



# ORACLE



October 2006  
Volume 34 Number 10  
District 2, Chapter 1  
© Copyright 2006 SOLE

## Chair Talk

Greetings Fellow GWAC Members and Logisticians! This issue of the GWAC ORACLE Newsletter includes information about upcoming events; Chapter Officer reports; Management Team meeting minutes; an article on *Total Ownership Cost (TOC) Considerations in Key Performance Parameters and Beyond*, an October GWAC Luncheon announcement that includes the names of the 15 Logisticians who will be receiving an award at our 2006 October Awards Luncheon; and a GWAC October Seminar Flyer.



## 27 September GWAC Luncheon Feedback

The guest speaker for our September 27th Luncheon was Mr. David Shaw, Action Officer for the Air Force's Transportation Management Division who spoke on the USAF Logistics Balanced Scorecard. (See slide 5 for an overview of the Balanced Score Card). Mr. Shaw said that a major part of the effort in the development of the Balanced Score Card was to reduce the number of metrics to a manageable amount in the range of 10-15. His team was able to reduce the number of USAF BSC metrics from 69 to thirteen by focusing on key critical performance goals rather than "preferred" goals that did not meet the key needs of the warfighter. For more information, including a copy of the presentation, check out our GWAC website at [www.gwacsole.org](http://www.gwacsole.org)

## 25 October GWAC Awards Luncheon

Please join us at our 25 October GWAC Awards Luncheon to congratulate and honor those who will be receiving a logistics award this year. Fifteen logisticians from the Military, Government and Industry will be receiving their awards. The Awards Luncheon will

be held at the Fort Myers Officer's Club in Arlington, VA. The Guest Speaker for the GWAC Awards luncheon will be the world renowned Dr. Jedizmir Knezevic of the MIRCE Academy in Exeter, England (See the Announcement Flyer on page 8).

## 26 October GWAC Logistics Seminar

GWAC will be hosting a special one-day Logistics Seminar to be held on 26 October at the Northrop Grumman office, 475 School Street in SW, Washington DC (close to the L'Enfant Plaza Metro station). The topic is *The Fundamentals of Supportability Engineering* to be presented by Dr. Jezdimir Knezevic from the MIRCE Academy, Exeter England. Dr. Knezevic is a world renowned speaker and writer on Logistics. His books are reference materials for the CPL exam. The cost of the Seminar is a very reasonable \$150 for SOLE members and \$170 for non-members payable by check, money order or cash. You may register at the door! For more information, see the Flyer on page 11 and the attached Registration Form.

## Inside this Issue

<u>Title</u>	<u>Page</u>
Front Page – Chair Talk .....	1
Upcoming Events.....	2
Vice Chair Reports.....	3
Management Team Meeting Minutes...	4
Balanced Scorecard Overview Slide .....	5
Article on Total Ownership Cost.....	6
September GWAC Luncheon Flyer .....	8
October GWAC Seminar Flyer.....	9
Directions to GWAC Seminar.....	10

## Chapter Officers

Chair	
Dave Floyd, CPL	571-218-3342
Immediate Past Chair	
Lyle Paulson, CPL	703-412-9319
Vice-Chair, Admin	
Mary Johnston	202-646-5518
Vice-Chair, Finance	
B.J. Silvey	703-860-5141
Acting Vice Chair Member Services	
Tom Griffiths	703-383-3150
Vice-Chair, Professional Development	x325
LCDR Ron Hooks	202-475-3135
Vice-Chair, Education	
Gary Glick, CPL	703-697-4271
<b><u>Advisory Members</u></b>	
Joyce McCallister, PMP, CPL	703-217-8431
Richmond Miller, CPL	202-314-1149
Ken Gary	703-692-5920
Lincoln Hallen	301-460-5060
Ed Spriggs, CPL	703-560-8828
<b><u>Committee Chairs</u></b>	
<u>Bylaws</u>	Open
<u>CPL Coordinator</u>	
Gary Glick, CPL	703-697-4271
<u>Education</u>	
Dr. Lloyd Muller, CPL	703-751-1060
<u>Elections</u>	Open
<u>Historian</u>	Open
<u>Job Referral</u>	
Linc Hallen	301-460-5060
<u>Logistics Education Foundation</u>	
Dave Floyd, CPL	571- 218-3248
<u>Membership</u>	Open
<u>Nominations</u>	Open
<u>Oracle Newsletter Editor</u>	
Dave Floyd, CPL (Acting)	571- 218-3248
<u>Public Relations</u>	Open
<u>Retail Sales</u>	Open
<u>Speaker Editor</u>	Open
<u>Training</u>	
Gary Glick	703-697-4271
<b><u>Other</u></b>	
<u>District Director</u>	
John Buder	703-445-1616
<u>SOLE Headquarters</u>	301-459-8446

