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Trafton, Wilbur Cobb.

Monterey, California. Naval Postgraduate School

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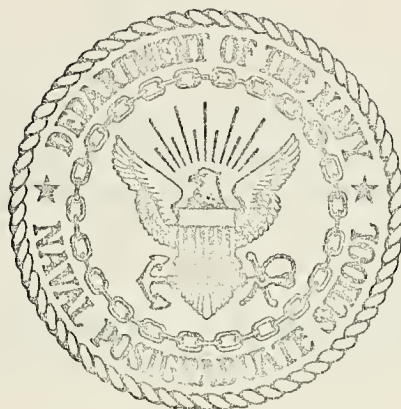
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ESTIMATION OF A COST FUNCTION FOR A  
NAVAL AIR REWORK FACILITY

Wilbur Cobb Trafton

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THESIS

ESTIMATION OF A COST FUNCTION FOR A  
NAVAL AIR REWORK FACILITY

by

Wilbur Cobb Trafton

Thesis Advisor:

Norman K. Womer

March 1973

T154782



Estimation of a Cost Function for a  
Naval Air Rework Facility

by

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Lieutenant, United States Navy  
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Submitted in partial fulfillment of the  
requirements for the degree of

MASTER OF SCIENCE IN OPERATIONS RESEARCH

from the  
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March 1973



## ABSTRACT

The objective of this study was to estimate a cost function from a Constant Elasticity of Substitution production function and a Cobb-Douglas production function for the aircraft rework and engine repair programs at the Naval Air Rework Facility, North Island, San Diego, California. The cost functions were estimated by multiple regression analysis, from data aggregated from actual data taken from production records of the two programs. An attempt was made to validate the two cost functions that were obtained, and a methodology was outlined for comparing predicted costs to actual production costs at the Naval Air Rework Facility.





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## I. INTRODUCTION

### A. ORGANIZATION, NARFNI

The Naval Air Rework Facility, Naval Air Station, North Island, San Diego, California, (NARFNI) is one of seven rework facilities serving the U.S. Navy and the U.S. Marine Corps. It is directly responsible for all major maintenance, incorporation of technical changes, and repair of extensively damaged West Coast based F-4, F-8, C-2, and E-2 aircraft and H-3, H-46, and H-53 helicopters.

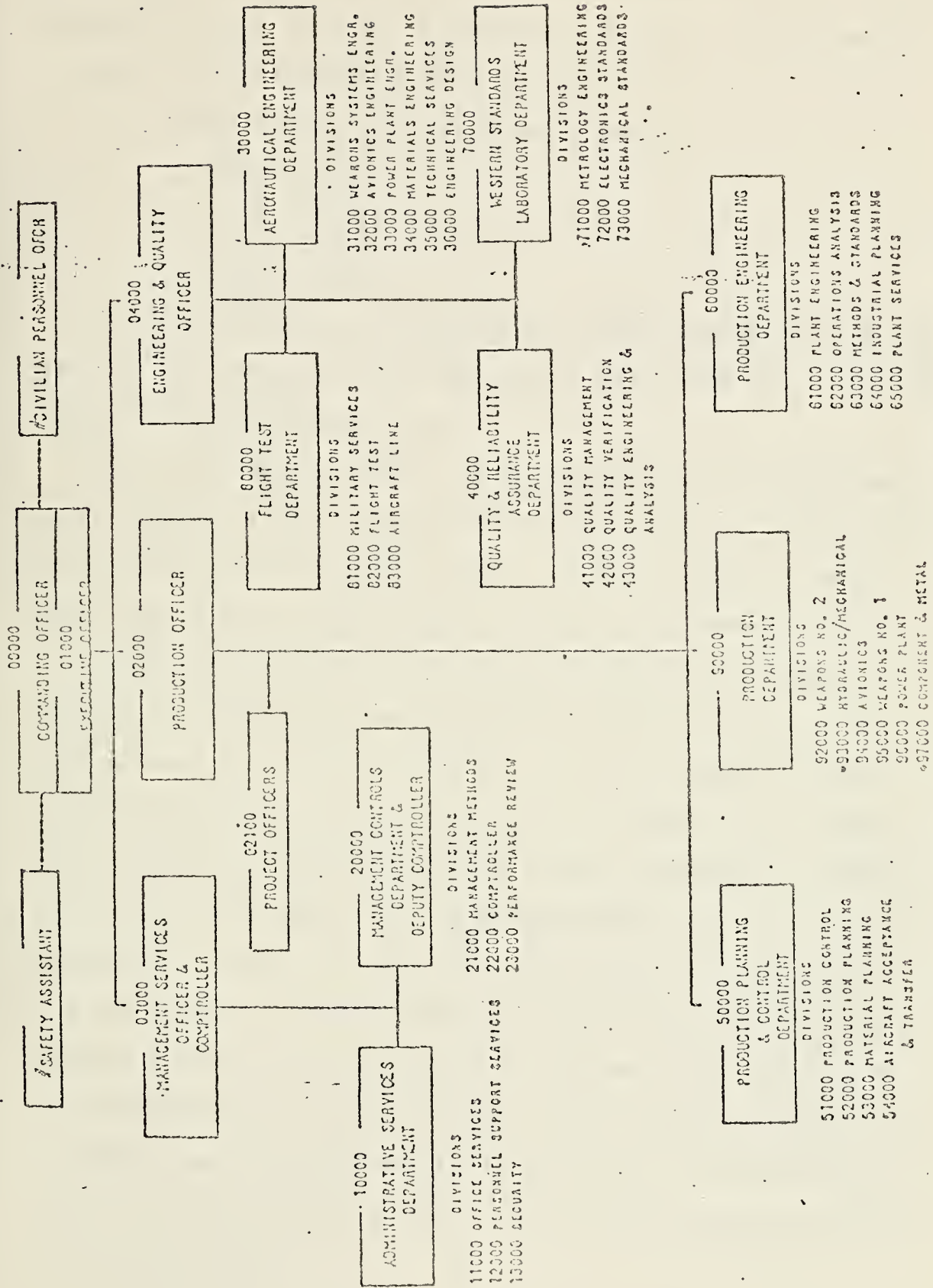
Bradley [1] covers the organization and operating procedures at NARFNI in a very detailed manner. What follows is a brief description of NARFNI.

NARFNI is directly responsible to the Naval Air Systems Command Representative, Pacific, who through the Commander, Naval Air Systems Command, is responsible to provide aircraft maintenance to the Commander-in-chief, Pacific Fleet, in the operational chain of command.

NARFNI is composed of nine major divisions (Figure 1), and each division is composed of a direct labor force and an indirect labor force. The direct labor force encompasses all skilled tradesmen, while the indirect labor force encompasses all managerial and administrative personnel.

All aircraft in the Naval Service are scheduled for preventive maintenance on a regular Progressive Aircraft Rework Cycle (PAR Cycle) during their life span. While undergoing PAR, necessary modifications to existing systems are made and major overhaul of component parts is carried out. Prior to induction into a specific PAR Cycle, an estimate, based on historical data of man hours required to rework similar aircraft,





NAVAL AIR REWORK FACILITY, SAN DIEGO, ORGANIZATIONAL CHART

FIGURE 1



is obtained. This estimate is referred to as Production Load Norm (NORM). Managers then plan the rework cycle for each aircraft, ordering material as required and allocating existing manpower.

NARFNI is engaged in three major programs:

1. Airframe Repair
2. Engine Repair
3. Component Repair

Most of the work is for the Naval Air Systems Command Representative, Pacific. Small amounts of work are done for other customers, particularly the Air Force and the Coast Guard.

Most of the work at NARFNI is done on a fixed price contract basis. Costs negotiated in this contract between the customer and NARFNI include direct labor and direct material costs, as well as an overhead cost to cover indirect labor, station support services, and employee benefits.

NARFNI is funded primarily by the Navy Industrial Fund (NIF). Basically the NIF system provides a working capital fund to finance continuing cycles of ongoing operations. Receipts derived from these operations are used to perpetuate the fund. All work done by NARFNI is paid for initially out of the NIF which is then reimbursed from customer appropriations. NARFNI is required by NAVAIRSYSCOM to plan and control its financial affairs in an attempt to incur zero loss at the end of each fiscal year. Prices for services rendered during each quarter are established through negotiations with the customer at the beginning of each quarter during the Quarterly Fleet Readiness Support Conference. It is NARFNI's goal to balance deficits or surplusses in one quarter with compensating surplusses and deficits the next, thus maintaining the NIF at a constant value.



## B. WIPICS

In 1972 NARFNI installed a computerized Work in Process Inventory Control System (WIPICS) developed by the Rohr Corporation, Chula Vista, California. Spooner [2] gives a good overview of the history behind the installation of WIPICS at NARFNI and the details involved in actual day to day operation of WIPICS. The system employs many of the latest advances in computer technology which include real time data file updating and information retrieval with communications via Touch Tone<sup>1</sup> (R) telephones and remote teletypewrite terminals. Basically, the system operates as follows. Each individual item or component is assigned a unique register number which is used for all WIPICS transactions. Each time the status or location of the component changes, a transaction updates the computer. The system provides immediate audio response (pre-recorded voice) for simple questions and printed reports for more detailed questions. A query as to the location or status of a component or part is answered with current information on that item.

## C. PRIOR THESIS WORK

The Management Systems Development Office (MSDO) at North Island and NARFNI have been charged by higher authority with determining the cost-effectiveness of WIPICS as one factor in justification of continuing the use of WIPICS at NARFNI and possible installation of WIPICS at other rework facilities. In conjunction with this, a project is continuing at the Naval Postgraduate School to develop a methodology for auditing cost-effectiveness analysis of major technological changes. This methodology is then to be applied to WIPICS at NARFNI.

---

<sup>1</sup> Touch Tone (R) is a registered trade mark.





Three recent graduates of the Operations Research Curriculum at the Naval Postgraduate School each wrote a thesis as part of the above project. Spooner [2] wrote on "Evaluation of a Technological Change in Production". He outlined the methodology one might use in determining the cost-effectiveness of WIPICS, but he did not actually apply his methodology. In theory, his work takes one from production functions to cost functions to product transformation curves. Bradley [1] used actual production data taken from "pre-WIPICS" production records to estimate a continuous Cobb-Douglas production function for the aircraft rework, engine repair, and component repair programs. Meyers [3] constructed a linear economic model for the aircraft rework and engine repair programs which predicts resource requirements and costs for several alternative objective functions.

#### D. SCOPE OF THIS STUDY

Bradley [1] did not carry his research to the next step, which, following Spooner's methodology, is to estimate a cost function for each program of the NARF. There is also evidence which indicates the the existence of certain flaws in using Bradley's estimated Cobb-Douglas production functions to directly construct cost functions. This is covered in more detail in the next chapter.

The purpose of this study is to estimate a cost function for the aircraft rework and engine repair programs at NARFNI through multiple regression analysis of actual production data at NARFNI from March, 1970, to August, 1971. This is the second step in Spooner's three step methodology for determining the cost-effectiveness of WIPICS. Using methods of reduced form estimation, a cost function will be estimated from a Constant Elasticity of Substitution (CES) production function and a



Cobb-Douglas production function. The two cost functions will then be compared to determine which one more accurately predicts total production costs. Finally, a methodology will be outlined for comparing the best cost equation and the Linear Programming (LP) Model to the data and to each other.



