went on backorder in the past two years or a replenishment type item with a Quarterly Forecast Demand (QFD) > 9 and a Mean Average Deviation (MAD) > QFD.
- d) DLA and NAVSEA agree to review performance of those items included in BSM CD on a regular, predetermined basis.
- e) DLA agrees to negotiate with NAVSEA during the BSM CD period to establish a more encompassing SLA.

3. Performance Measures

- a) The following DLA Key Performance Indicator (KPI) metrics will be used during BSM CD, as appropriate, to measure DLA's success in meeting support expectations as agreed to herein (See Appendix A).
 - Customer Wait Time
 - Stock Availability
 - Order Line Fill Rate
 - Order Quantity Fill Rate
 - Demand Plan Accuracy
 - Vendor Supplier Effectiveness
- b) DLA and NAVSEA agree to identify the appropriate performance measures to evaluate future service offers mutually agreed upon in accordance with paragraph 2.e.
- c) DLA agrees to consider other performance measures that may be required to set and evaluate mutual expectations.

4. Performance Targets

- a) The goal of BSM CD is to test DLA's new information technology (IT) systems, new business processes and new organizational structure and, as such, there will be no performance targets set for service offerings or performance measures for BSM CD items included in this agreement.
- b) DLA and NAVSEA agree to identify the appropriate performance targets to evaluate future service offerings mutually agreed upon in accordance with paragraph 2.e for future BSM releases. DLA will identify the cost associated with target performance levels to aid NAVSEA in performing a cost benefit analysis when considering service offering alternatives.
- c) It is understood that any establishment of performance targets as described in this section are subject to the limitations implicit in existing external agreements governing the performance of the parties, to include all policies and procedures that set priorities in levels of support that DLA provides and that specific customers are mandated to receive. No performance target or other component of this SLA can override those existing policies, procedures and overarching agreements.

5. Existing Agreements

- a) This agreement does not supercede or override any existing agreement between DLA and NAVSEA.
- b) It is agreed that the parties will review any and all existing agreements between them to ensure that there is no conflict with this agreement. When feasible, existing agreements will be incorporated in the SLA.
- c) It is agreed that when DLA's BSM initiative reaches FOC (FY 2005), the goal will be to reach a single agreement covering all services/ support provided by DLA to NAVSEA.

6. Contingency Agreements

a. It is agreed that this document can be modified in the event of a contingency.

7. Execution of Agreement

As a DLA Lead Center, the DSCC Integrated Customer Team (ICT) for NNSY will be responsible for execution of the agreements in this SLA. The ICT has the authority to establish a corresponding agreement, as deemed necessary, with NNSY to further define the services agreed upon. The ICT agreement would define the specific details of execution, to include:

- Schedule of meetings and agenda
- Identification of personnel involved
- Means for strategic-level oversight
- Feedback mechanism

7.1 Meetings

Open and frequent informal communication is highly encouraged. The DSCC ICT and NNSY should exploit the opportunity to assess problems and/or potential problems that have arisen during BSM CD. This feedback should include, when feasible, the actions required to resolve problems and/or issues identified.

It is agreed by both parties that the following meetings will be scheduled during the BSM Concept Demo period, as deemed appropriate:

Collaborative Demand Planning Meetings. The DSCC ICT will request to meet with the NNSY and FISC personnel who can provide insight into the demand planning process at that specific location. This collaborative planning meeting will be conducted monthly, or on an as needed basis, to provide insight into budgetary, production, schedule and mission changes that can impact future demand patterns. Collaborative Demand Planning will be conducted only on those items which meet the criteria defined in 2.c. Discussions will concentrate on how the collaborative demand planning process can be expanded near-term and long-term, and the means by which this process can be focused on the right areas (items, assemblies, product lines, production/maintenance lines/platforms), the outcomes sought from DLA and the performance measures that could be sought to measure DLA effectiveness. These meetings may be conducted in person, via video-teleconference (VTC) or by any other means deemed appropriate by the participants.

Program Review Meetings. The DSCC ICT will present progress made and identify the DLA services provided to date on a quarterly basis, or as necessary. These meetings will be conducted at the activity level with the DSCC ICT taking the lead and CAM participation, as needed. This information will be in the form of quantitative data, milestone charts, graphs, trend analysis data and/or other pertinent data. This status should promote and support information and data sharing within various groups and organizations at both DLA and NNSY. At the beginning of the review, a self-assessment rating will be presented which measures the ICT's quarterly progress against set performance metrics.

Strategic Planning Meetings. The DLA National Account Manager (NAM) and/or CAM will meet with NAVSEA on a semi-annual basis, or as deemed necessary, to demonstrate progress and discuss the changes and strategy for the future years set of offerings, measures and targets. A review of yearly expenditures, review of future expenditures, scope, schedule and resources will be discussed. The DSCC ICT, NNSY and FISC leads may participate as well.

