



# Department of Defense Maintenance Symposium



## Value Engineering & Cost Reduction Programs

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*Ms. Jean A. Grotophorst*

Acting Value Engineering Manager

RDECOM, Aviation and Missile Research, Development and Engineering Center

Commercial (256) 842-9394 DSN 788-9394

[jean.grotophorst@us.army.mil](mailto:jean.grotophorst@us.army.mil)



# Value Engineering and Cost Reduction Programs



- Cost Reduction Programs Work
  - ✓ When Culture Of Organization Embraces Improvement
  - ✓ During Crisis
- Management Imperatives
  - ✓ Show Interest
  - ✓ Provide Training
  - ✓ Formulate Techniques
  - ✓ Innovative Planning
- Project Characteristics
  - ✓ Old or Complex System
  - ✓ Customer Complaints
  - ✓ Loss Of Market Share
  - ✓ High Cost Drivers



# Value Engineering and Cost Reduction Programs



- Value Engineering (VE)
  - ✓ <http://www.redstone.army.mil/amrdec/io/ve.html>
- Supply Management Army - Operating and Support Cost Reduction (SMA-OSCR)
  - ✓ <http://www.amc.army.mil/amc/rm/html/oscr.html>
- DLA Sustainment Engineering
- Reduction - Total Ownership Cost (R-TOC)
  - ✓ <http://rtoc.ida.org/rtoc/rtoc.html>
- Continuous Technology Refreshment (CTR)



# Value Engineering (VE) Program



## Objective:

To Lower the Cost of Products and Processes while Maintaining or Improving Performance

## Purpose:

The purpose of the Value Engineering program is to analyze the functions of products and processes to identify their basic function at the lowest life cycle cost consistent with required performance, reliability, quality, and safety.

## Program Criteria:

There are two types of Value Engineering Studies: *Value Engineering Proposals (VEP)* and *Value Engineering Change Proposals (VECP)*. The VEP is used for Government employees and the VECP is used for contractors.



# Supply Management Army - Operating and Support Cost Reduction (SMA-OSCR)



## Objective:

Save The Field Money By...

- Reduce Secondary Item Acquisition Costs
- Extend the life of the Item And/Or
- Improve Reliability, Maintainability, and Supportability

## Purpose:

The OSCR Program uses Working Capital Funds to facilitate the improvement or replacement of individual components, assemblies, or modules for presently fielded systems that reduce O&S costs during the system's life.

## Program Criteria:

- Program Will Fund Secondary Item Redesign/ Reengineering That Involves:
  - Redesign Of An Individual Item Or An Assembly Of Items
  - Prototype
  - Test
- Will Not Fund Production Or Implementation Of Kits
- Will Not Fund Studies
- Requires Economic Analysis



# Continuous Technology Refreshment (CTR)



## Objective:

To Continually Modernize System Capabilities Through Emphasis On Spares Modernization While Enabling The Reduction Of Operating And Support Costs

## Purpose:

CTR is a spares acquisition strategy applied throughout the material acquisition life cycle to reduce sustainment costs. It is based on technology insertion and use of commercial products, processes, and practices to extend a system's useful life.

## Program Approach:

- Allows Current Spares Inventory To Be Pipeline (No Procurement \$ From Government)
- Business Case To Government
- No Additional Funding (Beyond Existing Working Capital Funds) Will Be Required
- Contract Being Put In Place – Contractor Will Fund NRE And Present Business Case To Government (Contractor Can Recoup NRE In Purchase Price)



# DLA Sustainment Engineering (Army)



## Objective:

To Improve the Readiness/Reliability/Sustainability of DLA-Managed Items and Processes

## Purpose:

The DLA Sustainment Program (Army) provides improvements related to reliability and maintainability of fielded system components.

## Program Criteria:

- Benefit the Army
- Reduce Overall System Sustainment costs
- Item Must Be or Contain a DLA Component
- Improve Reliability, Readiness, Maintainability, and/or Supportability



# Reduction - Total Ownership Cost (R-TOC)



## Objective:

To Identify Needed Changes/Improvements Of Processes And Procedures to reduce cost of ownership of Army systems

## Purpose:

The R-TOC Program reduces the "cost of owning the Army". R-TOC is the sum of all 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.

## Program Criteria:

- Economic Analysis (EA) will be Required - Savings Investment Ratio (SIR) And Benefit Investment Ratio (BIR) Must Be  $> 1.0$
- Added Benefits Must Be Realized Though Implementation Of The Proposed Change (i.e., increased readiness, reduce O&S costs, streamline Production/producibility, improve performance, etc.)



# Other Programs



- Commercial Operations and Support Savings Initiatives (COSSI)
  - ✓ <http://www.acq.osd.mil/dpap/Conferences/s98chrts/hertze~1.ppt>
- Dual Use Science & Technology (DUS&T)
  - ✓ <http://www.dtic.mil/dust>
- Productivity Enhancement Program (PEP)
  - ✓ <http://www.hqda.army.mil/leadingchange/PEP/>
- Business Initiatives Council (BIC)
  - ✓ <http://www.asafm.army.mil/BIC.asp>
- Strategic Environmental Research & Development (SERDP)
  - ✓ <http://www.serdp.org>
- Environmental Security Technology Certification (ESTCP)
  - ✓ <http://www.estcp.org>