



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

April 13, 2004

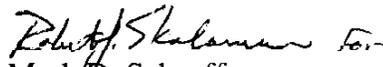
MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF THE ARMY  
(PLANS, PROGRAMS AND POLICY)  
DEPUTY ASSISTANT SECRETARY OF THE NAVY  
(LOGISTICS)  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
(MANAGEMENT POLICY AND PROGRAM  
INTEGRATION)

SUBJECT: CALL FOR FY 2005 AND FY 2006 REDUCTION OF TOTAL  
OWNERSHIP COST (R-TOC) PROJECTS

The Under Secretary of Defense (Acquisition, Technology and Logistics) vision for the R-TOC initiative is that, "all defense systems will perform with increasing readiness and capability while avoiding increased operations and support resource costs and improving logistics footprint by institutionalizing the continuous implementation of innovative process and hardware improvements." To support the vision, an overarching goal was established, "to maximize cost avoidance on total defense systems' FY 2010 O&S costs by offsetting 30 percent of the inflation predicted from an FY 2004 baseline."

To accelerate this progress, OSD established a program element to pay for costs associated with commencing selected projects that will increase the reliability, availability, maintainability, readiness and capability of new or existing defense systems; reduce logistics footprint; and generate future savings in total ownership cost. Start-up costs include, but are not limited to: non-recurring engineering, test and qualification, development of procedures and processes, documentation, cost driver identification, and other features that could produce significant future savings from a relatively small investment in Research, Development, Test & Evaluation (RDT&E).

You are invited to submit proposed projects for funds in this program element for both a FY05 and FY06 start. The attachment provides guidance and evaluation criteria on submitting R-TOC projects and investment templates. My point of contact is Dr. Rodriguez-Johnson at (703) 695-0472 or [Elizabeth.Rodriguez-Johnson@osd.mil](mailto:Elizabeth.Rodriguez-Johnson@osd.mil).

  
Mark D. Schaeffer  
Director  
Systems Engineering

Attachment  
As stated



## ATTACHMENT

### GUIDANCE FOR SUBMISSION AND EVALUATION CRITERIA

- Less than three years of funding
- No more than \$3M funding in any year
- No more than \$5M total funding for a project

FY05 project proposals must be submitted under your signature by July 15. In August and September, your office will be part of a team that evaluates and ranks the projects. The Deputy Director, Defense Systems will make the final decision on projects to be funded by the end of September and funds will be transferred to your designated representative as soon as they become available. Quarterly project status reports will be required in this endeavor. FY06 project proposals must be submitted by September 15.

**COMPONENT NAME**

**PROJECT PLAN**

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(Title of Proposed Project)

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(Date)

Submitted By:

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(Name)

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(Organization)

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(DSN/Commercial Phone Number)

## **1. STATEMENT OF NEED**

**PROBLEM STATEMENT:** Describe the problem and situation, including any background or history of the proposed project. Write in a simple, clear manner so non-experts can understand the issues. Discuss the events, operational problems, support costs, etc., leading to the initiation of the project.

**IMPACT STATEMENT:** Why is this important? What is the impact if no action is taken? Describe both operational benefits (e.g., improved reliability, increased readiness, reduced maintenance workload, reduced logistics footprint, improved supply chain response time, etc.) and cost reductions.

## **2. PROPOSED SOLUTION**

**TECHNICAL DESCRIPTION:** Describe as necessary: the system, functionality, reliability, maintainability, availability, breakout, re-qualification, procurement problem, etc., for the proposed technology solution.

**RISK ANALYSIS:** Describe the risk (low, medium, high) in developing / prototyping / testing / qualifying / manufacturing / completing this technical effort.

**PROPOSED PHASES:** For medium to high-risk projects, the project may be broken out in phases. Each phase should have an acceptable desired result(s).

### **EXEPECTED DELIVERABLES AND RESULTS/OUTCOMES:**

Project Deliverables (Hardware / Software / Process / Training / etc.)

Project Results / Outcomes (Reduced total ownership cost, improved reliability, increased readiness, reduced maintenance workload, reduced logistics footprint, improved supply chain response time, etc.)

**PROGRAM MANAGEMENT:** Describe the overall approach and tasks to be taken to accomplish the project and as a minimum, identify the following:

- Project manager (and team members if applicable)
- Customer(s) or end user(s)
- Acquisition method (COTS buy, Services, Existing Contract, Research Lab, etc.)

### **3. COST/BENEFITS ANALYSIS**

This section should define all resources necessary (manpower, material, facilities, etc.) to accomplish the project and benefits that will result from it. Benefits (savings/cost avoidances) must be estimated for each year over the expected life of the system. Complete and attach the “R-TOC Investment Template” (see attached Excel Template spreadsheet and Template instructions).

### **4. SCHEDULE**

This section should be a milestone chart showing all significant events through project completion.

**Note:** If project is approved and funded, a quarterly status report will be a requirement during the first week of each calendar quarter until implementation has been completed and results have been achieved. Reports must be submitted to the Service R-TOC POC and to Defense Systems (AT&L). This report must include: project number, progress summary, funding summary (actual vs. planned), any outstanding issues, and upcoming project events.

### **5. IMPLEMENTATION**

Describe how the project will be implemented when completed.

## **6. APPENDICES**

These may be added to the plan as appropriate. For instance, detailed data verifying current support costs, process charts, sketches to help explain application or problem, etc., would be typical documents to consider.

**Note:** Since every candidate project is different, a plan may require other sections not listed above. The plan author should add additional sections he/she feels are necessary to properly describe the proposed project.

## **Instructions for Completing the R-TOC Investment Template**

Enter the Project Name in cell A6 (the name will be automatically copied to cell A24). Change the name of the Excel Worksheet (the tab at the bottom of the window) to the name of the project.

Enter the funding requested in millions of Then Year Dollars in the remainder of Row 6 (as indicated in the yellow color cells). Include all funding required to achieve the savings/cost avoidance estimated below. The total will be calculated and automatically entered into cell A9.

The OMB 10-year discount factor for Then Year (Nominal) dollars has been entered into cell A12. This factor is published every year in Jan/Feb in Appendix C, OMB Cir A-94. See [http://www.whitehouse.gov/omb/circulars/a094/a94\\_appx-c.html](http://www.whitehouse.gov/omb/circulars/a094/a94_appx-c.html).) The current value in this cell of 4.6% is correct for 2004.

The Total Discounted Investment is calculated and automatically entered into cell A18.

Enter the estimated savings/cost avoidances (in Constant FY05 Dollars) in row 24 (as shown in the yellow cells) for each year of the entire expected life cycle of the system. The total FYDP savings/cost avoidance (through FY09) is calculated and automatically entered in cell A27. The total life cycle savings/cost avoidance is calculated and automatically entered in cell A30.

The OMB 10-year discount factor for Constant (Real) Dollars for calendar year 2004 has been entered into cell A33 (this factor is published every year in Jan/Feb in Appendix C, OMB Cir A-94. See [http://www.whitehouse.gov/omb/circulars/a094/a94\\_appx-c.html](http://www.whitehouse.gov/omb/circulars/a094/a94_appx-c.html).) The current value in this cell of 2.8% is correct for 2004.

The Total Discounted Savings/Cost Avoidance (over the FYDP period) is calculated and automatically entered into cell A40.

The Total Discounted Savings/Cost Avoidance (over the Life Cycle period) is calculated and automatically entered into cell A43.

The ROI (FYDP) is calculated and automatically entered into cell A46.

The ROI (LCC) is calculated and automatically entered into cell A49.

A sample form is shown at tab "Sample."

For each project, create a separate worksheet in the same file.

Create a summary Worksheet showing investments and savings/cost avoidances for all projects.

**R-TOC Investment Template**

**Investment Requested  
(Enter Millions of Then Year Dollars)**

Enter Project name	FY05	FY06	FY07	FY08	FY09

Total Investment (TY\$M)  
**0.000**

10-Year Discount Factor for Then Year (Nominal) Dollars  
4.6%

Discount Factors 1.000 0.956 0.914 0.874 0.835

Present Value(s) of Investment(s)  
0.000 0.000 0.000 0.000 0.000

Total Discounted Investment  
**0.000**

**Savings/Cost Avoidance  
(Enter Millions of FY05 Constant Dollars)**

Project name	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	
	0																		

Total FYDP Savings/Cost Avoidance (CY\$M) (through FY09)  
**0.000**

Total Life Cycle Savings/Cost Avoidance (CY\$M)  
**0.000**

10-Year Discount Factor for Constant (Real) Dollars  
2.8%

Discount Factors 1.000 0.973 0.946 0.920 0.895 0.871 0.847 0.824 0.802 0.780 0.759 0.738 0.718 0.698 0.679 0.661 0.643 0.625

Present Values of Savings/Cost Avoidances  
0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000

Total FYDP Discounted Savings/Cost Avoidance (through FY09)  
**0.000**

Total Life Cycle Discounted Savings/Cost Avoidance  
**0.000**

ROI (FYDP)  
#DIV/0!