## II. THE PROBLEM

### A. APPLICATION OF THE COBB-DOUGLAS MODEL

Spooner [2, p. 33] discusses a computerized prorating program designed to prorate the raw data provided by NARFNI for each engine and aircraft that underwent repair during a specified period. Assuming seven day work weeks and equal distribution of labor hours and material dollars on a daily basis, the program prorates NORM, direct labor dollars, direct labor hours, direct material costs, and overhead costs for each individual engine and aircraft.

Using aggregated prorated data obtained from the prorate program, Bradley [1] estimated Cobb-Douglas production functions for aircraft rework and engine repair programs at NARFNI as follows (the equations are presented in logarithmic form to facilitate display of standard error of each coefficient, shown in parenthesis, and overall  $R^2$ , shown at the right of each equation):

#### Aircraft

$$\ln APH = 4.04 + .38104 \ln APL - .23714 \ln APM + .88208 \ln N \quad R^2 = .920$$

(.044)                      (.018)                      (.044)

#### Engines

$$\ln APH = -1.898 + .92210 \ln APL + .25135 \ln APM \quad R^2 = .981$$

(.009)                      (.011)

APH is aggregate prorated hours of norm, APL is aggregate prorated hours of labor, APM is aggregate prorated material dollars, and N is number of jobs in shop.



From Naval Air Rework Facility Production and Planning Notices dated 17 June 1971, and 26 July 1971, forecast workload requirements for engine and aircraft programs during third quarter fiscal 1972 were obtained. This information was then used in Bradley's models to predict quarterly direct labor requirements and total cost. One result of comparing actual and predicted data appears in Figure 2. Here an isoquant was plotted for the aircraft rework program, holding N constant and plotting labor versus material. An interesting result immediately became evident - all production data points fell in the upper left hand portion of the curve. Furthermore, when the isocost line was plotted for the program (using prices of labor and material from Meyers' thesis), the theoretical point of most efficient operation, which is the point of tangency between the

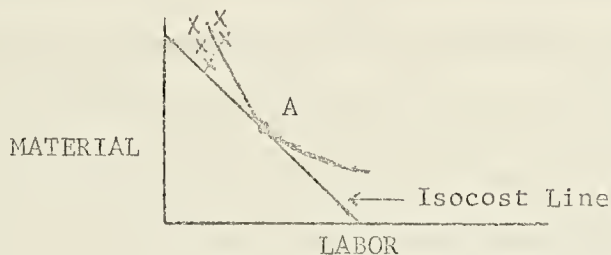


Figure 2. Plot of Cobb-Douglas Model (Aircraft)

isoquant curve and the isocost line (Point A), fell far out of the region of actual operation. This implies one of two things; either NARFNI is operating very inefficiently, or the Cobb-Douglas production function, as Bradley estimated it, is not a good description of the actual process by which managers decide on quantities of inputs to use in the repair programs at NARFNI. Given the number of variables which enter into the production process at NARFNI that are not included in Bradley's model, i.e. managerial decisions and constraints on such items as work flow, allocation of resources, and overtime hours permitted, the latter reason





given above appears to be more realistic than the former. All of the estimation conducted in this study was carried out under the assumption that NARFNI was in fact operating efficiently.

#### B. NEED FOR A COST MODEL

The problem is one of estimating a realistic cost function for NARFNI as the second step in Spooner's three step process for determining the cost-effectiveness of WIPIGS. This cost function can then be used to complete the third step, which is formulation of product transformation curves.

Because of the problems encountered in application of Bradley's Cobb-Douglas production functions, it was decided to use methods of reduced form estimation to obtain a cost function and provide estimates of the coefficients in the CES and Cobb-Douglas models. Another reason for not using Bradley's model was the desire to include penalty costs, as determined by Meyers [3], in a cost function as a measure of pipeline cost per unit. Penalty costs are the daily costs to the Navy for having an aircraft or engine in the rework cycle. Penalty costs for aircraft are computed by dividing procurement cost by expected life. Penalty costs for engines are determined by dividing procurement cost by ten years. By including an index of the price of labor (prorated labor costs divided by prorated labor hours) and an index of pipeline costs (aggregated penalty costs divided by daily number of items in shop), predicted costs will be responsive to increases in wages as well as increased sophistication of the items undergoing rework.



### III. DERIVING COST FUNCTIONS

#### A. THEORY

##### 1. General

The theory behind the derivation of cost functions in this chapter is based on three very important assumptions. First, we assume that it is the objective of the NARF to minimize costs. The second assumption is that the NARF has no control over prices of labor or penalty costs per item per day. Third, we assume that output is fixed at any desired level and the NARF does an imperfect job of minimizing costs for a given level of output. The reason for this is that when the NARF makes a decision it doesn't know exactly what the prices will be, and it does not know until an item arrives exactly how extensive a rework will be required. According to Nerlove [4, p. 107], the fundamental duality between costs and production functions assures us that the relation between the cost function, obtained empirically, and the underlying production function is unique.

##### 2. CES Production Function

The general form of the CES production function is as follows [5, p. 284]:

$$Y = \gamma(\delta X_1^{-\rho} + (1-\delta)X_2^{-\rho})^{-\sigma/\rho}$$

where  $\gamma$  is an efficiency parameter,  $\rho$  is a substitution parameter, and  $\delta$  is a distribution parameter.  $\sigma$  is a measure of returns to scale, i.e., if  $\sigma = 1$ , there are constant returns to scale, and if  $\sigma > 1$  or  $\sigma < 1$  there are increasing or decreasing returns to scale respectively.  $Y$  is production output, while  $X_1$  and  $X_2$  are inputs to production.



What follows is the derivation of a cost function from the production function and marginal productivity relations. See Walters [5, p. 284] for a more detailed explanation.

$$\min C = P_1 X_1 + P_2 X_2 \quad (1)$$

$$\text{s.t. } Y = \gamma(\delta X_1^{-\rho} + (1 - \delta)X_2^{-\rho})^{-\sigma/\rho}$$

where  $C$  is production cost,  $P_1$  is the price of input  $X_1$ , and  $P_2$  is the price of input  $X_2$ . Forming the Lagrange Equation and taking partial derivatives,

$$\mathcal{L} = P_1 X_1 + P_2 X_2 - \lambda [Y - \gamma(\delta X_1^{-\rho} + (1 - \delta)X_2^{-\rho})^{-\sigma/\rho}] \quad (2)$$

$$\frac{\partial \mathcal{L}}{\partial X_1} = \frac{-\sigma}{\rho} \gamma(\delta X_1^{-\rho} + (1 - \delta)X_2^{-\rho})^{(-\sigma/\rho)-1} (1 - \delta)(-\rho)X_1^{-\rho-1} = \lambda P_1 \quad (3)$$

$$\frac{\partial \mathcal{L}}{\partial X_2} = \frac{-\sigma}{\rho} \gamma(\delta X_1^{-\rho} + (1 - \delta)X_2^{-\rho})^{(-\sigma/\rho)-1} (\delta)(-\rho)X_2^{-\rho-1} = \lambda P_2 \quad (4)$$

Forming the ratio of equations (3) and (4),

$$\frac{P_1}{P_2} = \frac{(1 - \delta)X_1^{-\rho-1}}{\delta X_2^{-\rho-1}} \quad (5)$$

$$\text{Thus, } X_1 = \left[ \frac{\delta P_1}{(1 - \delta)P_2} \right]^{-\frac{1}{\rho-1}} X_2 \mu \quad (6)$$

where  $\mu$  is a random error term due to imperfect minimization of costs.



Now,

$$\frac{X_1}{X_2} = \left[ \frac{P_1}{(1 - \delta)P_2} \right]^{\frac{1}{-\rho-1}} \mu \quad (7)$$

Taking natural logarithms of both sides of (7).

$$\ln(X_1/X_2) = a + b \ln(P_2/P_1) + \ln \mu \quad (8)$$

where

$$a = \left( \frac{\delta}{1 - \delta} \right)^{\frac{1}{-\rho-1}} \quad \text{and } b = \frac{1}{-\rho-1}$$

Substituting back into the cost equation,

$$X_2 = \frac{C}{P_1(X_1/X_2) + P_2} \quad (9)$$

The production function is now

$$Y = \gamma \left[ \delta + (1 - \delta) (X_1/X_2)^{-\rho} \right] X_2^{-\sigma/\rho} \quad (10)$$

Solving for  $X_2$ ,

$$X_2 = \left[ \frac{\left( \frac{Y}{\gamma} \right)^{-\rho/\sigma}}{\delta + (1 - \delta) (X_1/X_2)^{-\rho}} \right]^{1/-\rho} \quad (11)$$

Taking natural logs of both sides of equation (11),

$$\ln X_2 = \left[ -\frac{1}{\sigma} \ln \gamma \right] + \left( \frac{1}{\sigma} \right) \ln Y + \left( \frac{1}{-\rho} \right) \left[ \delta + (1 - \delta) (X_1/X_2)^{-\rho} \right] \quad (12)$$





To simplify handling equation (12), let

$$\ln X_2 = [\alpha] + \beta \ln Y + (\omega)[D] \quad (13)$$

The final form of the cost equation is

$$C = (P_2 + P_1(X_1/X_2))e^{\alpha} Y^{\beta} e^{\omega D} \epsilon \quad (14)$$

where  $\epsilon$  is a random error term.

### 3. Cobb-Douglas Production Function

The general form of the Cobb-Douglas production function is

[5, p. 275]:

$$Y = AX_1^{\alpha} X_2^{\beta}$$

where  $Y$  is production output,  $X_1$  and  $X_2$  are production inputs, and  $\alpha$  and  $\beta$  are elasticities of production with respect to  $X_1$  and  $X_2$  respectively.

Once again the specification of the production function is changed so that  $Y$  is non-random, but  $X_1$  and  $X_2$  are random variables, due to the fact that the NARFNI does an imperfect job of minimizing costs for a given level of output and has no control over prices. With this in mind, a cost function is derived as follows:

$$\min C = P_1 X_1 + P_2 X_2 \quad (15)$$

$$\text{s.t. } Y = AX_1^{\alpha} X_2^{\beta}$$

Forming the Lagrangian Equation and taking partial derivatives,

$$\mathcal{L} = P_1 X_1 + P_2 X_2 - \lambda(Y - AX_1^{\alpha} X_2^{\beta}) \quad (16)$$



$$\frac{\partial \mathcal{L}}{\partial X_1} = P_1 - \lambda \alpha A X_1^{\alpha-1} X_2^\beta \mu_1 = 0 \quad (17)$$

$$\frac{\partial \mathcal{L}}{\partial X_2} = P_2 - \lambda \beta A X_1^\alpha X_2^{\beta-1} \mu_2 = 0 \quad (18)$$

$$\frac{\partial \mathcal{L}}{\partial \lambda} = Y - A X_1^\alpha X_2^\beta e^\mu = 0 \quad (19)$$

where the  $\mu$ 's are random variables associated with error (again, due to imperfect minimization of costs). Taking the ratio of equations (17) and (18),

$$\frac{\alpha X_2}{\beta X_1} = \frac{P_1}{P_2} \mu \quad (20)$$

Solving for inputs  $X_1$  and  $X_2$ , the following cost function is obtained:

$$C = \left[ \frac{Y}{A} \left( \frac{\alpha}{\beta} + 1 \right)^\beta \left( \frac{\beta}{\alpha} + 1 \right)^\alpha P_1^\alpha P_2^\beta \right]^{1/(\alpha+\beta)} \mu^{-\frac{\beta}{\alpha+B} \left( \frac{\beta\mu}{\alpha} + 1 \right)} \quad (21)$$

## B. PRODUCT TRANSFORMATION CURVES

Spooner [2, Appendix E] contains a complete theoretical derivation of product transformation curves from cost functions. Basically, a product transformation curve is obtained by rewriting a cost function in terms of output. The result of the substitution is a nonlinear relationship between two or more outputs. By looking at two outputs at a time, setting the others equal to a constant, and setting cost equal to



a constant, graphical analysis can be applied to the overall cost function. After plotting one output against the other, the shape of the product transformation curve will indicate increasing, constant, or decreasing returns to scale (see Figure 3).

