

N81 / Naval Post Graduate School Thesis Proposal

Date: 6 May 03
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IWAR: Infrastructure
(if applicable)

Subject: Activity Based Costing/Management (ABC/M) for Shore Infrastructure

Problem Description: For the last several years, the Navy has spent significant funds on this initiative, but it appears there has yet to be a positive return on investment.

Deliverable: Study with a recommendation on the way ahead (e.g., Study with recommendations, Decision Aide, Analysis, Mathematical Model, etc.,) for ABC/M - have we or do we expect to realize a positive return on investment. Should we terminate the initiative, continue with the current plan, or implement changes to make ABC/M more effective.

Discussion: Recommend the following questions be answered:
1) What is ABC/M?
2) How much have we spent on the effort to date?
3) Where does the Navy stand in its implementation?
4) What are the future plans for ABC/M?
5) What exactly has ABC/M provided the Navy? (also look at USMC, they have done extensive work with ABC/M)
5a) Visibility of costs - in which areas?
5b) Improved readiness - quantify?
5c) Improved management decision-making?
5d) What types of cost-saving techniques have been applied due to ABC information?
5di) Have ROI analyses been done where ABC information has been used to apply cost-savings techniques? How long does it take to pay itself off?
6) Has this concept worked in the private sector?
7) Can it be made to work in the public sector?

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8) Is ABC feasible given its reliance on existing accounting systems and the current status of the Navy's accounting systems?
8a) What is the current status of Navy accounting systems?

Potential N46 ABC/M Manager, LCDR Readal
Data Sources: ComLantFlt and ComPacFlt
 HQMC (I&L)
 Naval Audit Reports
 Royal Australian Navy