

# **TOC REDUCTION READINESS SURVEY**

## **1. PURPOSE**

The purpose of this survey is to enable the Office of the Assistant Secretary of the Navy, Acquisition Reform Office, ASN (ARO) to assess current TOC Reduction activity, baseline TOC Reduction efforts, and determine the best allocation of funds to help achieve cost reductions. This survey will be used to collect the information required to examine cost reduction functions and activities which surround a program and to identify how the program interfaces with the individuals, activities and commands to achieve cost reduction. In this manner we can determine where and to what extent ASN needs to augment direct cost reduction support to program offices.

Through this initial survey we hope to achieve two objectives:

- 1) To capture the good ideas, processes and initiatives which have been or are being implemented and share them among the other Program Managers.
- 2) To identify those programs that can best benefit and provide the greatest return on investment using support from ASN provided subject matter experts in creating the plan, process, and measurement techniques to achieve cost reduction.

## **2. BACKGROUND**

In a May 5, 1998 memorandum titled, "Implementation of Total Ownership Cost (TOC) Baselines in the Department of the Navy", the Assistant Secretary of the Navy for Research, Development and Acquisition, (ASN (RDA)) directed that all acquisition programs:

"Revise their current approved Acquisition Program Baseline (APB) and establish a TOC objective and threshold. TOC reduction plans and APB revisions shall be submitted to appropriate Milestone Decision Authority (MDA) for ACAT 1/II programs by 31 December 1998 and for ACAT III/IV and Non-ACAT programs by 30 June 1999".

In a May 15, 1998 memorandum titled, "Department of Defense Financial Business Practices Reform", the Secretary of Defense set a corporate goal of modifying acquisition systems and processes to 1) encompass new functionality, and 2) be retooled to adequately capture and report necessary information.

In September 1998, the Defense Systems Affordability Council (DSAC) issued a strategy memorandum titled "Into the 21<sup>st</sup> Century" in which goal #2 establishes the following two objectives:

- 1) For systems in acquisition, achieve or surpass "Cost as an Independent Variable (CAIV) targets for at least 50% of programs by FY 2000, and
- 2) For fielded systems, reduce the logistics support cost per weapon system per year compared to FY 1997 baselines as follows: 7% by FY 2000; 10% by FY 2001; and a stretch target by 20% of FY 2005.

In September 1998, ASN (RDA) released a strategic plan that establishes a financial goal to: "Lower the Total Ownership Cost of equipment and services". One of the key pillars of the financial goal is to " Develop TOC baselines and measurement tools and to promote initiatives that will lower TOC."

In response to these strategies and requirements, the Naval Acquisition Reform Office (ARO) has been designated to manage the creation of TOC Reduction plans and the continuous assessment of achieving the TOC Reduction goals. This survey will assist in achieving this objective through collection of vital information on the current efforts of programs complying with the TOC Reduction objectives.

### **3. DEFINITION**

The first step in this process is to define TOC and TOC Reduction. For the purposes of this survey and for future efforts we have included the following definitions:

- **Total Ownership Cost (TOC):** TOC includes all cost associated with the research, development, procurement, operation, logistic support and disposal of an individual weapon system including the total supporting infrastructure that plans, manages and executes that weapon system program over its full life. TOC also includes the cost of requirements for common support items and systems that are incurred because of introduction of that weapon system. TOC does not include indirect "non-linked" Navy infrastructure costs that are not affected by individual weapon systems' development, introduction, deployment or operations.
- **TOC Reduction** is the process of:
  - Establishing a TOC reduction consciousness within a program,
  - Developing a TOC Reduction Plan,
  - Establishing a TOC Baseline,
  - Identifying TOC drivers,
  - Establishing TOC Reduction objectives,
  - Identifying and quantifying TOC Reduction initiatives,
  - Establishing meaningful TOC Reduction metrics, and
  - Tracking implementation of TOC Reduction and measuring results against the plan.

#### **4. SURVEY ADMINISTRATION**

This survey should be completed for each program ACAT I-IV. For those PM's managing more than one program, a separate response relating to each program is required. Each addressee should establish internal procedures for handling the survey that ensure that it is completed properly, as thoroughly as possible and returned in a timely manner.

The survey is broken into six parts:

1. Administrative Information,
2. TOC Environment Information
3. Current TOC Reduction Process Information,
4. Performance To Date Information
5. Current Needs Information, and
6. Comments/Feedback.

