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NAVAL POSTGRADUATE SCHOOL Monterey, California





A TEMPLATE FOR THE SELECTION AND ARRAY OF INVENTORY AS AN AID IN THE DEVELOPMENT OF EVACUATION PLANS

by

James Lawrence Dietz

December 1987

Thesis Advisor:

Fenn C. Horton

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A Template for the Selection and Array of Inventory as an Aid in the Development of Evacuation Plans

by

James Lawrence Dietz Lieutenant Commander, Supply Corps, United States Navy B.A., Point Park College, 1973

Submitted in partial fulfillment of the requirements for the degree of

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ABSTRACT

A program is developed using the FOCUS interactive query language to aid in the selection of aviation-related inventory to be withdrawn from a forward-deployed stock point in the event of an evacuation. The program allows the input of critical parameters, and produces a scorecard which can be used to analyze withdrawal alternatives. Several possible selection objectives and measures of effectiveness are discussed.

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TABLE OF CONTENTS

I .	IN	FRODUCTION	6
	Α.	THE PROBLEM	6
	Β.	THESIS OBJECTIVE	8
	C.	APPROACH	8
	D.	SCOPE	9
	E.	PREVIEW	9
II.	VA	LUE ASSIGNMENT METHODOLOGY	.10
	Α.	INTRODUCTION	10
	B.	THE INVENTORY SELECTION MODEL	12
	C.	COMPETING OBJECTIVES	13
		1. Objective I: Maximize amount of inventory saved	13
		2. Objective II: Preserve the Maximum Value of Taxpayers'	
		Investment	14
		3. Objective III: Maximize the Effectiveness of the Global Supply	
		System	15
		4. Objective IV: Maximize the Ability to Continue Normal Operations	
		of the Deployed Site	17
		5. Objective V: Preserve Items Which Are Not Otherwise Readily	
		Available	18
		6. Objective VI: Save All Material Associated With Designated	
		Systems	18
		7. Objective VII: Preserve Classified and Developmental Material	20
	D.	SYNTHESIS, TRADE-OFFS AND ALLOCATION	20
III.	тн	E INVENTORY SELECTION TEMPLATE	. 22
	A.	GENERAL FUNCTION	22
	Β.	OPERATION OF THE MODEL	23
		1. Logical processing groups	23
		2. Opportunity Cost	23

			115
	C.	DECISION RULES	
		1. Test For Uniqueness (U-TEST)	
		2. Long-Supply Test	
		3. Value of Annual Demand Test24	
IV.	TES	STING WITH NSD SUBIC BAY DATA	
	A.	SCOPE OF ANALYSIS	
		1. Constraints	
		2. Logical Processing Groups	
	Β.	TEST PROCEDURE	
	C.	TEST RESULTS	
v.	SUI	MMARY, CONCLUSIONS, AND RECOMMENDATIONS	
		SUMMARY AND CONCLUSIONS	
		IMPLEMENTATION	
	C.	AREAS FOR FURTHER RESEARCH	
APP	ENI TH	DIX A: LOGICAL PROCESSING GROUPS DEVELOPED FOR E SUBIC BAY TEST	
APP	ENI	DIX B: SOURCES OF DATA	
APP	ENI	DIX C: TEST STATISTICS AND PARAMETERS	
APP	ENI	DIX D: FOCUS SOURCE CODE	
LIST	г о і	F REFERENCES	
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I. INTRODUCTION

A. THE PROBLEM

Navy logisticians commanding forward deployed stock points may have need to make choices among individual line items of inventory if forced to evacuate without having time to relocate the entire range and depth of carried stock. Decisions must be based on some global criterion which may not be visible to the logistician on scene. In addition, the choice of items to be evacuated must be such that the primary support mission of the stock point is degraded as little as possible; or to state the obverse, so that the mix of weapons required by the operational commander receives high levels of support albeit at the expense of "lower priority systems". An overseas stock point may carry in excess of 350,000 line items of inventory, with individual component counts numbering into the millions. Its inventory consists of old items, new items, fast movers and "insurance" material. Portions of the inventory are classified. There are many inexpensive items--fifteen percent of the items tie up fifty percent of the dollars invested--and a \$5,000 item can cause a mission-degrading failure as surely as a \$500,000 item.

The operational commander must be able to communicate his contingency support requirement as unambiguously as possible to the logistician, and the logistician must have a system in place which can respond quickly to support the desired mix of weapons, or lacking guidance from the operational commander, make reasonable, generalized choices among competing items within time, workload, and transportation constraints.

Dynamic programming solutions to this type of problem have been published since the early 1950's, and computational and logical enhancements to the process have been occurring on a regular basis. Mathematicians and statisticians stand ready to solve problems precisely like those faced by the forward deployed logistician in the scenario considered in this work. There is, in fact, a distinct genus of problems and solutions known as cargo loading, or the "knapsack problem", which translate directly. The knapsack problem, stated mathematically is:

$$\max \sum_{i=1}^{N} x_i v_i$$

subject to
$$\sum_{i=1}^{N} x_i w_i \le W \text{ (all } w_i \text{ are positive integers)}$$

and
$$\sum_{i=1}^{N} x_i u_i \le U \text{ (all } u_i \text{ are positive integers).}$$
$$x_i = 0 \text{ or } 1 \quad (i = 1, ..., N).$$

For the stock point evacuation scenario, each item of inventory i is characterized by a positive integer weight w_i , a positive integer volume u_i , and a value v_i , and there are constraints on both available weight (W) and available volume (U). The total number of components in the inventory (N) must each be considered, subtracting from available lift as each item is added during the problem's solution.¹

To solve this problem, one must know the capacity of the vessels assigned to transport (evacuate) the cargo, along with the physical dimensions and value measure for each candidate item. The difficulty in execution for the military planner lies in the fact that no criterion for the quantitative measure of an item's value has yet been defined with the requisite precision to facilitate the ranking of items in the wholesale system. With that

¹Stuart E. Dreyfus and Averill M. Law, <u>The Art and Theory of Dynamic Programming</u> (New York : Academic Press, 1977), p. 117.

impediment in mind, the task becomes one of offering some reasonable alternative method with which to execute a withdrawal given the inability to rank individual items.

B. THESIS OBJECTIVE

The Naval Supply Depot (NSD), Subic Bay, R.P. is sponsoring this research with the ultimate goal of developing a methodology to value its spare parts inventory. The first step is to develop a model which can be evaluated for its ability to operate over a wide range of input conditions, and suitability as a parts evacuation aid. Commanding Officers at NSD Subic Bay have examined withdrawal scenarios locally for some time. This thesis is the first to result from the research done at Subic Bay and has evolved into an cooperative effort integrating the resources of the stock point and the wholesale inventory control point (ICP) in the person of the Aviation Supply Office, Philadelphia. The thesis objective is to bring to bear the resources available at the ICP in order to provide a toolkit from which operational commanders and forward deployed logisticians can devise effective withdrawal plans.

C. APPROACH

The approach taken in the research has been to visit NSD Subic Bay and interview top management in order to determine the needs of the logistician-on-scene. A ten-day exploratory trip to Subic Bay provided the researcher with knowledge of the geographic supply support which the stock point provided and valuable insight into the problems faced by the command in attempts to value its inventory in the preparation of a contingency plan. As a consequence of that visit, the ICP was approached for assistance in testing a general model for use in prioritizing items of inventory. At the Aviation Supply Office, data processing time was made available for the researcher to do interactive programming using NSD Subic Bay "live data" to test the logic of the proposed heuristic.

D. SCOPE

Detailed study was concentrated on the aviation portion of NSD Subic Bay's inventory. The assignment of types of material to eight logical categories found in the test of the thesis model was made by the researcher. The scenario which governs the operation of the model was developed for testing purposes only.

This study is properly considered as a small component of a large and complex withdrawal environment. The boundaries set for this research assume that the operational commander has by some means arrived at the point where he may consider the evacuation of spare parts. No assertion is made concerning the relative importance of spare parts when compared with other physical property that may be co-located at the advance base, such as ordnance, or test equipment at a repair facility. The system described in the study is independent of transportation constraints, although it may be used as a predictive device to ascertain the quantity of spare parts that could be saved, given the availability of certain amounts of lift. It makes no assumption as to the probable availability of labor. It assumes the ability to orchestrate an orderly removal.

E. PREVIEW

Chapter II reviews the concept of value as it relates to spare parts inventories and the situational aspect of value assignment in the model. It discusses the objectives and measures of effectiveness available to the analyst for use in valuing an inventory. Chapter III previews the operation of the model. Chapters II and III are designed to provide the background, definitions, and context that will make the model's decision rules understandable and a useful tool for further research. Chapter IV presents information about the functioning of the model using NSD Subic Bay live data.

Chapter V presents a summary of the research effort and recommendations for further research.

II. VALUE ASSIGNMENT METHODOLOGY

A. INTRODUCTION

Given the powerful array of tools in the mathematician's arsenal with which to attack the evacuation problem, the central question in this thesis revolves around the selection of an appropriate criterion with which to value the forward-deployed inventory. What should be the aim of an inventory relocation from an advanced base? Clearly, the items selected for salvation on the basis of minimizing the loss of investment dollars would be different from a those saved based on maximizing the number of items which could be transported out of harm's way. Yet either objective seems to be a plausible choice, because each is easily quantifiable. "...We should save 40% of our inventory", or "we should preserve 65% of our investment dollars..." are objectives which are proposed early in any discussion of the problem.

Value may be viewed as inherent in a particular item of inventory, in which case its utility may be measured independently of any temporal aspect; or situational, in which case its worth can be measured only within the framework of the spare part's contribution to the effort for which it may be required. The Navy's inventory model for determining economic order quantity treats value as a continuing or inherent aspect of each item of inventory by including in its levels of inventory computation a factor representing essentiality. Having set the stage, it resolves the issue of making value measurements by setting the essentiality factor equal to "1" for each and every item.² An attempt to approximate the value of

²U.S., Department of the Navy, Naval Supply Systems Command, <u>Inventory</u> <u>Management: A Basic Guide to Requirements Determination in the Navy</u>, NAVSUP P-553, p. 3-32.

individual items situationally has been through the process of military essentiality coding, which for ships' parts is a measure of the frequency with which an item is required to correct a mission-degrading casualty (CASREP), but on the aviation side of the house is a more subjective and thus less useful computation involving conferences and negotiation to arrive at mission essentiality codes.

This study approaches the question of value or utility with the view that operational or employment factors are the primary contributors to the worth of an item. Any valuing of inventory in the development of a relocation sequence to be used under the pressures of forced withdrawal must be adaptable to the operational commander's support requirements at that particular time and place. If the primary concern is amphibious operations, parts which support those operations must receive greater priority than they would receive under some other scenario, such as the prosecution of an undersea threat or bombing missions over enemy territory. Value must be defined in terms of usefulness to the ultimate possessor. If, after relocation, the logistician has many parts to support the operation of high technology systems but the operator requires other material, the wrong choices have been made in preserving the inventory.