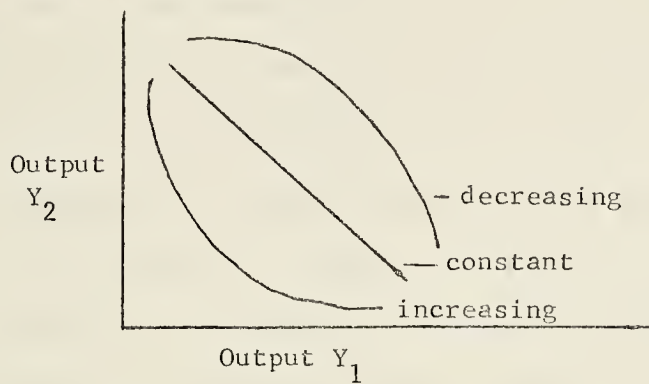


Figure 3. Product Transformation Curves, Returns to Scale

Product transformation curves may also be used as one way of comparing the effects of WIPICS on production at NARFNI. A comparison could be made between before WIPICS and after WIPICS transformation curves, keeping the total budget constant and keeping prices of resources and inputs the same for the two periods. One should be very careful in evaluating the results of such a comparison because of the many factors which enter into production at NARFNI but do not appear in a cost function, particularly management decisions.



#### IV. ESTIMATING COST FUNCTIONS

##### A. PRORATING WITH PENALTY COSTS

The raw data on each aircraft and engine job completed during the period February, 1970 to August, 1971, which appears in Meyers' thesis [3, Appendix A] was run through the computer prorate program in Spooner's thesis [2, Appendix B] in order to provide daily aggregated, prorated data which could be used in a linear regression. In addition, penalty costs for each type of engine and aircraft (see Table I and Table II) were incorporated into Spooner's prorate computer program so that these costs could be used in estimating a cost function for NARFNI. The codes shown in Tables I and II are as defined by Meyers [3, p. 16]. The method used to incorporate these costs into the program was simply to read the aircraft or engine code from the raw data card for all items that were in shop each day, and then the appropriate daily penalty costs were aggregated for each day of the period under observation. The aggregated prorated data used to estimate the cost functions in this thesis appear in Appendix A (aircraft) and Appendix B (engines). Spooner's prorate programs, rewritten to include penalty costs, appear in Appendix D (aircraft) and Appendix E (engine).

The interest in penalty costs stems from the fact that this appeared to be the only way to quantify unit pipeline costs, and it was considered desirable to include pipeline costs in any cost model of NARFNI.





TABLE I. DAILY ENGINE PENALTY COSTS

| <u>CODE</u> | <u>TYPE ENGINE</u> | <u>PENALTY COST</u> |
|-------------|--------------------|---------------------|
| 51          | T58-GE-8B          | 17.81               |
| 53          | T58-GE-8B          | 17.81               |
| 55          | T58-GE-8B          | 17.81               |
| 57          | T58-GE-8B          | 17.81               |
| 81          | T58-GE-8B          | 17.81               |
| 82          | T58-GE-8B          | 17.81               |
| 83          | T58-GE-8B          | 17.81               |
| 84          | T58-GE-8B          | 17.81               |
| 85          | T58-GE-8F          | 17.81               |
| 86          | T58-GE-8F          | 17.81               |
| 87          | T58-GE-8F          | 17.81               |
| 89          | T58-GE-8F          | 17.81               |
| 63          | T64-GE-6B          | 34.25               |
| 65          | T64-GE-6B          | 34.25               |
| 66          | T64-GE-6B          | 34.25               |
| 67          | T64-GE-6B          | 34.25               |
| 69          | T64-GE-413         | 45.25               |
| 56          | T56 ALL MODELS     | 27.01               |
| 71          | J57 ALL MODELS     | 57.53               |
| 72          | J57 ALL MODELS     | 57.53               |
| 73          | J57 ALL MODELS     | 57.53               |
| 74          | J57 ALL MODELS     | 57.53               |
| 75          | J57 ALL MODELS     | 57.53               |
| 91          | J79-GE-8B          | 61.64               |
| 92          | J79-GE-8C          | 61.64               |
| 95          | J79-GE-10          | 49.39               |



TABLE II DAILY AIRCRAFT PENALTY COSTS

| <u>CODE</u> | <u>TYPE AIRCRAFT</u> | <u>PENALTY COST</u> |
|-------------|----------------------|---------------------|
| 10          | C-2A                 | 280.29              |
| 11          | E-2B                 | 280.29              |
| 21          | F-4J                 | 85.34               |
| 22          | F-4B                 | 94.38               |
| 23          | RF-4B                | 77.02               |
| 25          | F-8J                 | 66.05               |
| 26          | F-8H                 | 68.59               |
| 27          | RF-8G                | 47.48               |
| 31          | CH-3B                | 43.76               |
| 32          | RH-3A                | 51.64               |
| 33          | SH-3A                | 43.76               |
| 34          | SH-3A/G              | 36.43               |
| 35          | SH-3D                | 36.43               |
| 41          | CH-46A               | 37.08               |
| 42          | CH-46D               | 37.08               |
| 43          | CH-46F               | 37.08               |
| 44          | UH-46A               | 28.56               |
| 45          | UH-46D               | 28.56               |
| 48          | CH-53A               | 41.46               |
| 49          | CH-53D               | 41.46               |



## B. REGRESSION PROCEEDURES AND RESULTS

### 1. CES Proceedures

For the CES production function a cost function was estimated as follows (all values used were taken from the prorated data, cut on each end to eliminate start up and shut down effects as per Spooner [2, p. 33]):

$$\min C = PI (I) + PL (L)$$

$$\text{s.t. } N = \gamma(\delta L^{-\rho} + (1 - \delta)I^{-\rho})^{-\sigma/\rho}$$

where  $PI = \frac{\text{penalty cost}}{\# \text{ of items in shop}}$

$$PL = \frac{\text{direct labor cost}}{\text{direct man hours}}$$

$$I = \text{number of items in shop}$$

$$L = \text{direct man hours}$$

$$N = \text{NORM}$$

Following the procedure as set forth in the previous chapter, equations (1) through (8), the first stepwise linear regression was run on equation (8) of Chapter 3. This equation is listed below, with  $\ln \mu$  representing the natural log of the error term:

$$\ln(I/L) = a + b \ln(PL/PI) + \ln \mu \quad (1)$$

where  $a = \left( \frac{\delta}{1 - \delta} \right)^{\frac{1}{-\rho - 1}}$  and  $b = \frac{1}{\rho + 1}$ . The error was assumed to be normally distributed with a mean of zero and constant variance.



The regression on equation (1) provided an estimate of (I/L), which will be indicated as  $(\hat{I/L})$ , for use in the following equation:

$$L^* = \frac{C}{PI(I/L) + PL} \quad (2)$$

which corresponds to equation (9) in the previous Chapter. Here C equals direct labor cost plus overhead cost plus penalty cost. The regression on equation (1) also provided the parameters for obtaining the quantity  $\hat{D}$  in equation (4) below. The final equation on which a second stepwise linear regression was run was (see equation (12), Chapter III):

$$\ln L^* = -\left[\frac{1}{\sigma} \ln \gamma\right] + \left(\frac{1}{\sigma}\right) \ln N + \left(\frac{1}{-\rho}\right) \left[\delta + (1 - \delta) (\hat{I/L})^{-\rho}\right] + \epsilon \quad (3)$$

where  $\epsilon$  is a random error term. Simplifying the quantities in equation (3), let

$$\ln L^* = a + b \ln N + C[\hat{D}] + \epsilon \quad (4)$$

The second regression provided estimates of the coefficients of the independent variables.

All regressions in this thesis were run using the SNAP/IEDA statistical package available at the Naval Postgraduate School Computer Center.

## 2. CES Regression Results

The results of the first CES regression for the aircraft and engine programs are presented in Tables III and IV respectively. The low  $R^2$  (.05) in the aircraft regression is an indication of possible problems in applying the CES production function to the production process at NARFNI ( $R^2$  is the square of the multiple correlation between the dependent variable and those independent variables which were included in the





TABLE III. FIRST CES STEPWISE REGRESSION OF AIRCRAFT DATA

| <u>STEP</u>                      | <u>1</u> |
|----------------------------------|----------|
| Entered                          | PL/PI    |
| Previously Entered               | -----    |
| R <sup>2</sup>                   | .054     |
| Standard Error of Dependent Var. | .036     |
| Coefficients                     |          |
| Constant                         | -4.010   |
| PI/PL                            | .233     |
| Standard Error of Coefficients   |          |
| PI/PL                            | .058     |
| CV                               | -.0078   |



TABLE IV. FIRST CES STEPWISE REGRESSION OF ENGINE DATA

| <u>STEP</u>                      | <u>1</u> |
|----------------------------------|----------|
| Entered                          | PL/PI    |
| Previously entered               | -----    |
| $R^2$                            | .440     |
| Standard error of dependent var. | .074     |
| Coefficients                     |          |
| Constant                         | -0.219   |
| PI/PL                            | 1.324    |
| Standard Error of Coefficients   |          |
| PI/PL                            | .079     |
| CV                               | - .0266  |



regression at that step -- it measures the proportion of variation in the dependent variable that is explained by the independent variable). Rao and Miller [6, p. 16] point out that a high  $R^2$  may imply the appropriateness of a regression equation for explaining the movements of a dependent variable, but a low  $R^2$  does not necessarily imply that the regression equation is inappropriate. Another possible problem appeared when the value of  $\delta$  was computed. It is specified by Walters [5, p. 284] that  $0 \leq \delta \leq 1$  in a CES production function. This means that the expected value of the constant in the first regression runs was a positive number less than one. This was not the case for either program. As a matter of interest, the coefficient of variation (CV), which is standard error divided by mean of the dependent variable, is listed in all tabled regression results in this Chapter. It is a measure of dispersion of the dependent variable in comparison to the mean due to lack of a perfect fit with the data.