Please complete and submit the responses to [william\\_jones@nslc.fmsso.navy.mil](mailto:william_jones@nslc.fmsso.navy.mil)

For any questions concerning this survey or to arrange for a more detailed briefing you should contact Mr. William Jones, NAVSEALOGCEN, 717-605-3206 or Ms. Gale Gibbs-Ragland at 703-602-5506.

# TOC REDUCTION READINESS SURVEY

## **Part 1. Administrative Information** (fill in the blanks)

Command:  Marine Corps       NAVAIR

NAVSEA       NAVSUP

SPAWAR       NAVFAC

PEO/Program Office: \_\_\_\_\_

ACAT Designation:       I     II     III     IV

### Point of Contact Information:

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Telephone/Fax: \_\_\_\_\_

Email Address: \_\_\_\_\_

**Part 2. TOC Environment Information**

2.1 To what extent has visibility of TOC reduction been incorporated into the culture of the program?

Not incorporated  
Evaluating how TOC Reduction will be integrated  
Developing staff awareness through training  
Dedicated champion for TOC Reduction assigned by the Program  
Incorporated into the program decision process.

Comments:

2.2 To what extent does top management view the importance of TOC reduction

Highly Important  
Important  
Average Importance  
Low Importance  
Not Important

Comments:

2.3 To what extent have you integrated TOC Reduction into your core business processes?

Fully Integrated  
Integrated  
Partially Integrated  
Not Integrated

Comments:

2.4 To what extent do you involve your stakeholders in the TOC Reduction process?

Always  
Sometimes  
Rarely  
Never

Comments:

2.5 To what extent do you document and publish TOC Results?

Always  
Sometimes  
Rarely  
Never

2.6

Comments:

Regularly  
Intermittently  
Rarely  
Never

Comments:

2.7

To what extent do you allocate your costs to the TOC Reduction Baseline:

Fully Allocated  
Partially Allocated  
Not Allocated

Comments:

2.8

To what degree do you involve the fleet in the TOC Reduction Process?

Fully  
Partially  
Evaluating how we can best involve them  
Not at all

2.9 To what extent have you established TOC business procedures and rules?

Comments:

- Fully documented including metrics
- Fully documented
- Partially documented
- Evaluating how to proceed
- Not at all

Comments:

2.10 To what extent have you established a TOC Reduction and Training Program?

- Fully implemented, all personnel trained.
- In the process of training personnel
- Developing curricula
- Not started.

Comments:



**3.0 Current TOC Reduction Process Information**

3.1 To what extent have you developed a TOC Reduction Plan?

Not started  
Researching requirements  
Plan in development  
Plan Drafted  
Plan Approved

Comments

3.2 To what extent have you identified TOC Drivers?

Not started  
Collecting Source Data  
Conducting Driver Analysis  
Drivers Identified

Comments:

3.3 To what extent are you focusing TOC Reduction efforts on the TOC Drivers?

Not at all  
Beginning to focus  
Partially focussed  
Focused on TOC Drivers

Comments:

3.4 To what extent have you developed TOC Baselines?

Not started  
Identifying baseline structures  
Establishing baseline structures  
Baseline Established  
Baseline submitted to ASN and approved

Comments:

3.5 To what extent have you established TOC metrics?

Not started  
Identifying TOC metrics  
Allocating TOC metrics  
Completed TOC metric allocation

Comments:

3.6 To what extent have you gained access to TOC source data?

Not started  
Identifying sources of TOC data  
Determining access requirements to sources  
Established access to TOC data sources  
Capturing TOC data

Comments:

3.7 To what extent have you identified a TOC Toolset?

Not started  
Developed data system definition  
Performed requirements analysis/researched existing tools  
Performed comparisons/tradeoffs  
Selected/developing tools

Comments:

3.8 To what extent have you established a TOC analysis methodology?

Not started  
Exploring TOC improvement opportunities/initiatives  
Created TOC analysis methodology  
Established decision support criteria for approving initiatives.  
Submitted initiatives to higher authority with ROI,etc.

Comments:

3.9 To what extent are you assessing TOC performance?

Not started  
Identifying assessment methodology  
Established assessment methodology  
Monitoring TOC performance  
Assessing/evaluating TOC performance

Comments:

**Part 4. TOC Reduction Performance to Date Information**

4.1 Describe all TOC Reduction initiatives for your program.

- 1.
- 2.
- 3.

4.2 Describe all benefits achieved through implementing your TOC reduction program.

Comments:

**Part 5.**

For your program, what do you feel is the most beneficial support you could benefit from and why?

Comment:

**Part 6. Comments/Feedback**

Comment/Feedback: