

Business Case Analysis for Contractor Loadout of Stores

**Prepared for:
The Under Secretary of the Navy**



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14 January 2000**

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1. Executive Summary

1.1 Description: Contractor loadout of food service storerooms will enhance afloat Quality of Life (QOL) and reduce workload requirements annually for ships inport by 532 man-years; however, there are no financial savings associated with this proposal.¹ Rather, shifting workload from Sailors to contractors will improve Quality of Life for our Sailors while inport and supports Chief of Naval Operations' efforts to reduce workload afloat, especially during the Inter-Deployment Training Cycle. Contractor loadouts are defined as moving all subsistence from the delivery vehicle into dry and refrigerated storerooms onboard the ship. This workload is currently performed by Sailors. Minor loadouts (fresh fruit and vegetables, dairy and bakery products) may require 10 personnel for one hour every other day or weekly.² For most ships, a major loadout (significant amounts of dry and frozen products) can employ over 100 personnel for 7-8 hours several days each month.³ The current practice of organic working parties to load storerooms interrupts the daily routine of the ship and the work performed in individual workcenters. Use of a contractor to load storerooms will eliminate subsistence working parties and save approximately \$15.7M annually in Sailor-labor.⁴ There is no opportunity to reduce manning levels due to this proposal since the workload is only eliminated inport. However, this proposal will improve morale and productivity afloat. The return on investment for this proposal is provided in the table below.

1.2 Summary Table 5-Year ROI (Costs/Savings/ROI Per Annum):⁵

	FY 00 ⁶	FY 01	FY 02	FY 03	FY 04	Total (\$M)
Total Annual Cost	5.0	17.6	17.9	18.2	18.6	77.3
Total Annual Workload Savings	4.4	15.7	15.9	16.2	16.5	68.7
Return on Investment	-0.6	-1.9	-2.0	-2.0	-2.1	-8.6

1.3 Benefits: The primary benefit of this initiative is improved Quality of Life through elimination of "drudge" work afloat. Loading of material to Navy ships by contractors has already been proven to be successful on the West Coast where civilians, working for FOSSAC, currently load and offload repair parts for Aircraft Carriers. A logical extension of this proven concept would be the loading of subsistence afloat. The positive impact on ship's routine and morale would be significant. A typical Aircraft Carrier now musters a 40-man working party four hours weekly to load fresh fruit and vegetables, dairy and bakery products.⁷ This same Aircraft Carrier also employs a 100-man working party, 8 hours per day for five days per month to load dry and frozen stores.⁸ Working parties normally consist of junior Sailors. Afloat units are currently manned at 88 percent of allowance for General Detail (GENDET) Sailors, E1-E3.⁹ Reduced workload through use of contractors to load stores will decrease "drudge" work and make more time available for our junior Sailors to accomplish other work and pursue professional/personal growth that is not being accomplished due to current manning shortages.

2. Background

2.1 Objectives/Scope – Detailed Description: On a daily basis, significant shipboard resources are drawn upon for labor support to load food deliveries into storerooms. The opportunity exists to improve Quality of Life for afloat Sailors by eliminating a menial task that interferes with ship's routine. Contracting vehicles would be implemented in Fleet Concentration Areas for commercial contractors to load subsistence directly into the food service storerooms. This would include not only major loadouts, but also daily/weekly deliveries of fresh fruit and vegetables, dairy, and bakery products. Ship involvement would be limited to receipt, inspection and oversight of the onload.

2.2 Implementation Components: Oversight of the labor contract will be centralized in order to minimize contract management cost. Contracts will be awarded worldwide for all Fleet Concentration Areas. Workload estimates are based upon pallets per ship and the average time inport, by ship type. Material Handling Equipment, such as forklifts and cranes, will be provided by the ship or base support facilities. Material Handling Equipment support will be coordinated for each Fleet Concentration Area. Stores loads for will be scheduled to minimize impact on the ship (possibly early evening loadouts vice mid-morning loadouts). Close liaison with the ship will be required for major loadouts. Policy and procedures for security, discipline, accountability, etc. will be detailed in the contract. Security issues for nuclear powered ships/submarines will also be addressed. Once implementation commences, economies of scale will be sought to reduce overall cost.