Operational support, important though it may be, is not the only dimension which must be considered in the approach to this problem. Take the case of the high technology part. It is not in the national interest to allow technology transfer to occur. This would surely happen should an enemy get access to any high-tech parts left behind, so we must somehow attempt to include a value for possession of high technology into our formula for taking parts with us. The same holds true for items of our inventory which are classified.

Further, the inventory of the forward deployed site must not be considered in isolation. Some items, qualifying as "valuable" parts by virtue of the situational definition to which we subscribe, would not be the most logical parts to save first; given security,

technology, or other constraints. Decision-makers must be afforded the opportunity to include material or classes of material based on experience and their perception of contemporary politics.

The operational commander has other important sources of material located aboard his Aircraft Carrier Battle Groups, and wholesale supply system posture must enter into the preservation equation. Under some conditions, the optimal mix to be preserved may be more closely related to wholesale supply system posture and the Navy's ability to support readiness in a global sense than to the needs of the theater commander. So it must be determined which "ultimate user" is to be supported in the effort.

There are many approaches to the problem, and probably many solutions which may be regarded as effective or efficient in guiding the evacuation of a spare parts inventory. Whereas the dynamic programming approach discussed in the introduction is devised to provide the optimal solution, it is not practicable in this case because of the incommensurability of competing objectives.

The problem is one of allocating resources to satisfy a wide range of competing requirements. Commanders must make the decisions, faced with uncertainty. The task at hand is to reduce uncertainty by describing the competing objectives, and laying out alternatives for the decision maker to consider. What follows is a discussion of a decision support system designed to array alternatives based on allocation decisions.

B. THE INVENTORY SELECTION MODEL

There are several objectives which must be considered in a policy decision of this type, each with a unique election criterion. One objective may be to save as many parts as possible. Another may be to select parts so that the maximum amount of dollars invested may be preserved. A third may be to maximize the effectiveness of the global supply system; or one closely related, to minimize the impact on "business-as-usual" for the

deployed inventory. Operators may desire that the selection process be predicated upon

some ranking of weapon systems to be supported by the repositioned inventory.

The consequences of pursuing any of these objectives must be understood in order to make a rational decision. Further, each objective must be measured in the light of its contribution to the overarching goal.

The primary mission of the Department of the Navy is to protect the United States, as directed by the President or the Secretary of Defense, by the effective prosecution of war at sea including, with its Marine Corps component, the seizure or defense of advanced naval bases; to support, as required, the forces of all military departments of the United States; and maintain the freedom of the seas.³

C. COMPETING OBJECTIVES

1. Objective I: Maximize amount of inventory saved

a. Definitions Required

"Amount of inventory" here refers to the physical quantity of line items of spare parts saved. It could alternatively be stated in terms of numbers of individual pieces; or a volume measurement, such as measurement tons.

b. Measure of Effectiveness

Measures of Effectiveness for an operation of this type could be easily computed and readily explained to the American public in terms of the ratio of inventory saved to inventory on hand prior to evacuation. There is a danger in the use of a ratio as a measure of effectiveness, as the decision maker may lose sight of the absolute magnitude of the numbers comprising the ratio.

³<u>The United States Government Manual</u> (Washington, D.C.: Office of the <u>Federal</u> <u>Register</u>, National Archives and Records Administration, 1986), p. 211.

c. Contribution to Overall Goal

Pursuit of this objective yields no direct operational support effect. It would discriminate against large or hard-to-pack items. The inventory saved is likely to consist of many minor parts of little use, whereas the parts left behind may be very expensive, operationally significant, and of great propaganda value to the enemy. This goal makes sense only in the context of a scenario which affords the necessary resources to evacuate an inventory in its entirety. Even then, to evacuate everything, including obsolete or otherwise unusable portions of the inventory, does not seem to make effective use of resources. This objective has little to do with valuing an inventory and is not explicit in the model.

2. Objective II: Preserve the Maximum Value of Taxpayers' Investment

a. Definitions Required

"Value of taxpayers' investment" is defined as the replacement cost of the inventory at the stock point subject to the relocation effort. It represents the summation of unit prices over all items held in inventory.

b. Measure of Effectiveness

The measure of effectiveness for an objective of this type would be the dollar value of material saved. While being both simply calculated and easily explained, the preservation of dollars invested may not accurately represent opportunity costs. For example; a hard-to-get, inexpensive item which is needed to repair a front-line weapon system but is left behind may represent a much higher opportunity cost than a high-priced item, also needed in the repair of a front-line system, which has many substitutes or is readily available.

c. Contribution to Overall Goal

This objective is attractive in that practically all decisions made on Capitol Hill have costs measured in dollars, and the Pentagon is often criticized for its stewardship of the public purse. The contribution of this objective to the overall goal may be directly correlated to the political situation. In time of war, when effectiveness of the operating force is ascendent, policy-makers may be less concerned with dollars than in times of peace, when the efficient use of available resources is more highly prized.

A selection criterion based upon large price tags is likely to get most hightechnology parts, and many complex systems, but would have no direct operational support dimension and is likely to leave behind classified, or important yet inexpensive material which could compromise national security.

This objective is expressed within the model. Its influence may be varied through the selection of operating parameters.

3. Objective III: Maximize the Effectiveness of the Global Supply System

a. Definitions Required

"Effectiveness" is defined as the ability of the supply system to provide appropriate material to its clients upon demand.