## The ORACLE

The ORACLE is published 12 times a year. The deadline for articles and announcements is the second Monday of the month to be published. Authors, please reference "Editorial Objectives and Guidelines" under the "ORACLE Newsletter" Link at [www.gwacsole.org](http://www.gwacsole.org) for more details. GWAC assumes no responsibility for statements made by advertisers or for statements of fact or opinion expressed or implied in this publication.

October 26, 2006, The Fundamentals of Supportability Engineering Workshop to be conducted by Dr. Jezdimir Knezevic and held in Washington, D.C. Contact Linc Hallen at (301) 460-5060 or at [lincnhallen@cs.com](mailto:lincnhallen@cs.com).

November 6-7, 2006, Systems Engineering Workshop to be held in Washington, DC.. Contact: [www.TechnologyTraining.com](http://www.TechnologyTraining.com).

November 13-14, 2006, Configuration Management to be held in Washington, D.C. Contact [www.TechnologyTraining.com](http://www.TechnologyTraining.com).

November 15-17, 2006, Advanced Configuration Management to be held in Washington, D.C. Contact [www.TechnologyTraining.com](http://www.TechnologyTraining.com).

October 18-19, 2006, Performance Based Logistics Workshop to be held in Washington, D.C. Contact [www.TechnologyTraining.com](http://www.TechnologyTraining.com).

December 7-8, 2006, Military RFID to be held in Washington, DC. Contact: [www.TechnologyTraining.com](http://www.TechnologyTraining.com).

December 11-12, 2006, Systems Engineering Workshop to be held in Washington, DC.. Contact: [www.TechnologyTraining.com](http://www.TechnologyTraining.com).

## Financial Report

by BJ Silvey at  
[silveybjmarbj@comcast.net](mailto:silveybjmarbj@comcast.net)

As of 30 September, 2006

Beginning Balance: 4560.51

Income: Luncheon

Total Income: \$140.00

Expenses: (\$165.00)

Total Expenses: (\$0.00)

Ending Balance: \$4535.51

## VC Programs

by LCDR Ron Hooks, USCG, at  
[dhooks@comdt.uscg.mil](mailto:dhooks@comdt.uscg.mil)

The speaker at our 27 September Luncheon was Mr. David Shaw of the Air Force's Transportation Management Division who spoke on the use of the Balanced Score Card for USAF logistics. Contact our website at [www.gwacsole.org](http://www.gwacsole.org) to see a copy of his presentation.

## VC Technical

By Gary Glick, CPL at  
[glickg@starpower.net](mailto:glickg@starpower.net)

### CPL Exam Update

The most recent CPL exam was held in Dallas, TX, during SOLE 2006. The November 2006 CPL exam will be held on the first Saturday in November at the Florida Institute of Technology (FIT) training center located on Eisenhower avenue in Alexandria, VA.

## SOLE Searchers

Check out the updated "Jobs" page hyperlink at the GWAC Web site at [www.gwacsole.org](http://www.gwacsole.org). or contact Linc Hallen at 301-460-5060.

## DCCEAS

DCCEAS welcomes participation in their

monthly meetings and they are scheduling featured speakers on topics of broad interest to all Affiliate Societies in order to make it worthwhile for them to attend the meetings.

The Nov 2nd speaker is Russell Harrison, IEEE, who will be speaking on "Influencing Congress and the Administration on National Technology Policy". Mr. Harrison has a lot of interesting tips on how to lobby on issues that are important to you. The meetings are held in the University of DC's Van Ness Campus (at the intersection of Connecticut Ave. and Van Ness St. NW), in Room 212 of Bldg. 42. Parking will be available in the UDC garage at the reduced rate of \$3.50 by telling the attendant that the meeting is sponsored by Dr. Onye, Director of the Center.