3. Benefits

3.1 Summary List: Potential benefits will include:

- Eliminates shipboard working parties
- Positive impact on Quality of Life

3.2 Individual Benefit Description

3.2.1 Eliminates Shipboard Working Parties: Afloat working parties consist of Sailor-labor to load daily/weekly deliveries of fresh fruit and vegetables, bread and dairy products, and periodically for major loadouts. Working parties are inherently inefficient. They are called away early because Sailors need time to complete work underway in their workcenters before they can report for the working party. The ship is at the mercy of the vendor delivering subsistence. Often, the ship attempts to efficiently schedule a working party only to postpone the evolution when the vendor does not arrive on time. Transferring the workload associated with working parties to contractors will reduce inport workload for Sailors by approximately 532 man-years. Additionally, management attention by Department Heads and Division Officers required to ensure working parties to contractors are properly manned, will be eliminated. The below table demonstrates Sailor-labor currently dedicated to loading subsistence.

Hours per Month by Ship Type¹⁰		
Ship Type	Major Loads	Routine Loads
CV/CVN	4000	640
AO/AOEs	960	480
CGs	264	240
DD/DDGs	400	160
FFGs	276	204
“L” Decks	1440	1380
MCM/MHCs	40	40
SSBNs	120	96
SSNs	720	480

3.2.2 Positive Impact on Quality of Life: Elimination of this menial task will allow Sailors to focus on work within their rate. Increased time will be available to accomplish other work and pursue professional/personal growth opportunities. Quality of Life, and the overall afloat experience, will improve.

4. Associated Cost Savings

The savings associated with contractor loadout of afloat storerooms consist of tangible and intangible savings. Tangible savings can be quantified accurately. Intangible savings are considered as those either impossible to quantify or beyond the scope of this analysis.

4.1 Tangible Savings

4.1.1 Workload Reduction (\$15.7M annual savings): Based on workload data collected from afloat units, the use of contractors to load subsistence from the pier into ship’s storerooms will result in an annual workload reduction of 532 man-years. This assumes a ship will be in a Fleet Concentration Area approximately 50% of the time.¹¹ Approximately 700,000 man-hours are expended annually to load routine deliveries of fresh fruit and vegetables, dairy, and bakery products while inport.¹² 1.2M man-hours are expended annually for major dry and frozen subsistence loadouts.¹³ For purposes of this proposal, personnel impacted were assumed to be at the E-3 paygrade (based on information provided by Fleet units) with an FY 00 composite standard pay rate of \$29,025 per year.¹⁴ Elimination of both of these workload requirements will yield total savings of \$15.7M. The table below demonstrates projected savings by Fleet Concentration Area (FCA):

Workload Savings by Fleet Concentration Area (FCA)¹⁵

FCA	Man-Years Saved	Annual Savings (\$M)
Norfolk	191	5.60
San Diego	115	3.40
PACNORWEST	33	1.00
Mayport	22	0.60
Ingleside	2	0.06
Earle	7	0.22
Kings Bay	7	0.22
New London	20	0.94
Pascagoula	4	0.12
Pearl Harbor	42	1.20
Sasebo	21	0.60
Yokosuka	15	0.44
Other	53	1.00
All FCAs Total	532	\$15.40*

* \$15.7M when inflated for FY 01 savings.

4.2 Intangible Savings

4.2.1 Quality of Life Impact: Any reduction in the overall general duty workload requirements onboard ship will result in improved morale and Quality of Life for junior Sailors. Personal and professional growth will improve.

4.2.2 Retention: Improved Quality of Life resulting from the reduction of menial general duty requirements will improve the overall afloat experience for Sailors and may improve retention.