Looking at the results of the second regression of the aircraft data (Table V), the extremely high  $R^2$  (.988) indicates a good fit with the data. Both independent variables, N and D, were found to have significant coefficients after examination of their respective standard errors (when computation of the standard deviation is based on the estimate of the variance rather than the variance itself, it is called standard error).

In the engine program (Table VI), both independent variables were again found to have coefficients significantly different from zero.  $R^2$  in this case (.798) was not nearly as high as it was for the aircraft program, but it is certainly acceptable.

The value of  $\rho$ , computed from the coefficient of D in each case (the coefficient of D equals  $-\frac{1}{\rho}$ ), shows  $\rho$  to fall well within the



TABLE V SECOND CES STEPWISE REGRESSION OF AIRCRAFT DATA

| <u>STEP</u>                          | 1     | 2      |
|--------------------------------------|-------|--------|
| Entered                              | N     | D      |
| Previously entered                   |       | N      |
| $R^2$                                | .977  | .988   |
| Standard error of dependent variable | .012  | .009   |
| Coefficients                         |       |        |
| Constant                             | 1.596 | 2.063  |
| N                                    | .897  | .880   |
| D                                    |       | -2.388 |
| Standard Error of Coefficients       |       |        |
| N                                    | .008  | .006   |
| D                                    |       | .149   |
| CV                                   |       | .0006  |





TABLE VI SECOND CES REGRESSION OF ENGINE DATA

| <u>STEP</u>                          | 1    | 2     |
|--------------------------------------|------|-------|
| Entered                              | N    | D     |
| Previously entered                   |      | N     |
| $R^2$                                | .775 | .798  |
| Standard error of dependent variable | .066 | .062  |
| Coefficients                         |      |       |
| Constant                             | .753 | 2.344 |
| N                                    | .983 | .929  |
| D                                    |      | 4.566 |
| Standard Error of Coefficients       |      |       |
| N                                    | .028 | .028  |
| D                                    |      | .721  |
| CV                                   |      | .0075 |



expected region. This value was .419 for the aircraft program and -.219 for the engine program. The expected value of  $\rho$  is a number between minus one and infinity. As  $\rho$  approaches minus one the result is a flat isoquant, and as  $\rho$  increases in a positive direction the elasticity of substitution becomes smaller and smaller (essentially this is the case of fixed coefficients). For a more detailed explanation of this, see Walters [5, p. 286].

The final estimated cost functions were:

$$\text{(aircraft)} \quad C = (PL + PI(\hat{I}/L))e^{2.063N}e^{.880}e^{-2.388(\hat{D})} \quad (5)$$

$$\text{(engines)} \quad C = (PL + PI(\hat{I}/L))e^{2.344N}e^{.929}e^{4.566(\hat{D})} \quad (6)$$

### 3. Cobb-Douglas Procedures

For the Cobb-Douglas production function, a cost function was estimated using the general theory presented in equations (15) through (21) in Chapter III. The specific equations used in the estimation procedure were:

$$\min C = PL(L) + M + PI(I)$$

$$\text{s.t. } N = AL^\alpha I^\beta M^\gamma$$

All variables are as previously defined, and M is material costs (again, prorated data was used in all cases). A stepwise linear regression was run on the following equation:

$$\log C = a + \frac{1}{\alpha + \beta + \gamma} \log N + \frac{\alpha}{\alpha + \beta + \gamma} \log PL + \frac{\beta}{\alpha + \beta + \gamma} \log PI + e \quad (7)$$



$$\text{where } a = \log\left(\frac{\alpha + \beta + \gamma}{\gamma}\right) - \frac{1}{\alpha + \beta + \gamma} \log A$$

$$+ \frac{\alpha}{\alpha + \beta + \gamma} \log\left(\frac{\gamma}{\alpha}\right) + \frac{\beta}{\alpha + \beta + \gamma} \log\left(\frac{\gamma}{\beta}\right) .$$

Again, the error term is assumed to be normally distributed with a mean of zero and constant variance. The regression provided estimates of the coefficients of N, PL, and PI.

#### 4. Cobb-Douglas Regression Results

The results of the regressions run on equation (7) are presented in Tables VII and VIII for the aircraft and engines programs, respectively. Examination of this tabulated data provides a good indication that the cost functions estimated from the Cobb-Douglas production function may turn out to be valid and accurate cost functions.

In the aircraft data regression, all coefficients were significant, and the value of  $R^2$  (.960) was an indication of a good fit with the data. The regression on the engine data showed only NORM to have a significant coefficient. The coefficient of PL(-.027) had a standard error of .113, and the coefficient of PI(.101) had a standard error of .051, indicating that neither coefficient was significantly different from zero.  $R^2$  for the engine data was .848.

The resulting cost functions for the aircraft and engine programs were:

$$\text{(aircraft)} \quad C = 10^{.421} N^{.751} PL^{2.629} PI^{-.275} \quad (8)$$

$$\text{(engines)} \quad C = 10^{1.749} N^{.860} \quad (9)$$



TABLE VII COBB-DOUGLAS STEPWISE REGRESSION OF AIRCRAFT DATA

| <u>STEP</u>                    | <u>1</u> | <u>2</u> | <u>3</u> |
|--------------------------------|----------|----------|----------|
| Entered.                       | N        | PL       | PI       |
| Previously entered             |          | N        | N        |
|                                |          |          | PL       |
| $R^2$                          | .645     | .949     | .960     |
| Standard error of dep. var.    | .024     | .009     | .008     |
| Coefficients                   |          |          |          |
| Constant                       | 1.678    | -0.049   | 0.421    |
| N                              | 0.824    | 0.769    | 0.751    |
| PL                             |          | 2.453    | 2.629    |
| PI                             |          |          | -0.275   |
| Standard error of Coefficients |          |          |          |
| N                              | .036     | .014     | .012     |
| PL                             |          | .060     | .056     |
| PI                             |          |          | .030     |
| CV                             | .0049    | .0018    | .0016    |





TABLE VIII COBB-DOUGLAS STEPWISE REGRESSION OF ENGINE DATA

| <u>STEP</u>                    | 1     | 2     | 3     |
|--------------------------------|-------|-------|-------|
| Entered                        | N     | PI    | PL    |
| Previously entered             |       | N     | PI    |
|                                |       |       | N     |
| $R^2$                          | .848  | .849  | .849  |
| Standard error of dep. var.    | .020  | .020  | .020  |
| Coefficients                   |       |       |       |
| Constant                       | 1.749 | 1.539 | 1.554 |
| N                              | .860  | .876  | .876  |
| PI                             |       | .097  | .101  |
| PL                             |       |       | -.027 |
| Standard error of coefficients |       |       |       |
| N                              | .019  | .021  | .021  |
| PI                             |       | .047  | .051  |
| PL                             |       |       | .113  |
| CV                             | .0044 | .0044 | .0044 |



## V. VALIDATION

### A. APPLICATION OF THE COST MODELS

The prorated data was broken down into nine consecutive 30 day intervals beginning with julian date 0191 and ending with julian date 1095. Average daily values of NORM, total costs (labor plus material plus penalty), PL, and PI were computed for each period. This was done for both the aircraft and engine programs (see Appendix C).

For validation of the CES cost functions, the values of NORM, PL, PI,  $\hat{I}/L$ , and  $\hat{D}$  were computed for the nine 30 day periods and then used in equations (5) and (6) in Chapter IV. The results of these runs, shown in Table IX, are evidence that the CES cost function can in fact be used to predict costs at NARENI (remembering that actual costs shown here are average daily prorated direct labor cost plus overhead cost plus penalty cost). The worst prediction occurs in the first engine prediction, where the difference between predicted and actual cost is only approximately four thousand dollars out of thirty eight thousand, or less than 10%. The percent of error for each program as shown in Tables IX and X was computed by subtracting actual cost from predicted cost and dividing by actual cost. The same independent variables used above, less  $\hat{I}/L$  and  $\hat{D}$ , were then fed into the estimated Cobb-Douglas cost functions which appear at the end of Chapter IV (equations (8) and (9)). Actual and predicted costs for the aircraft and engine programs are listed in Table X for each of the nine 30 day periods. An examination of the data in Table X shows the Cobb-Douglas cost functions to also be predicting costs with fairly good accuracy (again, a reminder that actual costs here are the sum of direct labor, material, and penalty costs).



TABLE IX ACTUAL AND PREDICTED TOTAL COSTS (CES)

AIRCRAFT

| <u>PREDICTED</u> | <u>ACTUAL</u> | <u>% ERROR</u> |
|------------------|---------------|----------------|
| 96,896.19        | 98,561.24     | - 1.69         |
| 116,596.25       | 117,882.93    | - 1.09         |
| 113,573.44       | 112,113.25    | + 1.30         |
| 116,616.94       | 115,304.52    | + 1.14         |
| 119,525.25       | 118,598.68    | + .78          |
| 110,645.50       | 109,015.75    | + 1.50         |
| 113,536.06       | 113,658.38    | - .08          |
| 121,063.69       | 122,274.12    | - .99          |
| 114,884.63       | 115,261.18    | - .33          |

ENGINES

| <u>PREDICTED</u> | <u>ACTUAL</u> | <u>% ERROR</u> |
|------------------|---------------|----------------|
| 34,439.70        | 38,230.57     | - 9.93         |
| 36,684.21        | 39,975.95     | - 8.25         |
| 30,655.29        | 32,061.61     | - 4.38         |
| 36,398.64        | 36,459.35     | - .17          |
| 36,644.64        | 36,471.29     | + .48          |
| 29,525.21        | 30,294.42     | - 2.55         |
| 35,207.98        | 34,942.32     | + .76          |
| 33,748.04        | 32,864.77     | + 2.70         |
| 29,846.05        | 29,806.54     | + .13          |



TABLE X ACTUAL AND PREDICTED TOTAL COSTS (COBB-DOUGLAS)

|                  | <u>AIRCRAFT</u> |                |
|------------------|-----------------|----------------|
| <u>PREDICTED</u> | <u>ACTUAL</u>   | <u>% ERROR</u> |
| 67,304.50        | 68,452.51       | - 1.68         |
| 79,858.06        | 80,122.31       | - .33          |
| 77,338.25        | 74,926.64       | + 3.26         |
| 78,968.56        | 78,632.10       | + .43          |
| 81,799.38        | 82,816.17       | - 1.23         |
| 77,561.00        | 77,510.11       | + .06          |
| 82,942.81        | 82,667.20       | + .33          |
| 89,536.81        | 89,337.36       | + .22          |
| 84,495.63        | 85,059.84       | - .67          |

|                  | <u>ENGINES</u> |                |
|------------------|----------------|----------------|
| <u>PREDICTED</u> | <u>ACTUAL</u>  | <u>% ERROR</u> |
| 41,720.43        | 45,946.33      | - 9.20         |
| 44,015.41        | 45,183.24      | - 2.59         |
| 37,536.84        | 36,286.71      | + 3.45         |
| 43,974.30        | 41,814.51      | + 5.16         |
| 43,680.50        | 41,564.47      | + 5.09         |
| 34,941.77        | 33,638.37      | + 3.90         |
| 41,488.91        | 41,437.46      | + .12          |
| 39,378.77        | 39,130.91      | + .63          |
| 35,189.98        | 36,008.00      | - 2.27         |





