

J85
PROPULSION GROUP SUSTAINMENT
(PGS)

APPENDIX 2

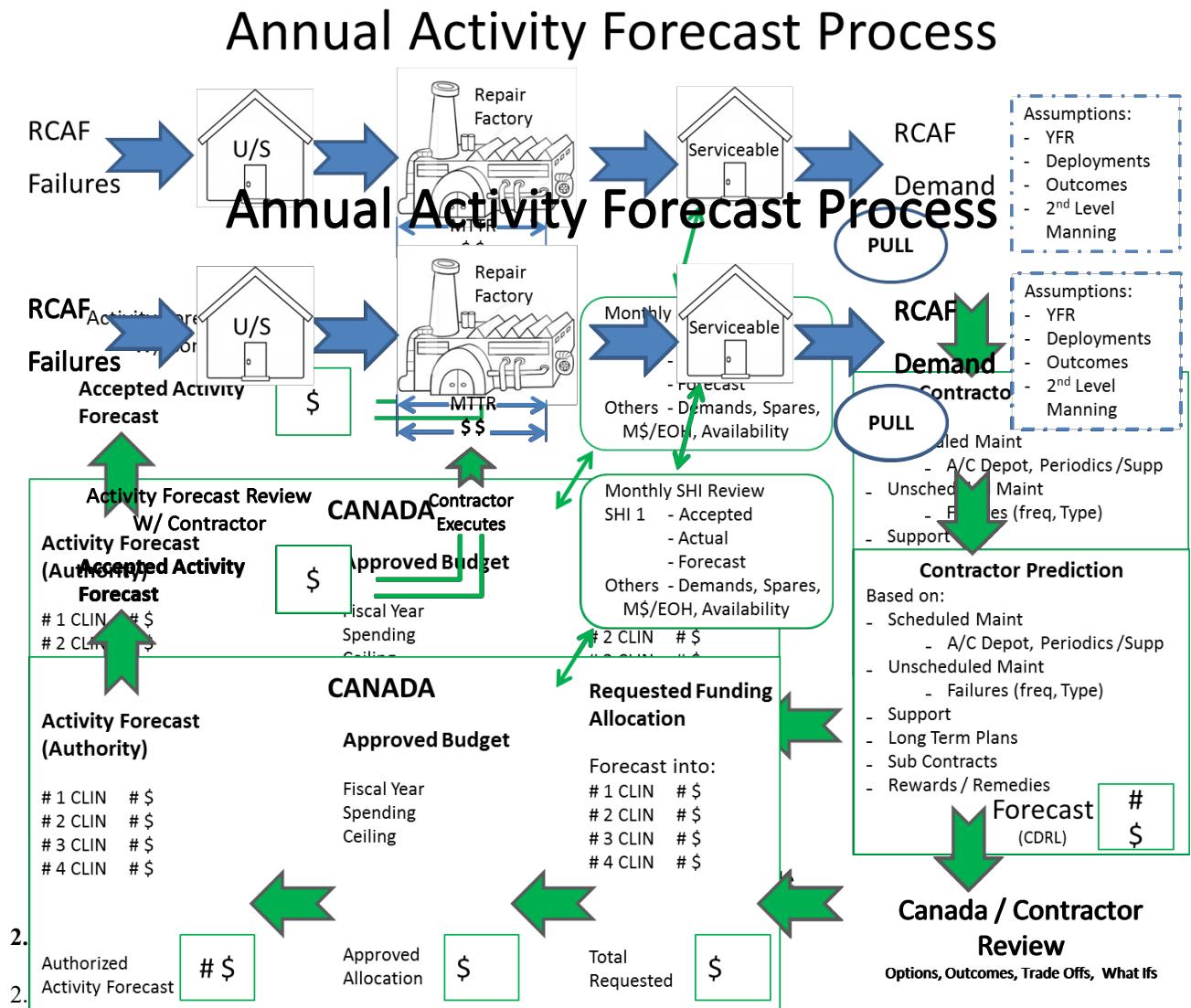
ANNUAL ACTIVITY FORECAST
&
CHANGE ORDER PROCESSES

2 Annual Activity Forecast and Change Order Processes

2.1 Introduction

2.1.1 The purpose of this Appendix is to provide instructions to the Annual Activity Forecast (AAF) and Change Order processes.

2.1.2 The overall AAF cycle is depicted in Figure 1.



2.2.2.1 Throughout the life of the CT114 aircraft, Canada has directed and managed the J85 PG systems maintenance plan through a bottom-up analysis of logistical data in order to determine average repair costs (ARC). Under the current Contract, the Contractor is responsible for all planning and forecasting activities, and as such the Annual Activity Forecast (AAF) process is adopted to provide Canada with visibility into forecasted activities and associated costs.