## Chapter Website

Contact our new webmaster at [webmaster@gwacsole.org](mailto:webmaster@gwacsole.org) with your comments and/or input. Files added during the last month to the functional areas include the following:

### General.

- September Membership Committee Meeting Agenda and Minutes
- Updated Calendar of Events

### Administration.

- Membership Spreadsheet, Password protected (contact [webmaster@gwacsole.com](mailto:webmaster@gwacsole.com))
- September ORACLE Newsletter

### Finance.

- September Financial Report

## Chapter Events List 2006-2007

<u>Date</u>	<u>Event</u>
<u>Oct 25</u>	GWAC Awards Luncheon
<u>Oct 26</u>	Supportability Seminar
<u>Nov 8</u>	GWAC BoD Meeting
<u>Nov 29</u>	GWAC Luncheon
<u>Dec 13</u>	GWAC BoD Meeting
<u>Dec TBD</u>	GWAC Holiday Social

## GWAC Management Team Meeting Minutes

### CALL TO ORDER:

Chair Dave Floyd, CPL, called the meeting to order at 5:45p.m. on 11 October, 2006 at the Hamburger Hamlet in Crystal City, Arlington, VA.

### CHAPTER OFFICERS PRESENT:

Dave Floyd, CPL	Chapter Chair
Ron Hooks	VC Programs
Tom Griffiths	VC Member Svces
Richmond Miller, CPL	Board Member

### OLD BUSINESS:

Past Minutes. The GWAC Management Team reviewed and recommended approval of the September 2006 Management Team Meeting minutes and Financial report for the month of September.

### VC/COMMITTEE REPORTS:

#### VC FINANCE:

Finances were approved. \$4535.51 in the account. The Seminar business case was updated to incorporate comments by Charlie Baldwin from the SOLE BoD and resubmitted.

#### VC MEMBER SERVICES:

Tom Griffiths provided Chair Dave Floyd with the survey results and said that he found it difficult to collate them. Chair Dave Floyd said he would take a look at them.

#### VC PROGRAMS:

Luncheon Speakers. Ron Hooks drafted the program for the GWAC Awards luncheon. He also said he was ordering a special plaque for Dr. Knezevic. Ron Hooks volunteered to contact SOLE HQ to order plaques for the Awards Luncheon and Chair Dave Floyd picked them up. Mr. Hallen reconfirmed that Dr. Knezevic from the MIRCE Academy will speak at the 2006 GWAC October Awards luncheon and said he would be picking up Dr.

Knezevic at the airport. Dr. Knezevic confirmed he would give a one-day technical seminar on *Supportability Engineering*. Linc Hallen continues to make arrangements for the visit. The workshop will take place on October 26, 2006 at 475 School Street. Planning for all facets of this workshop was discussed at length. Richmond Miller, CPL, determined that the Seminar conference room can seat 60 people at tables and still leave room for more who show up at the door. Richmond was able to verify that we have insurance coverage for the event through Northrop Grumman where the Seminar will be held.

### VC ADMINISTRATION:

Any first time attendees at SOLE luncheons are free (except for the Awards Luncheon). The qualifier is you cannot already have attended a luncheon within the last three years to qualify. You must also identify yourself as "new" when you RSVP. Any full time students get lunch free.

### VC EDUCATION:

The November 2006 CPL exam will be held on the first Saturday in November at the Florida Institute of Technology (FIT) training center located on Eisenhower avenue in Alexandria, VA. Two people from the Pentagon have expressed interest in forming a CPL Study group.

### NEW BUSINESS:

Mary Johnston will ask the people as they RSVP if they have attended in the past and work out the details for the sponsor program.

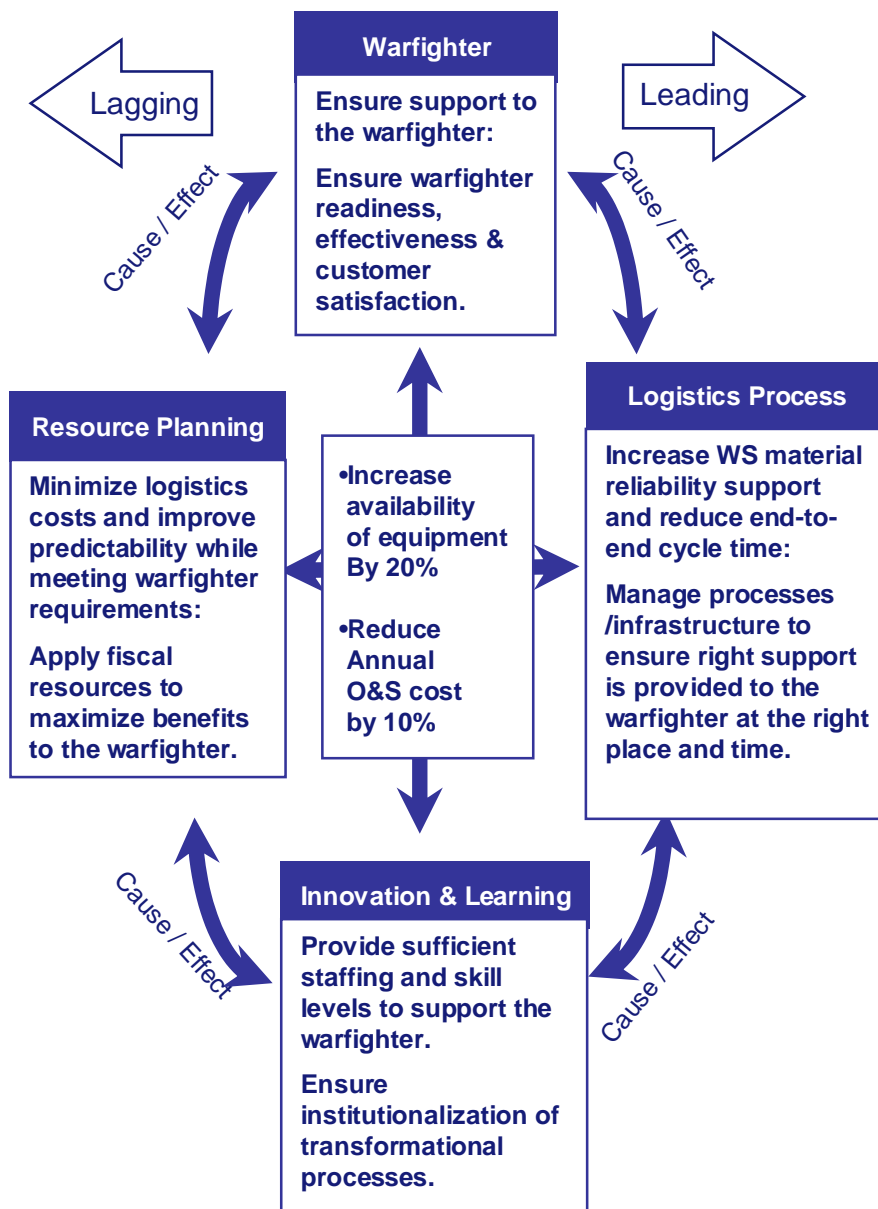
### ADJOURNMENT:

There being no further discussions, Chair Dave Floyd, CPL, adjourned the meeting at 7:10 pm. The next board meeting will take place at the Hamburger Hamlet Restaurant in Crystal City on 8 November, 2006. GWAC members are welcome to attend as guests.

# Balanced Scorecard Overview

## Balanced Scorecard:

A performance management system which drives and aligns Air Force Logistics' operating objectives with strategic measures



- **Transforms strategy into actionable and measurable results**
- **Provides leading indicators of future results**
- **Defines the cause-and-effect relationships of the strategy that is focused on outcomes across a balanced set of perspectives**
- **A construct methodology to provide quick access to data and to get answers across all functional areas**

## **ARTICLE (Part 1)**

# **TOTAL OWNERSHIP COST CONSIDERATIONS IN KEY PERFORMANCE PARAMETERS AND BEYOND**

**By: MICHAEL W. BOUDREAU AND BRAD R. NAEGLE**

Total Ownership Cost (TOC) is an initiative to manage costs over the entire life cycle of a system, and the Program Manager (PM) is responsible for estimating and managing system TOC using input from key stakeholders. There are several major categories of costs that contribute to TOC. For instance, the phases of a weapon system's life cycle may include research and development, production, operating and support, and disposal. This paper addresses ways to encourage a Life Cycle Cost (LCC) perspective, examine the critical issues associated with understanding and implementing the TOC concept, and assist the PM with the knowledgeable execution of a TOC plan. Also, metrics necessary to ensure appropriate implementation are explored, various methods of controlling and reducing TOC are evaluated, and areas where the Department of Defense needs to refocus are addressed.

Is the Department of Defense (DoD) headed down the right path to get Total Ownership Cost (TOC) under control? There are, no doubt, weapon systems that the DoD procures without regard for the Total Ownership Cost (TOC) as the capability needed is so critical that DoD would pay nearly anything to have it—for a while at least. For example, the SR-71 Blackbird was an extremely effective reconnaissance aircraft, but the Air Force was happy to retire the last of the fleet primarily due to the system operation cost, which was purported to be as high as \$200,000 per hour in TOC terms. As shown by this example, the excessive TOC burden of even the most capable weapon system becomes unbearable. Many useful approaches to grasp the TOC have been advanced by the DoD community over the past several years. Though various techniques have been employed, as appropriate, over the total life cycle of a warfighting system, the DoD has not reached the point where it can declare victory. For whatever reason, the DoD leadership has not mandated the use of some of its most potent tools to get TOC under control.

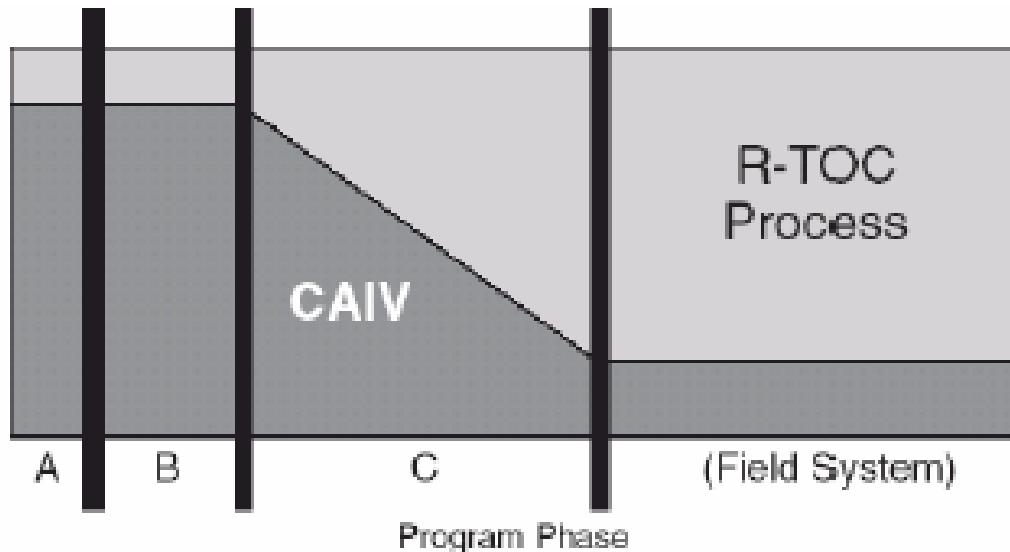
### **TOC – WHAT IS IT?**

There are two commonly used definitions of TOC. The first is very broad and was written from a top-level DoD or Service perspective: DoD TOC is the sum of all financial resources necessary to organize, equip, train, sustain, and operate military forces sufficient to meet national goals in compliance with all laws, all policies applicable to DoD, all standards in effect for readiness, safety, and quality of life, and all other official measures of performance for DoD and its Components. DoD TOC is comprised of [sic] costs to research, develop, acquire, own, operate, and dispose of weapon and support systems, other equipment and real property, the costs to recruit, train, retain, separate and otherwise support military and civilian personnel, and all other costs of business operations of the DoD (Gansler, 1998).

The second definition is deliberately written from the vantage point of the Program Manager (PM) of the warfighting system and is a subset of the definition above. Defense Systems TOC is defined as Life Cycle Cost (LCC). LCC (per DoD 5000.4M) includes not only acquisition program direct costs, but also the indirect costs attributable to the acquisition program (i.e., costs that would not occur if the program did not exist). For example, indirect costs would include the infrastructure that plans, manages, and executes a program over its full life and common support items and systems. The responsibility of program managers in support of reducing DoD TOC is the continuous reduction of LCC for their systems (Gansler, 1998).

