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MEMORANDUM FOR Mr. Peter Potochney, Director, BRAC Office, OUSD (AT&L)

SUBJECT: Industrial JCSG Military Value Analysis Report and ISG Briefing

1. I appreciate the opportunity to review the draft Military Value (MV) Analysis Report. In general, we found the report sufficiently detailed to understand the MV approach; the approach is generally sound and adequate to the task.

2. Our primary concern is with the effort to build military values for 57 separate commodity groups within the depot maintenance sub-group. In addition to the sheer management difficulty of tracking 57 separate MVs at each facility, we question whether the information really provides additional discrimination among facilities or provides a confusing overload of numbers. We recommend that commodities be grouped into fewer related groups to generate meaningful information for the analysis.

3. Additionally, to offer our concurrence, we will need to review the final and complete list of questions and data elements (Section 3) that will be included by the Industrial JCSG in Data Call #2. It would be particularly helpful to identify what portion of the data elements required for the MV Analysis were already acquired in Data Call #1.

4. The complexity of some questions and the resulting data requirements may be more than installations can accurately support. We provide examples in the attachment, and recommend the Industrial JCSG review their MV approach with this in mind.

5. TABS looks forward to continuing to work with the Industrial JCSG on MV and other efforts.

Craig E. College
 Deputy Assistant Secretary of the Army
 (Infrastructure Analysis)

Encl
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CF:
 VCSA
 ASA (I&E)
 MG McManus, Army Rep, Industrial JCSG

Specific Comments

REFERENCE: Industrial Joint Cross Service Group Military Value Analysis

The following general comments on each sub-group's approach are provided.

Normalized Scores - It remains unclear whether the max score for every attribute and metric is the same number. That is an important characteristic so that the proposed weighting scheme works as envisioned by the Industrial JCSG. It appears that most metrics have a max score of 1. We recommend the JCSG verify this characteristic as they finish their work.

Data Variability - Also key to getting results that discriminate among facilities is the variability of your metrics and attributes. Attributes that vary between .9 and 1 or .95 and 1 are not nearly as valuable for discriminating as those that vary between .5 and 1 or 0 and 1. ORSA theory strongly suggests reducing the weights or completely eliminating those characteristics with little variability. Recommend IJCSG review the metrics now and modify weights as appropriate or reserve the opportunity to modify weights when the actual data come in.

Costs – The munitions group uses payroll value (government and contractor) and costs to “open” the door of each facility. Depot maintenance is using the costs of a DLH and other indirect labor costs. The shipyards sub-group is using labor costs and labor efficiency for the shipyards and a mix of replacement value, CIP investments and facility maintenance and repair costs for their “I” Level maintenance. These differences are a concern if the JCSG were to ask if shipyards can perform depot maintenance work or vice versa. We recommend the JCSG make the measures more consistent to enable these kinds of comparisons. It will be hard to compare common costs, other than direct labor, across these industrial functions.

Workforce Skills – The munitions group assumed that if the facility successfully completed the workload in the last 2 years the necessary skills are available now. Both the depot maintenance and shipyard groups attempted to specifically measure the quality and availability of a “skilled” workforce. Again, as with Costs, these differences will complicate comparisons between depots and shipyards. We recommend the JCSG make the measures more consistent to enable these kinds of comparisons.

Proximity – Both the Air Force and Navy co-locate their depots and shipyards with operational elements. The Army does not. The only exception is Intermediate Maintenance where Army operational and installation support elements are co-located (TDA). This difference among the Services reflects differences in market characteristics and processes and should be used to penalize Army facilities. Recommend these metrics be dropped or adjusted to more appropriately score these differences.

Excessive Attributes – Across the depot maintenance and shipyard sub-groups there appears to be too many attributes to properly weight the most critical. This comment is related to Data Variability, above. The effort to achieve completeness will more likely mean that none of the attributes are really important, thus bringing the analysis into question.

The following are specific comments on the technical portions of the MVA (keyed to the MVA page numbers):

Munitions:

P. 7, Condition of Facilities. We assume that the JCSG will use the DoD ISR standard for this question as the Army and Air Force C-scales are incompatible and the Navy doesn't use C-ratings. This issue applies to several other similar questions.

P. 11, Fixed Cost Metric. This question is a good example of the need to carefully examine how scores are normalized within each sub-group. Here a max score is 60. At the top of the page a max score is 45. Max scores for all questions should be the same to ensure the selected weights to serve their intended purpose.

P. 11, Fixed Cost Metric. This question displays another odd characteristic: All installations with BOS costs above the average receive no points while less expensive facilities earn 10 to 60 points. This is a very non-linear scoring system and offers no discrimination among the installations with above average costs. We suggest a simpler approach wherein the least expensive site gets max score, the most expensive site receives zero and all others score proportionately. This problem, and potential solution, applies to several other questions—including a series of payroll questions (like on p.12).

Maintenance:

P. 37, Buildable Acres. Question 1 is subsumed by Question 2. Question 1 should be deleted. A Y/N question provides no insight (and very little discrimination among installations) when another question scales points to a number of buildable acres. We recommend that Q1 be deleted and Q2 receive all 100% of the weight.

P. 38, Condition of Facilities. As in the Munitions sub-group, we assume that the C-ratings will be based on the OSD standard ISR to gather compatible ratings.

P. 49, Environmental Capacity. The maintenance group is measuring additional environmental capacity (defined as unused elements of existing environmental permits) by commodity group. Installations normally track pollutants by type and amount of pollutant at the source of the pollutant (i.e., VOCs are measured at the paint booth). The industrial process that is the source of the contaminant is measured, but not the commodity group. Industrial processes often support more than one commodity group. We recommend these questions be facility-specific, not commodity group specific, so that the question matches current management practices. Like some other questions, the answers could be applied to all commodity groups in evidence at the facility.