"Global Supply System" refers to the existence and management of a level of inventory which is controlled at the national level, known as the wholesale level of inventory. It is related to, yet distinct from the level of inventories held at the forwarddeployed sites.⁴

⁴Inventory Management, NAVSUP P-553, p. 1-3.

b. Measure of Effectiveness

The measure of effectiveness traditionally applied to the supply system is Supply Material Availability (SMA), calculated by dividing the number of requisitions filled by the number of requisitions received. The computation is done on a line-item basis, and can be aggregated to the system level.

A more operationally oriented, but indirect measure of effectiveness for the supply system is supply response time. It is an important contributor to Operational Availability (A_0), which is the probability that a system will operate satisfactorily when called upon in an actual support environment. It would be beyond the scope of this study, however, to reduce this measure so that it becomes useful to the valuation of individual items.⁵

The supply system is similar to any spare parts business in that it depends on sales of its shelf stock to generate revenues to procure more stock, and continue in operation. This relocation objective, therefore, may be alternatively stated as the minimization of reductions to the financial position of the Navy Stock Fund. The measure of effectiveness then used would become the value of annual demand for those items of inventory saved.⁶

A final method of measuring this objective could be to look at the inventory in terms of "long supply". Items in long supply are held in excess to projected requirements and represent a source of stock which we might not want to evacuate.

⁵Supply support is a component of mean logistics delay time, which contributes to the time a system is unavailable for use. For a complete discussion of the Navy's availability computation, see NAVMATINST 3000.2, <u>Operational Availability of Weapon Systems and Equipments; Definitions and Policy.</u>

⁶Value of Annual Demand (VAD) is computed by multiplying the unit price of an item by the demand for that item over a twelve-month period.

The model uses the concepts of value of annual demand and long supply as surrogate criteria for measuring the effectiveness of the supply system.

c. Contribution to Overall Goal

The decision to save items with high values of annual demand, attractive from a financial standpoint, carries with it some negative effects. It has no direct relationship to the provision of support to an operational commander, in that a globally generated value of annual demand statistic may not be representative of the local inventory's usage. Items left behind may be strategically significant insurance items, or highly reliable items which do not fail often enough to qualify for retention. In this last case, we could conceivably leave behind our most reliable technology. Our "dead stock" may also include important items that have been procured to support new systems which have yet to generate significant sales.

4. Objective IV: Maximize the Ability to Continue Normal Operations of the Deployed Site

a. Definitions Required

"Normal Operations" is defined as the requisitioning pattern experienced by the deployed stock point during the time prior to evacuation.

b. Measure of Effectiveness

Effectiveness in achieving this objective could be measured and expressed as a ratio comparing, across a universe defined by the material originally located at the site, the number of requisitions satisfied with the number of requisitions received.

c. Contribution to Overall Goal

Selection based on this objective would include items which have been frequently ordered by local forces, but it is a backward-looking goal which assumes that the mix and utilization of forces does not change from previous levels in the new operating environment. Pursuit of this objective is not attempted within the proposed model.

5. Objective V: Preserve Items Which Are Not Otherwise Readily Available

- a. Definitions Required None.
- b. Measure of Effectiveness

This objective could be measured by a ratio comparing the number on hand for each item at the deployed site with the total quantity available in the wholesale supply system for that particular item. A threshold statistic could be established, and success might be measured in terms of the percentage of items exceeding the threshold evacuated.

c. Contribution to Overall Goal

This objective seems to capture some sense of the true scarcity or value of an item. For example, if the majority of the supply system's stock of an asset were situated at the forward-deployed site it seems reasonable to save that item. By selecting items which relate to unique operations supported by the inventory, it would bear directly on needs of the operational commander. It could, on the other hand, select for relocation items which support systems that are no longer in operation anywhere and should have been scrapped or otherwise disposed of at some earlier time

Pursuit of this objective may also have produce reductions in the supply system's procurement requirements for hard-to-get material. It is an important feature in the operation of the model.

6. Objective VI: Save All Material Associated With Designated Systems

a. Definitions Required

None.

b. Measure of Effectiveness

The measure of effectiveness for this objective would be the number of items saved which relate to a designated system. This measure could be computed for individual systems or summed over all designated systems.

c. Contribution to Overall Goal

Under this system, the decision-maker would provide a list of systems for which supply support is to be maximized. The inventory for the first system would be saved, then the second, and so on down the list until the available lift resources have been used up. This method has intuitive appeal, in that it appears to have achieved a direct correlation between what the operational commander needs with what is actually saved. It makes sense for the commander to tell us what his top priority items are so that they can be saved first.

As the logistician proceeds further into the list this method becomes less sound. Are minor parts for system five more important than major components for system six? Should all resources be allocated among the first five systems and none on the remainder? It becomes clear when examining this alternative that the central problem is resource allocation, not simply the ranking of individual line items of inventory.

One important effect of planning with this objective in mind, however, is the development of lists of systems, or classes of parts which may be excluded from the allocation decision. Used in this way, the ranking methodology finds constructive expression at the extremes of the decision, where it can contribute realistic constraints to the analysis. The objective is used for this purpose within the model.

7. Objective VII: Preserve Classified and Developmental Material a. Definitions Required

"Classified material" represents that stock which is held secret by the United States for security reasons. It is identified by any one of seven physical security codes in the records of the Navy's inventory control system.

"Developmental material," also known as interim support material, represents items placed at stock points in support of new weapons systems which have not yet had the complete suite of logistics elements installed by the Navy. These items generally represent the latest technology and exist in very small numbers. They are identified within the Navy's inventory system by a unique management code.

b. Measure of Effectiveness

The measure of effectiveness required for the withdrawal of this group of material is binary. It has either been saved or not saved. In this respect it resembles a goal more than an objective.

c. Contribution to Overall Objective

This is an objective which is in the interest of national security and must be met. It is treated as a constraint in the analysis. The first efforts of a military evacuation should be expended in safeguarding that which is secret or developmental.

D. SYNTHESIS, TRADE-OFFS AND ALLOCATION

Every objective discussed above carries with it both contributory and antagonistic characteristics. The selection of items to be saved is achieved through a series of tradeoffs among objectives in order to increase the probability that the correct mix of inventory has been preserved. The role of the decision maker is to apply his expert judgement in selecting features from each objective in the proper proportion to maximize the value of the inventory to be preserved. The role of the model is to array selection alternatives based upon the decision maker's alliance of criteria.

The decision maker must specify the resources he will make available to the project in terms of lift capacity and man-days allowed to complete the project. Holding these costs fixed will facilitate the decision-making process later by permitting the gains achieved by pursuing each objective to be measured against the same investment in time, money, men, and materials. Summary statistics derived from the application of the heuristic can be useful in the determination of whether the preserved inventory meets the final objectives of the planner; and the records of individual items selected can be applied to the tasks of producing picking tickets, shipping documents, and scheduling the work to be done during any actual relocation effort.

III. THE INVENTORY SELECTION TEMPLATE

The ability to distill hundreds of distinct categories of material into intuitively recognizable weapon system identities is crucial to the development of an inventory relocation decision support system. A program developed by James Lomanno at the Aviation Supply Office, Philadelphia, to collate individual spare part performance data and present it by aircraft type has been adapted as the basis for the assignment of parts to specific weapon systems. Each item was entered into a table which assigned it to a unique system or category. Where one part showed multiple applications, it was related to the system having the highest priority assignment.⁷

A. GENERAL FUNCTION

The inventory selection model is a framework of questions programmed in FOCUS, an interactive query language available at the Navy's Inventory Control Points. Direct access to inventory and other system files makes work with up-to-date information possible. The analyst may gain access to all required data on a real-time basis.

A series of decision rules is employed to select material based on the objectives defined above. The first step in the process is to define the universe of items to be considered by the model. This is done by segregating the items belonging to the activity

⁷The applications of spare and repair parts managed by the Aviation Supply Office are identified by special material identification codes embedded within individual stock records. The EA-6B Prowler has eight distinct codes; the F/A-18 Hornet, four; and so on. Additionally, the identities of individual item management desks and special management programs are coded within the stock record. Mr. Lomanno's table provides the flexibility to select based on aircraft, type of material, special interest program, or other specified category without having detailed knowledge of supply system coding.

whose inventory is to be stratified from the rest of the items managed by the wholesale supply system.

After the candidates for stratification have been identified, any constraints imposed by the policy maker are applied. The remaining material is grouped into logical processing categories as requested by the decision maker, and subjected to a battery of tests designed to screen items based on the following criteria; uniqueness or scarcity, contribution to the repair of weapon systems, and volume of use within the supply system.

B. OPERATION OF THE MODEL

1. Logical processing groups

A logical processing group is a user defined category which becomes the basis for stratification of an inventory in order to support the execution of the operational support model. It is a grouping of similar systems or classes of material according to any criterion set by the user. The only constraint for assignment is that one system may not exist simultaneously in more than one logical group. The use of these groups allows managers not familiar with the computer program to easily define the arguments which will be used to array the inventory and assist in making large order-of-magnitude decisions about which types of material are to be preserved.

2. Opportunity Cost

The opportunity cost of an inventory relocation decision may be represented as the value associated with the use of the material left behind. If the operational commander is unable to execute his mission because of degraded equipment, which could have been repaired using the inventory left behind, the opportunity cost is very high. Indeed, if the logic is pursued to its ultimate state, the opportunity cost becomes the value of freedom lost due to defeat in battle. The aim of the inventory selection model is to balance the various objectives in order to minimize the opportunity cost associated with that segment of the

stock point's inventory left behind. Within the model, surrogates for opportunity cost are interpreted in light of an item's contribution to the performance of maintenance on specified systems; the item's scarcity; or business volume within the supply system.

C. DECISION RULES

The model performs some tests during its operation which must be understood before a review of its application to a specific data set is undertaken. Where applicable, a default parameter has been set to work in a generalized case. The analyst may tailor the parameters to coincide with the choices made by the decision maker in any application of the model to actual circumstances.

1. Test For Uniqueness (U-TEST)

U-TEST is designed to identify those items of inventory unique (or nearly so) to the affected stock point. The test figure is computed by dividing an estimate of the on-hand quantity for each asset at the stock point by the wholesale system asset quantity. The ratio which will qualify an item for evacuation is a parameter which should be reviewed prior to executing the program. Default values for this test are set at 0.50 for consumables and launching accessories, or 0.33 for repairables and Naval Air Systems Command-managed end items.

2. Long-Supply Test

The long-supply test is designed to identify items which have low opportunity costs by virtue of their overabundance within the supply system. The test is achieved by matching a candidate item with the wholesale supply system file identifying items in long supply.

3. Value of Annual Demand Test

The value of annual demand test attempts to approximate the opportunity cost of an item over all its applications throughout the supply system. By combining price and

volume data, it arrays for the decision maker items which comprise a significant portion of the Navy's spares input to the maintenance of weapon systems. Default settings for the value of annual demand test are observed value of annual demand \geq \$1Million for consumables, or observed value of annual demand \geq \$100,000 for repairables and other items.

IV. TESTING WITH NSD SUBIC BAY DATA

A. SCOPE OF ANALYSIS

Analysis was limited to the aviation portion of NSD Subic Bay's inventory to facilitate development of the model. Parameters of the model were selected such that material targeted for withdrawal would provide maximum benefit to the wholesale supply system, which could be expected to fill the gap in support until a new geographic support site could be established.

A hypothetical case was selected where the decision maker desired that all classified and interim support material be saved, that material associated with aircraft whose fleet introduction is not yet complete be given preference over items which support mature programs, and that visibility of major weapon systems be maintained throughout the selection process. Further, material with extremely high replacement prices was to be identified. Three days were allotted for the withdrawal. It was assumed that the stock point would be capable of processing 1,500 line items each day.⁸

1. Constraints

All classified and interim support material must be evacuated.

2. Logical Processing Groups

- (1) Aircraft in Process of Fleet Introduction.
- (2) Carrier-based Aircraft
- (3) Electronic Warfare Aircraft
- (4) Helicopters and Fleet Support Aircraft
- (5) Anti-submarine Warfare Aircraft
- (6) Armament and Launch Accessories

⁸Discussions with planners at NSD Subic Bay indicate that normal daily throughput, including both receipts and issues, is approximately 2,500 line items per day. The figure was reduced for the evacuation study to compensate for the loss of civilian workforce.

(7) Support Equipment and Special Tools

(8) Obsolescent Aircraft

B. TEST PROCEDURE

Appendixes A through D contain information specific to the test of the model using NSD Subic Bay data. Appendix A displays the logical processing group assignments for the test of the model. Appendix B is a listing of files and data sources used in the execution of the model. Appendix C includes the parameters and test statistics used to tailor the model to the test case. Appendix D contains the source code for the FOCUS program.

Four tests were applied to each item of inventory in selecting candidates for withdrawal; two based on scarcity, one based on usage, and one based on historical cost. The qualification based on historical cost was applied as a result of the scenario chosen for the test. The other three qualifications are included in the structure of the model. Test parameters were developed after discussion with supply system managers at the Aviation Supply Office. An item was qualified for selection if it passed any one of the four tests.

C. TEST RESULTS⁹

The model recommended 4,600 line items for relocation, out of a population of 45,000 items within NSD Subic Bay's AVCAL.¹⁰ Table 1 displays summary statistics by line item within logical group. All groups experienced an increase in proportion of items selected above their proportion to the overall population except group eight (obsolescent

⁹The outcomes presented in the thesis demonstrate the selection heuristic's ability to operate successfully using actual files and equipment at the Inventory Control Point. While the results may become a starting point for discussion to arrive at appropriate selection objectives, processing groups and test parameters, they may not represent optimal choices for evacuation.

¹⁰Aviation Consolidated Allowance List.

aircraft), which was excluded in its entirety; and group one (new aircraft), which includes a much larger number of minor repair parts than other groups because of recent changes to the method of supply support provisioning. Table 1 may be viewed as a report card for the performance of the model based on the objective to maximize or minimize support of designated systems.

TABLE 1

CATEGORY	LINE ITEMS	PROPORTION	LINE ITEMS	PROPORTION	CHANGE IN
	ALLOWED	OF TOTAL	SELECTED	SELECTED	PROPORTION
1*	17,513	.3849	1,501	.3244	-16%
2	9,313	.2046	1,387	.2998	+47%
3	425	.0093	53	.0115	+24%
4	2,956	.0650	383	.0828	+27%
5	3,038	.0667	524	.1132	+70%
6	4,489	.0987	508	.1098	+11%
7	2,566	.0564	271	.0586	+04%
8	5,208	.1145	896**	.1622**	+41%**
TOTALS	45,503	1.0000	4,627	1.0000	

PROPORTION OF LINE ITEMS SELECTED¹¹

* Category one material was exempted from the long supply test as future outfittings are expected to increase the need for those items.

** Not included in computation. Included for comparison only.

Table 2 further reveals the implications of the relocation decision guided by the test scenario stated above. It shows that given three days, NSD Subic Bay could likely save 12.5% of its items, representing 35.7% of the inventory's replacement cost and 40% of the stock point's annual business.

When the program is run using constraints based on the operational commander's preferences, a "scorecard" constructed similarly to Tables 1 and 2 may be produced, displaying outcomes for each measure of effectiveness. The decision maker would then

¹¹Objective VI, save material associated with designated systems.

make his choice based on a realistic estimate of effectiveness measures explicitly stated. This scorecard approach is recommended by Quade for public sector decisions, where many aspects of a problem must be considered. It presents a disaggregated means of comparing impacts over several alternatives so that a decision maker may view competing alternatives in terms of their strengths and weaknesses according to several incommensurable measures of effectiveness.¹²

TABLE 2

MOE*	TOTAL	SELECTED	PERCENTAGE
REPLACEMENT COST OF INVENTORY ¹³	\$571.17 MILLION	\$203.82 MILLION	35.7%
NUMBER OF LINE ITEMS ¹⁴	45,000	4,600	10.2%
NUMBER OF ITEMS ¹⁵	506,000	63,000	12.5%
VALUE OF ANNUAL DEMAND ¹⁶	\$6.52 BILLION	\$2.61 BILLION	40.0%
UNIQUE LINE ITEMS SELECTED ¹⁷	45,000	1,900	4.2%
CLASSIFIED AND INTERIM SUPPORT MATERIAL ¹⁸			100.0%

SUMMARY PERFORMANCE DATA

* Measure of Effectiveness

¹²E.S. Quade, <u>Analysis for Public Decisions</u>, 2d. ed. (New York: North-Holland, 1982), pp 217-221.

¹³Objective II, maximize the dollar value of inventory saved.

¹⁴Objective I, maximize the number of items saved.

¹⁵Objective I.

¹⁶Objctive III, maximize effectiveness of the global supply system.

¹⁷Objective V, preserve items which are not otherwise readily available.

¹⁸Objective VII, preserve classified and developmental material.

V. SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

A. SUMMARY AND CONCLUSIONS

The objective of this thesis has been to develop a model which can display inventory relocation alternatives based on the preferences of the operational commander. The model uses the resources available at an Inventory Control Point (ICP) to build a table of outcomes which may assist the forward-deployed logistician in the preparation of contingency withdrawal plans.

Chapter II has presented the objectives, rationales, and measures of effectiveness which may be applied to the problem of inventory evacuation. Chapter III has discussed the general functioning of the model. Chapter IV has summarized the operation of the model using live data.

The model has successfully integrated data from several sources in the preparation of a scorecard to be evaluated by the decision maker, and has recommended a group of withdrawal candidates which embrace the parameters set in the test scenario. It operates with minimal guidance from the planner, while at the same time allowing the planner to vary selection parameters with relative ease. It can be a useful aid in the consideration of decision outcomes, and is ready for implementation.

B. IMPLEMENTATION

Further programming is required to move from the planning process to the execution of the contingency plan. Once the planner has approved the choice of inventory to be relocated, data from the model should be used in the preparation of redistribution orders from the Inventory Control Point to the Stock Point so that relocation could be carried out under existing supply system rules and procedures. This step is critical because the only substantial alternative to provide the lost services immediately following an evacuation will be to rely on the wholesale system. Evacuating the parts, although of primary importance, is only the first step. The value of the parts lies in their use. Visibility and control of the actual relocation within the wholesale supply system is crucial to the minimization of the time during which the parts which have been deemed critical are unavailable for use.

C. AREAS FOR FURTHER RESEARCH

There is a need for continuing research to discover an objective and measure of effectiveness which consolidate the several which the model attempts to balance. Further analysis of recommendations made by the model over many scenarios may reveal relationships between objectives that will permit a more precise approximation of inventory value and the construction of an item relocation scorecard.

A similar study of the relocation selection process should be undertaken for nonaviation segments of inventory at the forward-deployed stock point, so that decision makers may gain access to a more complete suite of alternatives concisely displayed.

Finally, research which examines the relationships among all activities at an overseas base should be attempted with the view toward integrating all functions in the development of an overall withdrawal contingency plan.

APPENDIX A: LOGICAL PROCESSING GROUPS DEVELOPED FOR THE SUBIC BAY TEST

(1) AIRCRAFT IN PROCESS OF FLEET INTRODUCTION.

•F/A 18 •AV-8B •SH-60

(2) CARRIER-BASED AIRCRAFT

•A-6 •EA-6B •E-2C •F-14 •H-53*

*H-53 included because of mine warfare capability.

(3) ELECTRONIC WARFARE AIRCRAFT

•ELECTRONIC EQUIPMENT •EP-3 •TACAMO

(4) HELICOPTERS AND FLEET SUPPORT AIRCRAFT

•C-2 •H-1 •H-2 •H-3 •H-46

(5) ANTI-SUBMARINE WARFARE AIRCRAFT

•P-3 •S-3

(6) ARMAMENT AND LAUNCH ACCESSORIES

•ARMAMENT COMMON AVIONICS LAUNCH AND RECOVERY ** •RADIOS

****Material managed by the Branch Aviation Supply Office.**

(7) SUPPORT EQUIPMENT AND SPECIAL TOOLS

 AUXILIARY POWER UNITS •METEOROLOGICAL EQUIPMENT •PHOTOGRAPHIC EQUIPMENT SAFETY AND SURVIVAL EQUIPMENT •SUPPORT EQUIPMENT: **AAM-60** CAT III-D GENERAL SUPPORT EQUIPMENT •SPECIAL-USE TOOLS

(8) OTHER AIRCRAFT

•AV-8A •A-3 •A-4 •A-7 •C-130 •C-131 •C-135 •DRONES •F-4 •F-5 •F-8 •GENERAL AIRCRAFT •H-34 •H-50 •OTHER •OV-10

•P-2

•S-2

•TRAINING DEVICES

•T-2

•T-34

•T-39

APPENDIX B: SOURCES OF DATA

(1) AVIATION SUPPLY OFFICE MASTER DATA FILE

The ASO Master Data File, which is updated quarterly, is the source of the following

data:

•QUARTERLY DEMAND •UNIT PRICE •UNITS READY FOR ISSUE •UNITS NOT READY FOR ISSUE •PHYSICAL SECURITY CODES.

(2) AVIATION SUPPLY OFFICE DOCUMENT STATUS FILE

The ASO Document Status File, which is updated weekly, is the source of the

following data:

•NUMBER OF BACKORDERED REQUISITIONS •NUMBER OF REQUISITIONS HELD FOR ITEM MANAGER REVIEW.