As Dr. Gansler said in his above-referenced 1998 memorandum, when trying to reduce TOC, the PM's job is a very difficult one, and the PM should seek help wherever possible to reduce ownership costs. Pursuit of Reduction of TOC (R-TOC) may be separated into two major approaches that are connected, end-to-end, along a life cycle time line. During the developmental phases, the effort or process is called Cost As an Independent Variable (CAIV). For systems in the field or fleet, the process or goal becomes R-TOC. Figure 1 on the next page illustrates a typical depiction of the CAIV/R-TOC relationship.

In the first approach, CAIV addresses TOC during the warfighting system's developmental phases, beginning with Concept Refinement. The focus of CAIV is to establish cost targets based on affordability and requirements, and then to manage in accordance with those targets, thereby controlling TOC. CAIV includes consideration of costs for development, production, operations and support, and disposal. For example, the CAIV process would set specific cost and reliability targets for each subsystem or component of a weapon system in development, so the warfighting system will be able to achieve the required operational availability at the specified cost.



**FIGURE 1. COST AS AN INDEPENDENT VARIABLE  
REDUCING TOTAL OWNERSHIP COSTS**

During Concept Refinement, a mix of performance requirements and cost constraints would lead to a trade-off analysis, wherein a team, led by the sponsor or warfighter and populated by the stakeholders (sponsor, users, maintainers, and developers), would critically assess the various possible solutions and arrive at the *solution set* that best meets the users' required capabilities within cost constraints. This activity is called an Analysis of Alternatives within the Joint Capabilities Integration and Development System (JCIDS) directives; the Army Training and Doctrine Command has used a very instructive name for the team—Integrated Concept Team (Gansler, 1998; U.S. Army Training and Doctrine Command [TRADOC], 1996).

Employing CAIV early in the developmental process offers the greatest potential opportunity for R-TOC at the lowest possible investment cost. For example, comparison of two different power plants presents an opportunity to use the CAIV evaluation technique to estimate the TOC impact and make a best-value decision. For illustrative purposes, consider a standard internal combustion engine at a cost of \$7,500 versus a hybrid electric power plant costing \$19,000. The impact to the acquisition cost is evident but excludes the cost savings associated with fuel consumption over the life of the system. If the system's operational mode indicates an average usage of 15,000 miles per year and an economic useful life of 20 years, the total mileage expected is 300,000. If the standard engine is estimated at 10 miles per gallon and the hybrid engine is estimated at 25 miles per gallon, the estimated fuel saved by the hybrid-powered system would be 18,000 gallons. Beginning with an estimated fuel cost of \$1.25 per gallon and using constant dollars, the Operating and Support (O&S) impact is \$22,500 per system. From a TOC perspective, the hybrid engine is \$11,000 less expensive than the standard engine, and there are other reductions in fuel supply assets and attendant personnel that apply.

*(Reprinted with permission)*



**Greater Washington Area Chapter  
of SOLE – The International Society of Logistics**

District 2, Chapter 1

**ANNOUNCEMENT OF LOGISTICS AWARDS**



The Greater Washington Area Chapter (GWAC) of SOLE - The International Society of Logistics is proud to recognize some of the outstanding logisticians of the Greater Washington area during our Ninth Annual Logistics Awards Program.

Individual achievements in the logistics field have been selected from nominations from various industry, government and academic institutions located in the Greater Washington area. The following awards will be presented at the GWAC Annual Awards Luncheon, to be held on October 25, 2006, at the Ft. Myer Officer's Club in the Lamplighter room from 11:00 a.m. to 1:00 p.m. Awards are hereby announced for outstanding achievements to the following individuals:

#	Name	Award	Company/Org
1	Dennis Cooper	Logistics Training	UNISYS
2	Reginald M. Madden	Supply Chain Logistics	Joint AIT Office, U.S. Army
3	Leroy (Lee) Weaver	Information Systems	Joint AIT Office, U.S. Army
4	Paul Krumhaus	Business Logistics Management	Caliber
5	COL Gerald Bates Jr.	Maintenance Management	AMC, HQ U.S. Army
6	Linda Nordstrom	Sustainment Maintenance Operations	AMC, HQ U.S. Army
7	Rick Burnham	Logistics Modeling and Simulation	TSC
8	F. Michael Slay	Logistics Research and Development	LMI
9	Robert Kline	Provisioning	LMI
10	Carol A. Gilmore	Financial Management	ODCS-4, HQ U.S. Army
11	MAJ William Balestreri	Logistics Transformation Management	HQ USMC
12	Lt Col Claxton Johnson	Logistics Modeling and Simulation	HQ USMC
13	Mr. Dean Fish	Team Award for Logistics Engineering	Booz Allen
14	Mr. Dale Carpenter, CPL	Team Award for Logistics Engineering	Booz Allen
15	Mr. Russ Gimmi	Team Award for Logistics Engineering	Booz Allen

The “**Logistician of the Year**” for the Greater Washington Area will remain secret until the ceremony.

