

# DON Cost Reduction and Effectiveness Improvement (CREI) Process

*More than RTOC*



CDR Gadsden E. "Ed" Rule (ODASN PP&R)

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# CREI Objectives - More than R-TOC

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- **Cost reduction**
- **Workload reduction**
- **Readiness/performance improvement**
- **QOL enhancement**

# Cost Reduction Metrics

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- **Internal Rate of Return (IRR)**
- **SYSCOM Risk Evaluation (Confidence Factor)**
- **Savings-to-Investment Ratio (SIR, or “ROI Ratio”)**
- **Payback Period (or Year)**
- **Net Present Value (NPV)**

# Workload Reduction Metrics

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- **Total Manyears saved**
- **Average Annual Manyears saved**
- **FYDP Average Annual Manyears saved**

# Readiness/Performance Improvement Metrics

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- **Objective metrics**

- Mean Time Between Failure/Maintenance (MTBF or MTBM)

- Not Mission Capable (NMC) or Partial Not Mission Capable (PNMC) percent

- C-rating or percent time with C4/C4 casualties

- **Subjective metrics**

- C-rating or percent time with C4/C4 casualties

- User/operator priority

# Quality of Life (QOL) Metrics

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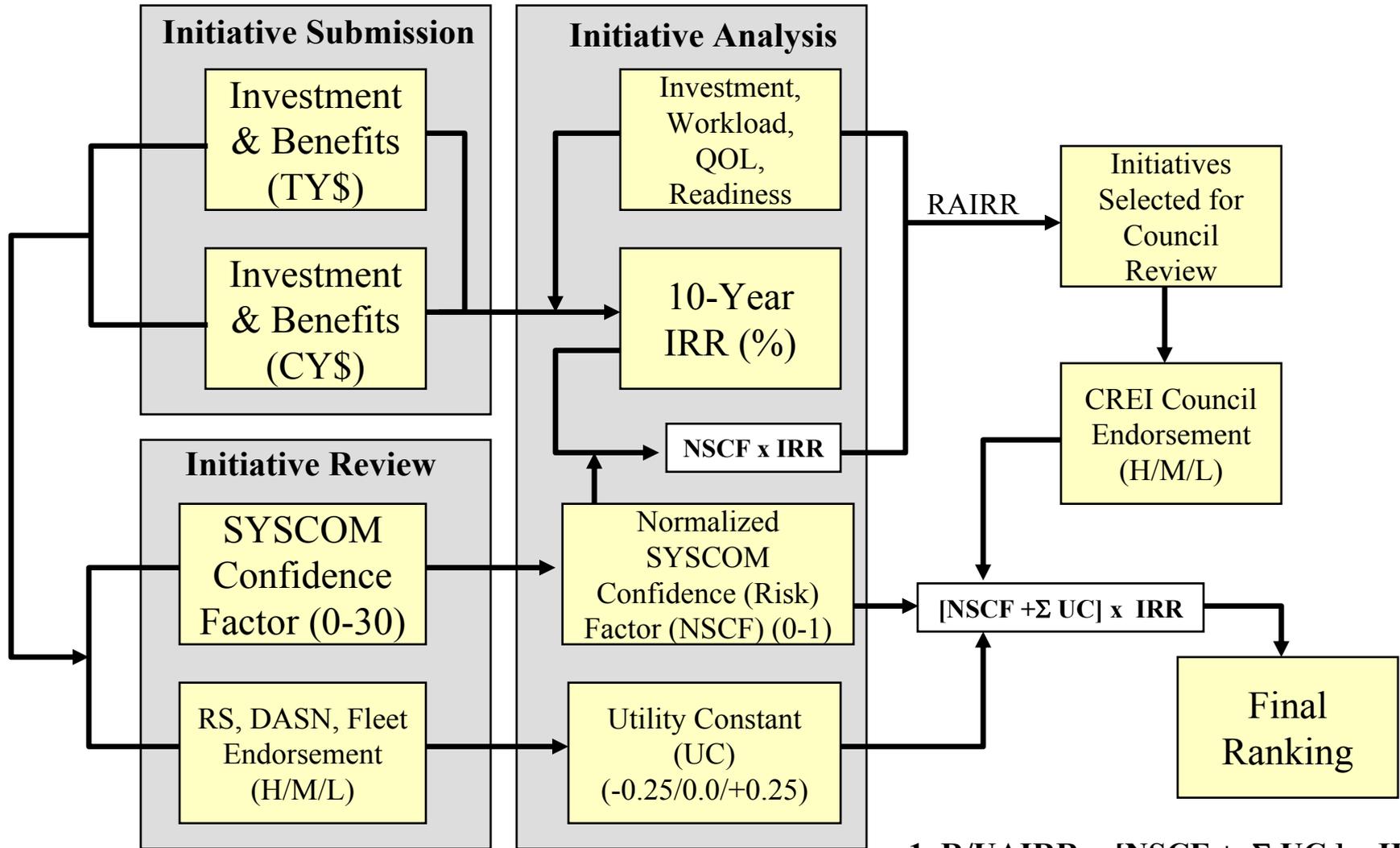
- Initiative-unique
- Workload-related
- Qualitative assessment
- User priority

# Prioritization Process

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- **Initiatives prioritized based on:**
  - Stakeholder priorities (weighted toward operators)
  - Cost/benefit analysis (IRR)
  - Risk/confidence analysis
  - Council ranking of selected initiatives
- **Prioritized list is a tool used in the normal POM and budget processes**
- **DoN leadership has opportunity to corporately fund initiatives at end of the programming phase and throughout the budgeting phase**
  - Acquisition Program Stability Reserve Fund potential source of venture capital

# CREI Ranking Process Flow



1.  $R/UAIRR = [NSCF + \Sigma UC] \times IRR$
2. Retained Council ranking

# Funding Incentives Flowchart

- Objective: Positive incentives down to lowest level encourages investments which reduce life cycle costs and Sailor/Marine workload

