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NAVY ACQUISITION REFORM

PORTFOLIO ACQUISITION EXECUTIVE (PAE)

PORTFOLIO ACQUISITION EXECUTIVES: STREAMLINING NAVY ACQUISITION—BUT WHO OWNS THE RISK?
As the Navy restructures acquisition authority, ship repair contractors face important questions about engineering oversight, contractual accountability, and risk management.

IMPROVED ACQUISITION AND LIFECYCLE MANAGEMENT

Historically, ship acquisition and maintenance operated under separate organizations with competing priorities—one focused on delivering capabilities, the other on sustaining them. The PAE structure offers an opportunity to better integrate these responsibilities, making long-term maintenance and reliability more central to acquisition decisions.

For the ship repair industry, however, a critical question remains: *“Will this realignment preserve independent engineering authority when schedule, cost, and operational demands compete with technical requirements?”*

THE OPPORTUNITY: BETTER LIFECYCLE ACCOUNTABILITY

A more integrated acquisition structure could strengthen the influence of maintenance experience on ship design, modernization, and long-term sustainment. Improved coordination between shipbuilders and maintenance organizations could reduce technical delays, eliminate organizational barriers, and strengthen lifecycle accountability.

For ship repair contractors, this could mean clearer technical direction, more consistent requirements, and faster resolution of engineering issues. However, realizing these benefits will depend on effective implementation, not simply restructuring organizational responsibilities.

THE CONCERN: WHEN SCHEDULE PRESSURE MEETS ENGINEERING AUTHORITY

Historically, technical authorities within NAVSEA have provided important engineering oversight independent of program execution pressures.

As acquisition and sustainment responsibilities become more closely aligned, contractors will need to understand whether existing engineering review, approval, and escalation processes remain unchanged.

Technical Warrant Holders retain responsibilities established through the Navy's technical authority framework. The practical concern is whether technical issues will continue to receive the same level of independent review and documentation when schedules become increasingly compressed. Streamlining decisions must not unintentionally transfer unresolved technical or contractual risk to the companies performing the work.

HOW COULD ACQUISITION REFORM AFFECT SHIPYARD CONTRACTING?

- 1 Reducing maintenance delays, improving execution efficiency, and returning combat-ready ships to the Fleet faster are central objectives of PAE Industrial Operations. Equipment standardization, including approaches such as MOSA, could support these goals by simplifying maintenance and improving equipment compatibility. However, standardization alone does not ensure successful execution. Without accurate technical documentation and meaningful input from the ship repair community, contractors may face additional clarification requests, delays, increased costs, and contractual risk.
- 2 Greater emphasis on meeting maintenance availability schedules could increase pressure on contractors when unforeseen work, technical delays, or change-order approvals affect execution. Sub-contractors must evaluate whether the evolving acquisition structure will alter the allocation of schedule and financial risk between the government and prime contractors, particularly when those risks are passed down to subcontractors without corresponding authority or control over the causes of delay.
- 3 The contracting community and the government both rely on documentation to maintain accountability and compliance. The PAE directive is happening concurrently with other efforts at efficiency, such as a reduction in Process Control Procedures (PCP) across the waterfront. When combined, these changes will mean all stakeholders will need to adjust their risk positions to meet both the new requirements and the reduction in contractor input to maintain accountability.

The central question is whether acquisition reform can improve maintenance efficiency and Fleet readiness while preserving independent engineering oversight and ensuring that technical, schedule, and financial risks are fairly distributed among the government, prime contractors, and subcontractors.