## B. PREDICTION INTERVALS

A prediction interval can be obtained for the Cobb-Douglas aircraft cost function and the engine cost function using methods outlined in Theil [7, p. 135]. This method proceeds as follows. First, return the cost equation to logarithmic form. Then let,

$$Y^* = W'C + e^*$$

where  $Y^*$  is a single observation of cost in log form,  $W'$  is a one row vector, with each column containing given values of the independent variables,  $C$  is a one column vector with each row being a coefficient of one independent variable, and  $e^*$  is the random error term with a mean of zero. Let  $Z$  be a matrix of observations on which the regression was run. The first column is all ones, and the remaining columns are data columns. There are as many rows as there are numbers of observations.

i.e.,

$$Z = \begin{bmatrix} 1 & N_1 & PL_1 & PI_1 \\ \cdot & \cdot & \cdot & \cdot \\ \cdot & \cdot & \cdot & \cdot \\ \cdot & \cdot & \cdot & \cdot \\ 1 & N_N & PL_N & PI_N \end{bmatrix}$$

Now  $\frac{W'C - Y^*}{\sqrt{S^2(1 + W'(Z'Z)^{-1}W)}}$  has a student's t distribution with  $n-k$  degrees

of freedom. Here  $n$  equals number of observations and  $k$  equals number of independent variables in the cost equation.  $S^2$  is an estimate of variance. Selecting a  $1 - \alpha$  confidence interval,

$$P[-t_{\alpha/2} \leq t_{(n-k)} \leq t_{\alpha/2}] = 1 - \alpha$$



Let

$$V = t_{\alpha/2} \cdot S \cdot \sqrt{1 + W'(Z'Z)^{-1}W} \quad , \text{ so that}$$

$$P[W'C - V \leq Y^* \leq W'C + V] = 1 - \alpha$$

Taking antilogs,

$$[10^{(W'C - V)} \leq C \leq 10^{(W'C + V)}]$$

is a  $1 - \alpha$  prediction interval for cost.

### C. METHODOLOGY FOR COMPARISON WITH LP MODEL

A good way to determine the validity of an estimated cost function would be to compare actual costs with estimated costs obtained from the cost function and estimated costs obtained from Meyers [3] LP model. To make the comparison realistic, several important factors must be considered. First, the objective function of the LP model must be to minimize costs. Second, the values of NORM and PL, as well as penalty costs and material costs used in the LP model, must also be used in the cost function. In the LP model, the actual values of NORM for the period of time under observation should be used in the production vector Y. This constrains the model to minimize costs subject to actual values of NORM. The activity vector Z need not be changed, but prices of labor and material used in the resource vector R must coincide with the prices used in the cost function. There remains the task of breaking the data down by type of aircraft or engine and the type of work done on that item for use in the activity vector Z.

Ideally, the two methods of cost prediction should each be run over several periods of time, either 30 day intervals, or monthly, or perhaps



quarterly. This provides enough data points to carry out a meaningful comparison of the two models.

The criteria for determining which cost model is better at predicting costs, as outlined below, is sketchy at best. The lack of independence between the time periods eliminates most conventional statistical tests which might apply. Naturally, if one model is consistently and obviously better than the other, no test need be applied. But if one model is better than the other at times, and then at times worse than the other, the criteria outlined here may aid in determining a "best" model.

The criteria is simply this; take the difference between actual and predicted costs for each time period and square this number. Then sum the squared numbers over the periods of time. Doing this for each model will provide a "mean squared error" (MSE) term for the models,

$$\text{MSE} = \frac{\sum_{i=1}^n (C_{pi} - C_{Ai})^2}{n}$$

where  $n$  = number of periods

$C_{pi}$  = predicted cost for period  $i$

$C_{Ai}$  = actual cost for period  $i$

The model with the smallest MSE should be considered the best cost model. Naturally, if the two values of MSE are very nearly the same, there remains a problem of determining whether or not they are significantly different. This problem will not be addressed in this thesis.

As a matter of interest, the values of MSE for the CES and Cobb- Douglas cost functions estimated in Chapter IV of this thesis were as follows:



|                       |                  |
|-----------------------|------------------|
| CES aircraft          | <u>1,486,812</u> |
| CES engines           | <u>3,180,710</u> |
| Cobb-Douglas aircraft | <u>1,083,037</u> |
| Cobb-Douglas engines  | <u>3,584,340</u> |





## VI. CONCLUSIONS AND FUTURE STUDY

### A. CONCLUSIONS

The cost functions estimated from the CES production function were:

$$\text{(aircraft)} \quad C = (PL + PI(I/\hat{L}))e^{2.063}N^{.880}e^{-2.388(\hat{D})}$$

$$\text{(engines)} \quad C = (PL + PI(I/\hat{L}))e^{2.344}N^{.929}e^{4.566(\hat{D})}$$

These cost functions were concluded to be a valid means of predicting costs at NARFNI after several validation runs showed predicted and actual average prorated daily costs to compare favorably.

The cost functions estimated from the Cobb-Douglas production function were:

$$\text{(aircraft)} \quad C = 10^{.421}N^{.751}PL^{2.629}PI^{-.275}$$

$$\text{(engines)} \quad C = 10^{1.749}N^{.860}$$

The coefficients of PL and PI were not significant in the engine program. A possible explanation for the relatively high coefficient of PL and the negative coefficient of PI in the aircraft program is that as the cost per unit of items being repaired increases, penalty costs increase, and due to the complexity of the more expensive items, number in shop decreases. Also due to the complexity of more expensive items being repaired, the cost of labor increases rapidly as more skilled tradesman are required.

The cost functions derived from the Cobb-Douglas production function were also concluded to be a valid means of predicting costs at NARFNI.



Predicted and actual average daily prorated costs compared favorably when examined over nine 30 day intervals.

Based on the methodology outlined in this thesis for comparing cost prediction models, the cost functions estimated in this thesis predict costs with approximately the same accuracy.

#### B. FUTURE STUDY

A prime area for future study would be to compare the LP model, the Cobb-Douglas cost equation estimated in this thesis, and actual total production costs at NARFNI for several selected periods of time, using the methodology outlined in Chapter IV of this thesis. This would provide a more firm idea of just how accurate and useful the Cobb-Douglas cost function really is.

Another area that could be improved is the method used to determine penalty costs. Rather than simply dividing procurement cost by an expected life for each type aircraft or engine, a more realistic method to use could be as follows:

$$\text{Penalty Cost} = \frac{\text{Cost of all a/c, allowing rotatable spares}}{\text{Cost of all a/c, without rotatable spares}}$$

In other words, the true cost to the Navy for having an aircraft at NARFNI is the cost of an aircraft that had to go to the fleet to replace it (rotatable spares). Dividing this figure by the average length of time an aircraft or engine is undergoing rework would provide a daily penalty cost.

Finally, some method of including management decisions and constraints in a production function must be devised. New equipment, improved procedures, increased worker efficiency as a result of labor force cuts,



hiring and firing policies, and constraints on such items as overtime hours permitted, all enter into the production process at NARFNI, but finding a method to quantify these areas and incorporate them into a production function is a most difficult problem.



APPENDIX A

SUMMARY OF DAILY STATISTICS OF NARF (AIRCRAFT)

DATA FOR JULIAN DATES 0069 TO 1235

TOTAL NUMBER OF OBSERVATIONS = 365

| DAY | JUL DATE | NORM   | DIR MH | DIR | DIR LAB\$ | DIR MTL\$ | AFC MH | OVHD\$  | PEN\$   | # IN SHOP |
|-----|----------|--------|--------|-----|-----------|-----------|--------|---------|---------|-----------|
| 1   | 69       | 140.60 | 146.49 | 1   | 873.54    | 170.13    | 24.77  | 1000.99 | 94.38   | 1.        |
| 2   | 70       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 3   | 71       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 4   | 72       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 5   | 73       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 6   | 74       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 7   | 75       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 8   | 76       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 9   | 77       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 10  | 78       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 11  | 79       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 12  | 80       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 13  | 81       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 14  | 82       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 15  | 83       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 16  | 84       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 17  | 85       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 18  | 86       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 19  | 87       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 20  | 88       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 21  | 89       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 22  | 90       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 23  | 91       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 24  | 92       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 25  | 93       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 26  | 94       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 27  | 95       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 28  | 96       | 293.47 | 303.53 | 1   | 808.26    | 358.81    | 52.91  | 2073.93 | 188.76  | 2.        |
| 29  | 97       | 393.47 | 400.03 | 2   | 877.40    | 562.19    | 67.62  | 2722.75 | 1274.10 | 3.        |
| 30  | 98       | 458.96 | 463.45 | 2   | 754.15    | 714.90    | 67.62  | 3153.51 | 340.15  | 4.        |
| 31  | 99       | 458.96 | 463.45 | 2   | 754.15    | 714.90    | 67.62  | 3153.51 | 340.15  | 4.        |
| 32  | 100      | 458.96 | 463.45 | 2   | 754.15    | 714.90    | 67.62  | 3153.51 | 340.15  | 4.        |
| 33  | 101      | 458.96 | 463.45 | 2   | 754.15    | 714.90    | 67.62  | 3153.51 | 340.15  | 4.        |
| 34  | 102      | 458.96 | 463.45 | 2   | 754.15    | 714.90    | 67.62  | 3153.51 | 340.15  | 4.        |
| 35  | 103      | 458.96 | 463.45 | 2   | 754.15    | 714.90    | 67.62  | 3153.51 | 340.15  | 4.        |















|     |      |    |      |    |       |    |      |    |     |    |     |    |       |    |      |    |    |
|-----|------|----|------|----|-------|----|------|----|-----|----|-----|----|-------|----|------|----|----|
| 132 | 6769 | 21 | 6808 | 97 | 40723 | 16 | 1879 | 01 | 889 | 27 | 984 | 05 | 47144 | 89 | 6333 | 04 | 71 |
| 133 | 6902 | 32 | 6888 | 97 | 4129  | 61 | 1890 | 16 | 899 | 27 | 984 | 05 | 4778  | 84 | 6144 | 68 | 72 |
| 134 | 7079 | 71 | 7001 | 83 | 4225  | 50 | 1903 | 99 | 57  | 4  | 984 | 05 | 4859  | 50 | 6227 | 10 | 73 |
| 135 | 7079 | 00 | 7048 | 33 | 4201  | 49 | 1966 | 91 | 93  | 3  | 984 | 05 | 4882  | 87 | 6264 | 44 | 74 |
| 136 | 7149 | 55 | 7073 | 80 | 4244  | 69 | 1969 | 15 | 93  | 3  | 985 | 06 | 4926  | 32 | 6249 | 73 | 75 |
| 137 | 7149 | 55 | 7073 | 80 | 4244  | 69 | 1969 | 15 | 93  | 3  | 985 | 06 | 4926  | 32 | 6249 | 73 | 75 |
| 138 | 7149 | 55 | 7073 | 80 | 4244  | 69 | 1969 | 15 | 93  | 3  | 985 | 06 | 4926  | 32 | 6249 | 73 | 75 |
| 139 | 7149 | 55 | 7073 | 80 | 4244  | 69 | 1969 | 15 | 93  | 3  | 985 | 06 | 4926  | 32 | 6249 | 73 | 75 |
| 140 | 7239 | 72 | 7161 | 70 | 4300  | 66 | 1994 | 45 | 89  | 8  | 985 | 06 | 4926  | 32 | 6270 | 73 | 76 |
| 141 | 7239 | 43 | 7161 | 70 | 4300  | 66 | 1994 | 45 | 89  | 8  | 985 | 06 | 4926  | 32 | 6270 | 73 | 76 |
| 142 | 7355 | 10 | 7284 | 53 | 4338  | 38 | 2012 | 63 | 18  | 2  | 985 | 06 | 5038  | 18 | 6551 | 02 | 77 |
| 143 | 7355 | 10 | 7284 | 53 | 4338  | 38 | 2012 | 63 | 18  | 2  | 985 | 06 | 5038  | 18 | 6551 | 02 | 77 |
| 144 | 7568 | 25 | 7540 | 16 | 4532  | 20 | 2077 | 23 | 05  | 5  | 985 | 06 | 5266  | 18 | 6648 | 87 | 78 |
| 145 | 7568 | 25 | 7540 | 16 | 4532  | 20 | 2077 | 23 | 05  | 5  | 985 | 06 | 5266  | 18 | 6648 | 87 | 78 |
| 146 | 7568 | 25 | 7540 | 16 | 4532  | 20 | 2077 | 23 | 05  | 5  | 985 | 06 | 5266  | 18 | 6648 | 87 | 78 |
| 147 | 7568 | 25 | 7540 | 16 | 4532  | 20 | 2077 | 23 | 05  | 5  | 985 | 06 | 5266  | 18 | 6648 | 87 | 78 |
| 148 | 7775 | 84 | 7716 | 35 | 4640  | 05 | 2116 | 91 | 80  | 0  | 985 | 06 | 5391  | 18 | 6904 | 73 | 80 |
| 149 | 7775 | 84 | 7716 | 35 | 4640  | 05 | 2116 | 91 | 80  | 0  | 985 | 06 | 5391  | 18 | 6904 | 73 | 80 |
| 150 | 7967 | 73 | 7806 | 14 | 4701  | 14 | 2189 | 62 | 11  | 8  | 985 | 06 | 5542  | 62 | 6972 | 64 | 81 |
| 151 | 8083 | 88 | 7894 | 07 | 4758  | 46 | 2144 | 21 | 07  | 4  | 985 | 06 | 5542  | 62 | 7051 | 30 | 82 |
| 152 | 8232 | 51 | 8055 | 82 | 4844  | 45 | 2144 | 21 | 07  | 4  | 985 | 06 | 5542  | 62 | 7145 | 68 | 83 |
| 153 | 8232 | 51 | 8055 | 82 | 4844  | 45 | 2144 | 21 | 07  | 4  | 985 | 06 | 5542  | 62 | 7145 | 68 | 83 |
| 154 | 8351 | 04 | 8336 | 26 | 4844  | 45 | 2144 | 21 | 07  | 4  | 985 | 06 | 5542  | 62 | 7145 | 68 | 83 |
| 155 | 8351 | 04 | 8336 | 26 | 4844  | 45 | 2144 | 21 | 07  | 4  | 985 | 06 | 5542  | 62 | 7145 | 68 | 83 |
| 156 | 8505 | 97 | 8307 | 92 | 4902  | 46 | 2144 | 21 | 07  | 4  | 985 | 06 | 5542  | 62 | 7145 | 68 | 83 |
| 157 | 8505 | 97 | 8307 | 92 | 4902  | 46 | 2144 | 21 | 07  | 4  | 985 | 06 | 5542  | 62 | 7145 | 68 | 83 |
| 158 | 8621 | 50 | 8432 | 28 | 4902  | 46 | 2144 | 21 | 07  | 4  | 985 | 06 | 5542  | 62 | 7145 | 68 | 83 |
| 159 | 8621 | 50 | 8432 | 28 | 4902  | 46 | 2144 | 21 | 07  | 4  | 985 | 06 | 5542  | 62 | 7145 | 68 | 83 |
| 160 | 8660 | 53 | 8055 | 16 | 4866  | 08 | 2069 | 10 | 84  | 4  | 985 | 06 | 5611  | 63 | 7218 | 31 | 84 |
| 161 | 8660 | 53 | 8055 | 16 | 4866  | 08 | 2069 | 10 | 84  | 4  | 985 | 06 | 5611  | 63 | 7218 | 31 | 84 |
| 162 | 8660 | 53 | 8055 | 16 | 4866  | 08 | 2069 | 10 | 84  | 4  | 985 | 06 | 5611  | 63 | 7218 | 31 | 84 |
| 163 | 8660 | 53 | 8055 | 16 | 4866  | 08 | 2069 | 10 | 84  | 4  | 985 | 06 | 5611  | 63 | 7218 | 31 | 84 |
| 164 | 8660 | 53 | 8055 | 16 | 4866  | 08 | 2069 | 10 | 84  | 4  | 985 | 06 | 5611  | 63 | 7218 | 31 | 84 |
| 165 | 8660 | 53 | 8055 | 16 | 4866  | 08 | 2069 | 10 | 84  | 4  | 985 | 06 | 5611  | 63 | 7218 | 31 | 84 |
| 166 | 8660 | 53 | 8055 | 16 | 4866  | 08 | 2069 | 10 | 84  | 4  | 985 | 06 | 5611  | 63 | 7218 | 31 | 84 |
| 167 | 8660 | 53 | 8055 | 16 | 4866  | 08 | 2069 | 10 | 84  | 4  | 985 | 06 | 5611  | 63 | 7218 | 31 | 84 |
| 168 | 8660 | 53 | 8055 | 16 | 4866  | 08 | 2069 | 10 | 84  | 4  | 985 | 06 | 5611  | 63 | 7218 | 31 | 84 |
| 169 | 8660 | 53 | 8055 | 16 | 4866  | 08 | 2069 | 10 | 84  | 4  | 985 | 06 | 5611  | 63 | 7218 | 31 | 84 |
| 170 | 8660 | 53 | 8055 | 16 | 4866  | 08 | 2069 | 10 | 84  | 4  | 985 | 06 | 5611  | 63 | 7218 | 31 | 84 |
| 171 | 8660 | 53 | 8055 | 16 | 4866  | 08 | 2069 | 10 | 84  | 4  | 985 | 06 | 5611  | 63 | 7218 | 31 | 84 |
| 172 | 8660 | 53 | 8055 | 16 | 4866  | 08 | 2069 | 10 | 84  | 4  | 985 | 06 | 5611  | 63 | 7218 | 31 | 84 |
| 173 | 8660 | 53 | 8055 | 16 | 4866  | 08 | 2069 | 10 | 84  | 4  | 985 | 06 | 5611  | 63 | 7218 | 31 | 84 |
| 174 | 8660 | 53 | 8055 | 16 | 4866  | 08 | 2069 | 10 | 84  | 4  | 985 | 06 | 5611  | 63 | 7218 | 31 | 84 |
| 175 | 8660 | 53 | 8055 | 16 | 4866  | 08 | 2069 | 10 | 84  | 4  | 985 | 06 | 5611  | 63 | 7218 | 31 | 84 |
| 176 | 8660 | 53 | 8055 | 16 | 4866  | 08 | 2069 | 10 | 84  | 4  | 985 | 06 | 5611  | 63 | 7218 | 31 | 84 |
| 177 | 8660 | 53 | 8055 | 16 | 4866  | 08 | 2069 | 10 | 84  | 4  | 985 | 06 | 5611  | 63 | 7218 | 31 | 84 |
| 178 | 8660 | 53 | 8055 | 16 | 4866  | 08 | 2069 | 10 | 84  | 4  | 985 | 06 | 5611  | 63 | 7218 | 31 | 84 |
| 179 | 8660 | 53 | 8055 | 16 | 4866  | 08 | 2069 | 10 | 84  | 4  | 985 | 06 | 5611  | 63 | 7218 | 31 | 84 |



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88. 77855.3 60997.7 90 3257.3 21 449.77 10 93.4 55 10.9 88 8366.6 74 91983.74  
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88. 773553.7 594950.5 90 3114.4 19 878.93 13 109.1 19 10.4 89 8513.0 48 91048.48  
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86. 774444.0 606328.8 90 33997.0 20 825.83 12 88.9 18 12.9 89 8638.4 76 90553.76  
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87. 77708.4 598885.4 91 4775.1 20 868.6 11 89.0 19 13.0 88 8767.7 72 9167.79  
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69. 77012.3 555417.4 91 43935.0 19 820.2 17 86.8 19 13.3 89 8277.3 70 9167.79  
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83. 77012.3 555417.4 91 43935.0 19 820.2 17 86.8 19 13.3 89 8277.3 70 9167.79  
83. 77012.3 555417.4 91 43935.0 19 820.2 17 86.8 19 13.3 89 8277.3 70 9167.79









277 345 174 808 890 882 881 880 879 878 877 876 875 874 873 872 871 870 869 868 867 866 865 864 863 862 861 860 859 858 857 856 855 854 853 852 851 850 849 848 847 846 845 844 843 842 841 840 839 838 837 836 835 834 833 832 831 830 829 828 827 826 825 824 823 822 821 820 819 818 817 816 815 814 813 812 811 810 809 808 807 806 805 804 803 802 801 799 798 797 796 795 794 793 792 791 790 789 788 787 786 785 784 783 782 781 780 779 778 777 776 775 774 773 772 771 770 769 768 767 766 765 764 763 762 761 760 759 758 757 756 755 754 753 752 751 750 749 748 747 746 745 744 743 742 741 740 739 738 737 736 735 734 733 732 731 730 729 728 727 726 725 724 723 722 721 720 719 718 717 716 715 714 713 712 711 710 709 708 707 706 705 704 703 702 701 699 698 697 696 695 694 693 692 691 690 689 688 687 686 685 684 683 682 681 680 679 678 677 676 675 674 673 672 671 670 669 668 667 666 665 664 663 662 661 660 659 658 657 656 655 654 653 652 651 650 649 648 647 646 645 644 643 642 641 640 639 638 637 636 635 634 633 632 631 630 629 628 627 626 625 624 623 622 621 620 619 618 617 616 615 614 613 612 611 610 609 608 607 606 605 604 603 602 601 600 599 598 597 596 595 594 593 592 591 590 589 588 587 586 585 584 583 582 581 580 579 578 577 576 575 574 573 572 571 570 569 568 567 566 565 564 563 562 561 560 559 558 557 556 555 554 553 552 551 550 549 548 547 546 545 544 543 542 541 540 539 538 537 536 535 534 533 532 531 530 529 528 527 526 525 524 523 522 521 520 519 518 517 516 515 514 513 512 511 510 509 508 507 506 505 504 503 502 501 500 499 498 497 496 495 494 493 492 491 490 489 488 487 486 485 484 483 482 481 480 479 478 477 476 475 474 473 472 471 470 469 468 467 466 465 464 463 462 461 460 459 458 457 456 455 454 453 452 451 450 449 448 447 446 445 444 443 442 441 440 439 438 437 436 435 434 433 432 431 430 429 428 427 426 425 424 423 422 421 420 419 418 417 416 415 414 413 412 411 410 409 408 407 406 405 404 403 402 401 400 399 398 397 396 395 394 393 392 391 390 389 388 387 386 385 384 383 382 381 380 379 378 377 376 375 374 373 372 371 370 369 368 367 366 365 364 363 362 361 360 359 358 357 356 355 354 353 352 351 350 349 348 347 346 345 344 343 342 341 340 339 338 337 336 335 334 333 332 331 330 329 328 327 326 325 324 323 322 321 320 319 318 317 316 315 314 313 312 311 310 309 308 307 306 305 304 303 302 301 300 299 298 297 296 295 294 293 292 291 290 289 288 287 286 285 284 283 282 281 280 279 278 277