Along with the awardees, their friends and associates, you are invited to join the Greater Washington Area Chapter in recognizing these individuals at the luncheon. Our distinguished guest speaker will be Dr. Jezdimir Knezevic of the MIRCE Academy, Exeter, England. The speaker topic is: **From Logistics Processes to Logistics Profession**. Cost of the buffet luncheon is \$25 per person. Please R.S.V.P. to [bunnystreet@yahoo.com](mailto:bunnystreet@yahoo.com) by 23 October 2006. We appreciate your participation in the awards program

Sincerely,  
David S. Floyd, CPL, Chapter Chair, Greater Washington Area Chapter



**GREATER WASHINGTON AREA CHAPTER  
OF SOLE - The International Society of Logistics  
PRESENTS**



**A ONE-DAY LOGISTICS SEMINAR ON  
THE FUNDAMENTALS OF SUPPORTABILITY ENGINEERING**

By Dr. Jezdimir Knezevic  
MIRCE Academy, Exeter England

To be held at: 475 School Street, Washington DC, SW, 20024  
(Adjacent to the L'Enfant Plaza Metro Station)

Thursday, October 26 2006  
Registration at 7:45am; Seminar 8:30am-4:30pm  
Space is Limited

To RSVP contact [bunnystreet@yahoo.com](mailto:bunnystreet@yahoo.com)

The main objective of this seminar is to expose the practicing logistician, engineer, analyst and manager to the fundamentals of Supportability Engineering (SE). In the morning, participants will be introduced to the “mechanics” of systems’ and products’ behavior during their operational life, which result from physical causes or human actions in general, and SE issues in particular. In the second part, the science-based SE methods will be discussed and illustrated with a large number of examples. In the closing part, the relationship between Integrated Logistic Support/Logistic Support Analysis and supportability engineering will be addressed.

Jezdimir Knezevic, B.Eng, M.SC, PhD is a world-class lecturer and practitioner of applied logistics engineering. He has authored over 300 publications disseminated worldwide, including his book “Reliability, Maintainability and Supportability”, and has made hundreds of technical presentations in over 40 countries on five continents over the past 20 years. He has developed and delivered over 500 short courses in more than 30 countries which have attracted over 6000 professionals, from defence, aerospace, manufacturing, automobile and related industries. He is founder of Europe’s first Postgraduate Certificate/Diploma and Masters Degree Courses in Logistics Engineering, Reliability and Maintainability Engineering and System Operational Effectiveness at the Faculty of Engineering at Exeter. Dr Knezevic has received several international awards for his contribution to research in the field of logistics engineering including the prestigious Eccles Medal from SOLE – The International Society of Logistics. Some years ago, he spoke to the Mid-Atlantic Logistics Conference attendees, and many are anxious to hear him again.

## DIRECTIONS to GWAC SEMINAR: Check-in 0800 on 26 October 2006

Due to the limited amount of parking around the Northrop Grumman office, use of public transit is strongly advised. Metered parking is limited to two hours and cars must be moved every two hours or they will be ticketed. The Northrop Grumman office is served by the L'Enfant Plaza Metrorail Station (Blue, Orange, Yellow and Green lines). Use the [Ride Guide](#) for specific directions, schedules, travel times and fares.

### General Metrorail directions:

Get off at the L'Enfant Plaza Metrorail Station. Walk towards the 7<sup>th</sup> and D St. exit and go up the escalators. Walk east on D Street to 6<sup>th</sup> Street and turn right. Turn left on School Street. The Northrop Grumman office is located on the left hand side at 475 School Street. Sign in with the Security Guard and mention you are attending the Seminar in Conference Room A/B on the first floor. Richmond Miller, CPL, POC.