2.2.2 Canada Inputs to the AAF

- 2.2.2.1 By 1 October of each Fiscal Year (FY), Canada will provide Inputs to the AAF to the Contractor to initiate the next FY AAF. The Inputs to the AAF will be provided in accordance with the AAF inputs list in Annex A, Section 3.
- 2.2.3 **Draft AAF**
- 2.2.3.1 By 1 November of each FY, the Contractor will provide a draft AAF in accordance with CDRL PM-002.
- 2.2.3.2 The AAF is the Contractor's forecast of the level of effort required to meet the Contract outcomes (defined in Annex D and re-confirmed in the Inputs to the AAF) in the next FY. The AAF must therefore demonstrate how the Contractor translates the Inputs to the AAF provided by DND into a level of effort for the scope of Work specified in the PWS that will deliver the Contract outcomes.
- 2.2.3.3 In developing the AAF, the Contractor must use all available historical data, short and long term plans (such as upcoming maintenance requirements, historical failure rates, parts buys schedule, etc.) to develop an accurate forecast.
- 2.2.3.4 The AAF must present a clear and well-founded justification for the expected cost of the J85 PGS Contract for the upcoming FY.
- 2.2.4 **AAF Review**
- 2.2.4.1 Upon receipt of the draft AAF, Canada will review the submission.
- 2.2.4.2 Canada and the Contractor will then engage in discussions to ensure that the production levels, level of effort schedule of work, and costing proposed are reasonable and comply with the guidance provided.
- 2.2.4.3 The AAF review process will include a discussion of options available to reduce or increase the sustainment cost and the potential effect on Contract outcomes, potential trade-offs, and what-if scenarios. In the course of these discussions the Contractor must be able to explain and justify how changes in the level of funding may require trade-offs or adjustments to Contract outcomes.
- 2.2.4.4 Canada will provide feedback resulting from the discussions by 1 December of each FY.
- 2.2.5 **Funding Approval**
- 2.2.5.1 The Contractor must update the AAF based on Canada's feedback, and submit a final AAF no later than 1 March.
- 2.2.6 **Final AAF**
- 2.2.6.1 The final AAF is used as a planning document by Canada to seek next FY funding approval for the J85 PGS Contract. Once funding has been secured, Canada will issue a Contract amendment to allocate the funds to the Contractor according to the agreed-upon cost of the final AAF for the next FY. The Contract Amendment will be issued no later than the third week of March for the next FY, subject to DND business planning constraints.
- 2.2.7 **Execution**
- 2.2.7.1 The Contractor will commence work on 1 Apr of the new FY.
- 2.2.7.2 **Paragraph left blank intentionally.**
- 2.2.7.3 The AAF is not maintained or updated in-year, as its sole purpose is to determine the financial allocation required to meet the Contract outcomes based on Canada's requirements for a given FY. Progress against the AAF will be reported in accordance with Annex D (Performance Management Specification) SHI-1.

- 2.2.7.4 Notwithstanding 2.2.7.3, in-year changes to Canada's Inputs to the AAF (such as a significant increase or reduction in YFR, permanent change in the Second Line maintenance production commitment, change in funding allocation (see below) etc.), require a Change Order Process to be established and followed.

2.3 Change Order Process

- 2.3.1 The Change Order Process exists to account for in-year changes to the Inputs to the AAF parameters initially provided by Canada to initiate the AAF process.
- 2.3.2 A Change Order can be requested by either Canada or the Contractor.
- 2.3.3 Examples of potential drivers that could result in a Change Order are: changes to the budget, YFR changes, changes to RCAF manning availability at Second Line, or unforeseen circumstances outside of the Contractor's control such as OEM-mandated life reductions, etc.
- 2.3.4 A mandatory Change Order is required when it is forecast that the actual Flying Rate or YFR will differ by more than 15% compared to the planned Flying Rate or YFR.
- 2.3.5 The Contractor may adjust repair quantities specified in the approved AAF without approval from Canada provided that the repair quantities are within plus or minus 10% of the AAF quantity and that an increase to the approved AAF funding is not required. Canada must be informed of the adjustment at the next PRM. Changes to repair quantities in excess of plus or minus 10% will require a Change Order and be subject to approval by Canada.
- 2.3.6 Change Orders are drafted by the Contractor in accordance with CDRL PM-005, and must detail the financial impact of the change against the previously allocated funds.
- 2.3.7 Draft Change Orders are submitted to Canada for review. Discussions and negotiations will then follow, during which the Contractor must be able to justify the level of effort and costs associated with the change.
- 2.3.8 Where a Change Order results in a change to the allocated funding, the final Change Order is approved through a Contract amendment. Where there is no change to the allocated funding, the Change Order will be approved by the TA in writing.