|     |      |      |      |    |    |     |    |    |    |     |    |    |    |    |
|-----|------|------|------|----|----|-----|----|----|----|-----|----|----|----|----|
| 372 | 1076 | 8530 | 9051 | 89 | 23 | 574 | 39 | 33 | 73 | 555 | 74 | 38 | 55 | 84 |
| 373 | 1077 | 8356 | 8853 | 50 | 98 | 563 | 38 | 33 | 49 | 44  | 43 | 82 | 44 | 85 |
| 374 | 1078 | 8640 | 9158 | 20 | 58 | 591 | 48 | 31 | 22 | 63  | 33 | 29 | 15 | 81 |
| 375 | 1079 | 8634 | 8856 | 65 | 81 | 562 | 41 | 31 | 08 | 44  | 38 | 09 | 38 | 82 |
| 376 | 1080 | 8333 | 8971 | 35 | 64 | 593 | 1  | 46 | 69 | 24  | 08 | 93 | 54 | 81 |
| 377 | 1081 | 8432 | 8773 | 65 | 70 | 569 | 1  | 84 | 29 | 44  | 04 | 96 | 40 | 82 |
| 378 | 1082 | 8352 | 8722 | 42 | 45 | 532 | 2  | 76 | 06 | 54  | 06 | 98 | 50 | 10 |
| 379 | 1083 | 8228 | 8823 | 68 | 51 | 528 | 4  | 04 | 99 | 22  | 49 | 18 | 50 | 88 |
| 380 | 1084 | 8298 | 8423 | 08 | 59 | 510 | 1  | 55 | 42 | 52  | 99 | 42 | 50 | 81 |
| 381 | 1085 | 8310 | 8423 | 27 | 70 | 527 | 2  | 52 | 16 | 22  | 06 | 60 | 50 | 76 |
| 382 | 1086 | 7968 | 8363 | 02 | 16 | 511 | 6  | 14 | 56 | 55  | 4  | 58 | 73 | 76 |
| 383 | 1087 | 7901 | 8089 | 51 | 20 | 467 | 2  | 19 | 63 | 49  | 16 | 60 | 53 | 76 |
| 384 | 1088 | 7046 | 7609 | 56 | 28 | 477 | 6  | 82 | 94 | 46  | 46 | 21 | 06 | 69 |
| 385 | 1089 | 7157 | 7486 | 56 | 21 | 465 | 4  | 82 | 62 | 67  | 46 | 67 | 10 | 70 |
| 386 | 1090 | 7093 | 7486 | 01 | 50 | 465 | 5  | 82 | 92 | 67  | 92 | 67 | 06 | 71 |
| 387 | 1091 | 7093 | 7486 | 50 | 21 | 465 | 4  | 82 | 62 | 67  | 46 | 67 | 10 | 70 |
| 388 | 1092 | 7188 | 7575 | 41 | 50 | 475 | 5  | 82 | 92 | 67  | 92 | 67 | 06 | 71 |
| 389 | 1093 | 7239 | 7651 | 35 | 28 | 482 | 4  | 33 | 88 | 65  | 31 | 15 | 06 | 72 |
| 390 | 1094 | 7453 | 7784 | 53 | 15 | 492 | 4  | 93 | 72 | 59  | 88 | 88 | 06 | 71 |
| 391 | 1095 | 7439 | 7852 | 53 | 15 | 492 | 4  | 93 | 72 | 59  | 88 | 88 | 06 | 72 |
| 392 | 1096 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 73 |
| 393 | 1097 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 394 | 1098 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 395 | 1099 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 396 | 1100 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 397 | 1101 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 398 | 1102 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 399 | 1103 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 400 | 1104 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 401 | 1105 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 402 | 1106 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 403 | 1107 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 404 | 1108 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 405 | 1109 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 406 | 1110 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 407 | 1111 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 408 | 1112 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 409 | 1113 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 410 | 1114 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 411 | 1115 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 412 | 1116 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 413 | 1117 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 414 | 1118 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 415 | 1119 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 416 | 1120 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 417 | 1121 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 418 | 1122 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |
| 419 | 1123 | 7439 | 7802 | 46 | 01 | 485 | 9  | 51 | 52 | 33  | 33 | 33 | 06 | 74 |



















SUMMARY OF DAILY STATISTICS OF NARF (ENGINES)  
DATA FOR JULIAN DATES 0140 TO 1230  
TOTAL NUMBER OF OBSERVATIONS = 1532

| DAY | JUL DATE | NORM    | DIR MH  | DIR LAB\$ | DIR MTL\$ | OVHD\$  | PENALTY\$ | # SHOP | IN  |
|-----|----------|---------|---------|-----------|-----------|---------|-----------|--------|-----|
| 1   | 140      | 10.24   | 15.40   | 89.62     | 174.71    | 102.98  | 57.33     | 1      | 1   |
| 2   | 141      | 32.74   | 40.36   | 234.05    | 300.09    | 276.28  | 118.97    | 2      | 2   |
| 3   | 142      | 32.74   | 40.36   | 234.05    | 300.09    | 276.28  | 118.97    | 2      | 2   |
| 4   | 143      | 32.74   | 40.36   | 234.05    | 300.09    | 276.28  | 118.97    | 2      | 2   |
| 5   | 144      | 22.25   | 71.59   | 418.94    | 596.24    | 493.05  | 230.43    | 5      | 5   |
| 6   | 145      | 97.00   | 102.77  | 773.90    | 1161.73   | 759.34  | 433.68    | 6      | 6   |
| 7   | 146      | 1163.18 | 1175.45 | 1019.10   | 1447.34   | 1207.64 | 591.78    | 11     | 11  |
| 8   | 147      | 1163.18 | 1175.45 | 1019.10   | 1447.34   | 1207.64 | 591.78    | 11     | 11  |
| 9   | 148      | 1163.18 | 1175.45 | 1019.10   | 1447.34   | 1207.64 | 591.78    | 11     | 11  |
| 10  | 149      | 1163.18 | 1175.45 | 1019.10   | 1447.34   | 1207.64 | 591.78    | 11     | 11  |
| 11  | 150      | 1163.18 | 1175.45 | 1019.10   | 1447.34   | 1207.64 | 591.78    | 11     | 11  |
| 12  | 151      | 1163.18 | 1175.45 | 1019.10   | 1447.34   | 1207.64 | 591.78    | 11     | 11  |
| 13  | 152      | 1163.18 | 1175.45 | 1019.10   | 1447.34   | 1207.64 | 591.78    | 11     | 11  |
| 14  | 153      | 1163.18 | 1175.45 | 1019.10   | 1447.34   | 1207.64 | 591.78    | 11     | 11  |
| 15  | 154      | 2310.44 | 2322.44 | 1881.38   | 2744.83   | 1626.62 | 1074.54   | 15     | 15  |
| 16  | 155      | 387.44  | 418.34  | 1878.25   | 2587.44   | 2269.41 | 1356.64   | 22     | 22  |
| 17  | 156      | 387.44  | 418.34  | 1878.25   | 2587.44   | 2269.41 | 1356.64   | 22     | 22  |
| 18  | 157      | 387.44  | 418.34  | 1878.25   | 2587.44   | 2269.41 | 1356.64   | 22     | 22  |
| 19  | 158      | 387.44  | 418.34  | 1878.25   | 2587.44   | 2269.41 | 1356.64   | 22     | 22  |
| 20  | 159      | 4520.59 | 4785.09 | 2827.85   | 4174.83   | 2944.22 | 1693.60   | 27     | 27  |
| 21  | 160      | 522.18  | 578.58  | 227.18    | 4174.83   | 2944.22 | 1693.60   | 33     | 33  |
| 22  | 161      | 611.89  | 685.09  | 355.08    | 4174.83   | 2944.22 | 1693.60   | 42     | 42  |
| 23  | 162      | 782.87  | 885.09  | 513.98    | 6193.59   | 4801.44 | 2641.27   | 48     | 48  |
| 24  | 163      | 820.87  | 885.09  | 513.98    | 6193.59   | 4801.44 | 2641.27   | 48     | 48  |
| 25  | 164      | 820.87  | 885.09  | 513.98    | 6193.59   | 4801.44 | 2641.27   | 48     | 48  |
| 26  | 165      | 954.75  | 1013.84 | 553.31    | 6193.59   | 4801.44 | 2641.27   | 56     | 56  |
| 27  | 166      | 1059.67 | 1134.45 | 653.31    | 6193.59   | 4801.44 | 2641.27   | 67     | 67  |
| 28  | 167      | 1189.61 | 1262.75 | 730.39    | 6193.59   | 4801.44 | 2641.27   | 81     | 81  |
| 29  | 168      | 1189.61 | 1262.75 | 730.39    | 6193.59   | 4801.44 | 2641.27   | 81     | 81  |
| 30  | 169      | 1297.61 | 1433.95 | 847.11    | 6193.59   | 4801.44 | 2641.27   | 94     | 94  |
| 31  | 170      | 1347.61 | 1433.95 | 847.11    | 6193.59   | 4801.44 | 2641.27   | 94     | 94  |
| 32  | 171      | 1347.61 | 1433.95 | 847.11    | 6193.59   | 4801.44 | 2641.27   | 94     | 94  |
| 33  | 172      | 1347.61 | 1433.95 | 847.11    | 6193.59   | 4801.44 | 2641.27   | 94     | 94  |
| 34  | 173      | 1468.68 | 1554.55 | 947.11    | 6193.59   | 4801.44 | 2641.27   | 103    | 103 |
| 35  | 174      | 1570.68 | 1664.55 | 999.26    | 6193.59   | 4801.44 | 2641.27   | 110    | 110 |

















































APPENDIX C

AVERAGE DAILY AGGREGATED DATA FOR NINE 30 DAY PERIODS

NORM

| AIRCRAFT | ENGINES |
|----------|---------|
| 7143.99  | 2181.62 |
| 8735.46  | 2321.78 |
| 8400.21  | 1929.38 |
| 8602.12  | 2319.26 |
| 8746.54  | 2301.25 |
| 7874.49  | 1775.17 |
| 8071.96  | 2167.55 |
| 8637.05  | 2039.90 |
| 8160.86  | 1789.84 |

PL

| AIRCRAFT | ENGINES |
|----------|---------|
| 5.99     | 5.92    |
| 6.05     | 5.97    |
| 6.07     | 5.87    |
| 6.09     | 5.87    |
| 6.15     | 6.02    |
| 6.23     | 6.15    |
| 6.31     | 6.15    |
| 6.36     | 6.25    |
| 6.33     | 6.13    |