ROI (LCC)  
#DIV/0!



# PROJECT EVALUATION

(Project Title)

**Part 3 of 3**

**Instructions**

- Please evaluate the six subjective subject areas of the proposal – see below
- Place a check “√” in the appropriate box for your assessed risk level and provide comments to justify your assessment on each of the following scoring sheets for each subjective subject area
- Each of the subjective subject areas must have a written comment/explanatory note that justifies and/or substantiates your evaluation
- Rate per the indicated scale for each area

EVALUATION SUBJECT AREAS	SCORING WEIGHTS		
	HIGH RATING	MEDIUM RATING	LOW RATING
<b>OBJECTIVE:</b>			
ROI (FYDP)	10 (Greater than 10:1)	5 (Between 10:1 & 5:1)	3 (Less than 5:1)
ROI (LCC)	10 (Greater than 20:1)	5 (Between 20:1 & 10:1)	3 (Less than 10:1)
Service Ranking	10 (In top third of ranking)	5 (In middle third of ranking)	1 (In bottom third of ranking)
Crossover Year (year when return is greater than investment)	5 (Less than 3 years)	3 (3 years)	1 (More than 3 years)
Payback Year (when total return is greater than total investment)	5 (Less than 4 years)	3 (4 years)	1 (More than 4 years)
<b>SUBJECTIVE:</b>			
Operational Readiness	10	5	1
Benefits Credibility	5	3	1
Technology	3	2	1
Schedule	3	2	1
Budget	3	2	1
Management Support	3	2	1

## **Operational Readiness**

- High Rating:** Strong evidence and support (e.g., data from experiments and/or validated modeling) that the project will improve readiness of the weapon system by at least 5%, or clearly improve reliability, maintainability, or sustainability of a major subsystem by more than 10%.
- Medium Rating:** Strong evidence and support (e.g., data from experiments and/or validated modeling) that the project will improve readiness of the weapon system, or clearly improve reliability, maintainability, or sustainability of a major subsystem.
- Low Rating:** Less than strong evidence and support that the project will positively impact weapon system readiness or improve reliability, maintainability, or sustainability of a major subsystem (i.e., no quantitative estimate of readiness improvement).

**Comments:**

### **Benefits Credibility**

**High Rating:**

High confidence (greater than 90%) that projected benefits will be achieved. Strong evidence and support (e.g., data from experiments and/or validated modeling) for the projected benefits in the project description.

**Medium Rating:**

Confidence in success of projected benefits is between 75 and 90%. Less than strong evidence and support (e.g., engineering estimate and/or non-validated modeling) for the project benefits in the project description.

**Low Rating:**

Confidence in success of projected benefits is less than 75%. Project description has weak to no evidence and support for the project benefits.

**Comments:**

## **Technology**

- High Rating:** This is an adaptation of mature technology. Greater than 90% confidence that proposed technology satisfies proposal objectives. There is data presented to remove doubt.
- Medium Rating:** This is new technology or new application. 75 to 90% confidence that the proposed technology satisfies proposal objectives. There is limited data available to remove doubt.
- Low Rating:** This is undeveloped or undemonstrated technology. Less than 75% confidence that the proposed technology satisfies proposal objectives. There is a significant integration effort required.

### **Comments:**

## Schedule

- High Rating:** Greater than 90% confidence in meeting schedule. Goals and objectives are well defined and a detailed milestone schedule is included with clear explanations of what will be done by which resources.
- Medium Rating:** Confidence in meeting schedule is between 75 and 90%. Goals and objectives are defined and a detailed milestone schedule is included, but there is a limited explanation of resource use.
- Low Rating:** Confidence in meeting schedule is less than 75%. Project goals and objectives are obscure or poorly defined or schedule information is insufficient.

### **Comments:**

**Budget**

**High Rating:** Greater than 90% confidence in meeting budget. There is documented evidence of a cost estimator's assessment that the budget is realistic and adequate for project scope.

**Medium Rating:** Confidence in meeting budget is between 75 and 90%. There is no documented evidence of a cost estimator's assessment that the budgeted funds are sufficient to fully achieve all project goals, but the evaluator believes it is feasible.

**Low Rating:** Confidence in meeting budget is less than 75%. There is data or knowledge of a similar project that causes the evaluator to conclude that it will be very difficult to complete this project within cost.

**Comments:**