5. Cost to Implement

5.1 Proof of Concept Costs (Prototypes): Proof of concept cost to demonstrate this proposal in Norfolk and San Diego during FY 00 is \$ 5.0M.¹⁶

5.2 Deployed Systems Costs (Fleet-Wide Implementation): The estimated cost for deployment of contracting vehicles in Fleet Concentration Areas is as follows:

Estimated Contract Cost by Fleet Concentration Area¹⁷

Fiscal Year (FY)	Fleet Area	Cost (\$M)
FY00	Norfolk	3.60
FY00	San Diego	1.44
FY00 Total		5.04
FY01	Norfolk	7.30
FY01	San Diego	3.00
FY01	Mayport	1.10
FY01	PACNORWEST	1.60
FY01	New London	0.69
FY01	Ingleside	0.06
FY01	Earle	0.32
FY01	Kings Bay	0.19
FY01	Pascagoula	0.34
FY01	Pearl Harbor	0.70
FY01	Sasebo	0.33
FY01	Yokosuka	1.30
FY01	Other	0.67
FY 01 Total		17.60

Estimates are based on all USN ships classes (CONUS and OCONUS), crew size, operating cycle, pallet count and total project management and contractor administration costs. Not included in the estimate are MHE costs, Marine Detachments or USNS ships.

6. Conclusions

6.1 Short Summary of Benefits: Based on the methodology applied in this analysis, Navy will obtain a significant amount of man-hour savings by transferring the workload requirement to contractor support. Improved Quality of Life and reduced workload will constitute the primary benefits.

6.2 Assumed Cumulative Implementation Plan:

FY 00:	49% of Fleet Concentration Areas ¹⁸
FY 01 and beyond:	100% of Fleet Concentration Areas

6.3 Total Costs Savings over 5-Year Period: There are no true financial savings associated with this proposal. Instead, workload reduction savings are achieved by transferring subsistence loadout requirements to contractor support vice Sailor-labor. Using the estimated implementation cost and potential savings, an estimated total cost (vice savings) of \$8.6M is forecast for a five-year period. However, Quality of Life and retention will be positively impacted.

An estimated total cost of \$8.6M is forecast for a five-year period.

Attachment 1: Loadout Data 1

Attachment 2: PERS-221A EMC Statistical Summary Sheet (dated 10/12/99)

Attachment 3: Military Composite Standard Pay and Reimbursement Rates

Attachment 4: Loadout Data 2

Attachment 5: Subsistence Loading Cost Data

¹ See Attachment 1, computed using Sheet 1 (Major Loads), Cell H15 plus Sheet 2 (Weekly Loads), Cell H15. Computation is derived from Total Manhrs/Yr Saved (Cell G15) divided by Total Manhours/Yr (3,484 hrs).

² See Attachment 1, Sheet 2 (Weekly Loads), Columns C and E.

³ See Attachment 1, Sheet 1 (Major Loads), Columns C and E.

⁴ See Attachment 1, Total Cost Savings/Yr computed using Sheet 1 (Major Loads), Cell J15 plus Sheet 2 (Weekly Loads), Cell J15. Inflated by 1.6% for FY 01 (first full year of operation).

⁵ See Attachment 1 (Major Loads) for ROI computation, Total Savings minus Total Costs per Annum.

⁶ ROI computed based on Norfolk and San Diego implementation in FY 00.

⁷ See Attachment 1, Sheet 2 (Weekly Loads), Cells C3-E3.

⁸ See Attachment 1, Sheet 1 (Major Loads), Cells C3-E3.

⁹ Based on Attachment 2, PERS-221A EMC Statistical Summary Sheet (dated 10/12/99).

¹⁰ See Attachment 1, Sheet 1 (Major Loads) and Sheet 2 (Weekly Loads), Columns C-E.

¹¹ See Attachment 1, Sheet 1 (Major Loads) and Sheet 2 (Weekly Loads), Column M.

¹² See Attachment 1, Sheet 2 (Weekly Loads), Total Manhrs/Yr Cell G15.

¹³ See Attachment 1, Sheet 1 (Major Loads), Total Manhrs/Yr Cell G15.

¹⁴ Provided as Attachment 3, Military Composite Standard Pay and Reimbursement Rates, Department of the Navy, for Fiscal Year 2000.

¹⁵ See Attachment 1 (Sheets 3-20) and Attachment 4 (Sheets 1-6), Columns H and J.

¹⁶ See Attachment 5, Total Cost per Area for Norfolk and San Diego.

¹⁷ See Attachment 5, computed using the 1.6% inflation factor for FY 01.

¹⁸ Based on 89 ships homeported in Norfolk and 55 ships in San Diego.