PI

| AIRCRAFT | ENGINES |
|----------|---------|
| 86.75    | 40.58   |
| 87.33    | 40.50   |
| 91.01    | 41.07   |
| 92.89    | 41.17   |
| 93.93    | 40.68   |
| 96.81    | 42.08   |
| 91.69    | 40.76   |
| 90.06    | 40.97   |
| 91.26    | 42.84   |



## AIRCRAFT PRORATE PROGRAM

```

DIMENSION PMTR(20), IMATR(20)
DIMENSION ARBX(700), RBOX(700), CBOX(700), DBOX(700), EBOX(700)
DIMENSION FBOX(700), SBOX(700), TBOX(700)
DATA PMTR, IMATR/20*0.0, 20*0./
DATA ARBX, RBOX, CBOX, DBOX, EBOX, FBOX, SBOX, TBOX/700*0.0,
6700*0.0, 700*0.0, 700*0.0, 700*0.0, 700*0.0, 700*0.0, 700*0.0,
DATA LK, MDCUR, ERROR/1.0, 0.0, 0./
C READ IN PENALTY COSTS
C
C 5000 READ (5,5000) (PMTR(J), J=1,20)
C FFORMAT (10F7.2)
C
C READ IN AIRCRAFT CODES
C
C 5001 READ (5,5001) (IMATR(K), K=1,20)
C FFORMAT (20I2)
C
C READ IN FIRST AND LAST JULIAN DATE, AND NUMBER OF CARDS
C
C 9000 READ (5,9000) JSTART, JSTOP, NCARD
C FFORMAT (2X, I4, 2X, I4, 2X, I4)
C DO 1000 I=1, NCARD, 1
C
C READ IN RAW DATA
C
C 9001 READ (5,9001, END=9999) IAC, IN, IOUT, NGRM, IAFH, MH, LAB, MAT, KOHD
C FFORMAT (I2, I2X, I4, IX, I4, IX, I4, IX, I5, IX, I5, IX, I6, IX, I6)
C IDAYS=IOUT-IIN
C IF (IDAYS.GE.635) IDAYS=IDAYS-635
C IF (IDAYS.LE.0) ERROR=ERROR+1.0
C PNORM=FLOAT(NORM)/FLOAT(IDAYS)
C PIAFH=FLOAT(IAFH)/FLOAT(IDAYS)
C PMH=FLOAT(MH)/FLOAT(IDAYS)
C PLAB=FLOAT(LAB)/FLOAT(IDAYS)
C PMAT=FLOAT(MAT)/FLOAT(IDAYS)
C PKOHD=FLOAT(KOHD)/FLOAT(IDAYS)
C JDAYS=IN-JSTART+1
C IF (JDAYS.GE.635) JDAYS=JDAYS-635
C KDAYS=IDAYS+JDAYS-1
C
C BRING IN APPROPRIATE PENALTY COST

```



```

C
50 DO 70 K=1,20
60 IF ((IAC.EQ.1MATR(K)) GO TO 50
70 PCOST=PMTR(K)
CONTINUE
DO 1000 J=JDAYS,KDAYS,1
ABOX(J)=ABOX(J)+PNORM
BBOX(J)=BBOX(J)+PMH
CBOX(J)=CBOX(J)+PLAB
DBOX(J)=DBOX(J)+PMAT
RBOX(J)=RBOX(J)+PIAFH
SBOX(J)=SBOX(J)+PKCHD
TBOX(J)=TBOX(J)+PCOST
EBOX(J)=EBOX(J)+1.0
CONTINUE
1000 PRINT COMPUTED DATA
C
9999 WRITE (6,9500) J,START,JSTOP,NCARD
9500 FORMAT ('1, //',18X,'SUMMARY OF DAILY STATISTICS OF NARF',
1, ' AIRCRAFT ', //,27X,
2, ' DATA FOR JULIAN DATES ',14, ' TO ',14, //,27X, ' JULIAN ',15X,
3, ' TOTAL NUMBER OF OBSERVATIONS = ',14, //,
4, ' DIRECT ',6X, ' DIRECT ',5X, ' DIRECT ',7X, ' AFC ',22X, ' PENALTY ',5X,
5, ' # IN ',1X, ' DAY ',4X, ' DATE ',8X, ' NORM ',4X, ' MANHOURS ',4X,
6, ' LAB COST ',3X, ' MATL CGST ',4X, ' MANHOURS ',3X, ' OVHD COST ',8X,
7, ' COST ',5X, ' SHCP ', //)
K=JSTOP-JSTART
IF (K.GE.635) K=K-634
LDAYS=JSTART
DO 2000 I=1,K,1
WRITE (6,9501) I,LDAYS,ABOX(I),BBOX(I),CBOX(I),DBOX(I),RBOX(I),
6, SBOX(I),TBOX(I),EBOX(I)
9501 FORMAT ('14,4X,14,7F12.2,5X,F4.0)
LDAYS=LDAYS+1
2000 IF (LDAYS.EQ.0366) LDAYS=1001
CONTINUE
9508 WRITE (6,9508) ERROR
FORMAT ('10X, NUMBER OF ERRORS =',F3.0)
STOP
END

```





## ENGINE PRORATE PROGRAM

```

DIMENSION PMTR(28), IMATR(28)
DIMENSION ABOX(700), BBOX(700), CBOX(700), DBOX(700), EBOX(700)
DIMENSION FRGX(700), SBOX(700), TBOX(700)
DATA PMTR, IMATR/28*0.0, 28*0/
DATA ABOX, BBOX, CBOX, DBOX, EBOX, FRGX, SBOX, TBOX/700*0.0, 700*0.0,
6700*0.0, 700*0.0, 700*0.0, 700*0.0, 700*0.0, 700*0.0/
DATA LK, MODCUR, ERROR/1.0, 0.0, 0/

READ IN PENALTY COSTS
5000 READ (5, 5000) (PMTR(J), J=1, 28)
      FORMAT (10F7.2)
      C
      C
      C
5001 READ (5, 5001) (IMATR(K), K=1, 28)
      FORMAT (28I2)
      C
      C
      C
9000 READ IN FIRST AND LAST JULIAN DATE, AND NUMBER OF CARDS
      READ (5, 9000) JSTART, JSTOP, NCARD
      FORMAT (2X, I4, 2X, I4, 2X, I4)
      C
      C
      C
9001 READ IN RAW DATA
      DO 1000 I=1, NCARD, 1
      READ (5, 9001, END=9999) IAC, IN, ICUT, NORM, MH, LAB, MAT, KOHD
      FORMAT (I2, I2X, I4, IX, I4, IX, I5, 7X, I5, IX, I6, IX, I6, IX, I6)
      IDAYS=ICUT-IN
      IF (IDAYS.GE.635) IDAYS=IDAYS-635
      IF (IDAYS.LE.0) ERROR=ERROR+1, 0
      PNORM=FLOAT(NORM)/FLOAT(IDAYS)
      PMH=FLOAT(MH)/FLOAT(IDAYS)
      PLAB=FLOAT(LAB)/FLOAT(IDAYS)
      PMAT=FLOAT(MAT)/FLOAT(IDAYS)
      PKOHD=FLOAT(KOHD)/FLOAT(IDAYS)
      JDAYS=IN-JSTART+1
      IF (JDAYS.GE.635) JDAYS=JDAYS-635
      KDAYS=1DAYS+JDAYS-1
      BRING IN APPROPRIATE PENALTY COST
      C
      C
      C

```



```

DO 70 K=1,28
IF (IAC.EQ. IMATR(K)) GO TO 50
GO TO 60
PCOST=PMTR(K)
CGNTINUE
CG 1000 J=JDAYS, K DAYS, 1
ABOX(J)=ABOX(J)+PNORM
BBOX(J)=BBOX(J)+PMH
CBOX(J)=CBOX(J)+PLAB
DBOX(J)=DBOX(J)+PMAT
SBOX(J)=SBOX(J)+PKOHD
TBOX(J)=TBOX(J)+PCGST
EBOX(J)=EBOX(J)+1.0
CGNTINUE
9999 WRITE (6,9500) J, START, J, STOP, NCARD
9500 FORMAT (1, //, 18X, 'SUMMARY OF DAILY STATISTICS OF NARF',
1, ' ENGINES ', //, 27X,
1, ' DATA FOR JULIAN DATES ', //, 14, ' TO ', //, 14, ' / ', //, 27X,
2, ' TOTAL NUMBER OF OBSERVATIONS = ', //, 14, ' / ', //, 7X, ' JULIAN ', //, 15X, ' DIRECT ',
36X, ' DIRECT ', //, 5X, ' DIRECT ', //, 20X, ' PENALTY ', //, 5X, ' IN ', //, 1X, ' DAY ',
44X, ' DATE ', //, 8X, ' NORM ', //, 4X, ' HOURS ', //, 4X, ' LAB COST ', //, 3X, ' MATL COST ',
53X, ' OVHD COST ', //, 8X, ' COST ', //, 5X, ' SHOP ', //)
K=JSTOP-JSTART
IF (K.GE.635) K=K-634
LDAYS=JSTART
DO 2000 I=1, K, 1
WRITE (6,9501) I, LDAYS, ABOX(I), BBOX(I), CBOX(I), DBOX(I), SBOX(I),
6 TBOX(I), EBOX(I)
9501 FORMAT (14, 4X, 14, 6F12.2, 5X, F4.0)
WRITE (7,8501) I, LDAYS, ABOX(I), BBOX(I), CBOX(I), DBOX(I), SBOX(I),
8 TBOX(I), EBOX(I)
8501 FORMAT (13, 1X, 14, 1X, F7.2, 1X, F7.2, 1X, F8.2, 1X, F8.2, 1X,
9 F7.2, 1X, F4.0)
LDAYS=LDAYS+1
IF (LDAYS.EQ. 0366) LDAYS=1001
CGNTINUE
2000 WRITE (6,9508) ERROR
9508 FORMAT (10X, 'NUMBER OF ERRORS =', F3.0)
STOP
END

```



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ABSTRACT

The objective of this study was to estimate a cost function from a Constant Elasticity of Substitution production function and a Cobb-Douglas production function for the aircraft rework and engine repair programs at the Naval Air Rework Facility, North Island, San Diego, California. The cost functions were estimated by multiple regression analysis from data aggregated from actual data taken from production records of the two programs. An attempt was made to validate the two cost functions that were obtained, and a methodology was outlined for comparing predicted costs to actual production costs at the Naval Air Rework Facility.



| KEY WORDS  | LINK A |    | LINK B |    | LINK C |    |
|--|--------|----|--------|----|--------|----|
|  | ROLE   | WT | ROLE   | WT | ROLE   | WT |
| COBB-DOUGLAS COST FUNCTION                           |        |    |        |    |        |    |
| CONSTANT ELASTICITY OF SUBSTITUTION<br>COST FUNCTION |        |    |        |    |        |    |
| NAVAL AIR REWORK FACILITY                            |        |    |        |    |        |    |

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NAVAL AIR REWORK FACILITY



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