(3) AVIATION SUPPLY OFFICE PLANNED PROGRAM REQUIREMENTS FILE

The ASO Planned Program Requirements File, updated as changes occur to site

allowances, is the source of the following data:

•ITEMS LOCATED AT THE EVACUATION SITE (RANGE AND DEPTH) •SPECIAL MATERIAL IDENTIFICATION CODE •COGNIZANCE SYMBOL

(4) AVIATION SUPPLY OFFICE (UN)VALIDATED STRATIFICATION FILE

The ASO Stratification File is produced semi-annually in support of the budget process. Depending upon the time of the data request with respect to the annual budget cycle, data in this file may either be validated or in process of review. This file is the source of the following data:

•LONG SUPPLY DATA.

APPENDIX C: TEST STATISTICS AND PARAMETERS

(1) TEST STATISTICS

Test for Uniqueness (U-TEST)

U-TEST is the ratio of an approximation of the quantity on hand at the evacuation site

with an estimate of the wholesale system quantity. It is derived in the following manner:

On Hand = Allowance quantity - (backorders + documents held for review).

Wholesale system = (Ready for Issue + Not Ready for Issue) $+1^*$.

(2) PARAMETERS

- U-TEST: 0.50 or greater for consumables and launch and recovery material 0.33 or greater for repairables and all other material.
- VAD: \$1,000,000 or greater for consumables and launch and recovery material \$ 100,000 or greater for repairables and all other material.

UNIT PRICE: \$25,000 for consumables and launch and recovery material \$15,000 for repairables and all other material

*One is added to the estimated wholesale quantity to prevent the U-Test computation

from having a denominator equal to zero.

APPENDIX D: FOCUS SOURCE CODE

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EDIT ---- JXXXXXX.FFU00.PTF0C648.FOCEXEC(JEWELS) - 01.45 ---- COLUMNS 001 072 SCROLL ===> FAGE COMMAND ===> 017600 ** LINES 179 THRU 182 ESTABLISH U-TEST ** 017700 ** ** 017900 DEFINE FILE CAT1 ADD 018000 ASSET/110 = T0TY - B0;018100 PCT/D5.2 = ASSET/ASSETS; . 018200 END 018400 ** ** 018500 ** LINES 188 THRU 198 ARE LONG SUFFLY TEST -- NOT USED FOR CAT 1 ACFT ** 018600 ** ** 018800 MATCH FILE CAT1 018700 BY NIIN 019000 PRINT PRICE VAD COG ASSET PCT WEAPONCAT TOTY 019100 RUN 019200 FILE UNX6 017300 BY UNIIN AS 'NIIN' 019400 IF WEAPONCAT NE 1 019500 IF LS GT 0 019600 AFTER MATCH HOLD AS CAT2 OLD-NOT-NEW 019700 END EDIT ---- JXXXXXX.PPU00.PTF0C648.FOCEXEC(JEWELS) - 01.45 ---- COLUMNS 001 072 COMMAND ===> SCROLL ===> PAGE 019900 ** ** 020000 ** LINES 205 THRU 227 ARE SORT STATEMENTS FOR 1R/5R ITEMS IN SPECIFIC** 020100 ** AIRCRAFT CATEORGY/S ** 020200 ** ** 020400 MATCH FILE CAT2 020500 BY NIIN 020600 IF COG EQ 1R OR 5R 020700 IF VAD GE 1000000 020800 WRITE VAD PRICE PCT ASSET TOTY COG WEAPONCAT 020900 RUN 021000 FILE CAT2 021100 BY NIIN 021200 IF COG ED IR OR SR 021300 IF VAD LT 1000000 021400 IF PRICE GE 25000 021500 WRITE VAD PRICE FCT ASSET TOTY COG WEAPONCAT 021600 AFTER MATCH HOLD OLD-OR-NEW 021700 RUN 021800 FILE CAT2 021900 BY NIIN . . -

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EDIT ---- JXXXXXX.PPU00.PTF0C648.F0CEXEC(JEWELS) - 01.45 ---- COLUNNS 001 072 COMMAND ===> SCROLL ===> FAGE 022000 IF COG EQ 1R OR 5R 022100 IF VAD LT 1000000 022200 IF PRICE LT 25000 022300 IF FCT GE .50 022400 WRITE VAD PRICE PCT ASSET TOTY COG WEAPONCAT 022500 AFTER MATCH HOLD AS XXX OLD-OR-NEW 022600 END 055800 ** ** LINES 233 TO 241 COMPRESS/ORGANIZE HOLD FILE 'XXX' 022900 ** ** 023000 ** ** 023200 DEFINE FILE XXX CLEAR 023300 VAD/D14.2 = E02 + E09 + E16;023400 PRICE/D10.2 = E03 + E10 + E17; 023500 PCT/D5.2 = E04 + E11 + E181023600 ASSET/I10 = E05 + E12 + E19;023700 T0TY/I10 = E06 + E13 + E20; 023800 CDG/A2 = 'IF E07 LT 'AA' THEN E14 ELSE E21; 023900 WEAPONCAT/A1 = IF E08 LT 'A' THEN E15 ELSE E22; 024000 END EDIT ---- JXXXXXX.FFU00.FTF0C648.FDCEXEC(JEWELS) - 01.45 ---- COLUMNS 001 072 COMMAND ===> SCROLL ===> FAGE 024200 ** ** 024300 ** LINES 247 TO 278 DUFLICATE ABOVE FOR ALL OTHER COG ITEMS ** 024400 ** ** 024600 MATCH FILE CAT2 024700 BY NIIN 024800 IF COG NE 1R OR 5R 024900 IF VAD GE 100000 025000 WRITE VAD PRICE PCT ASSET TOTY COG WEAPONCAT 025100 RUN 025200 FILE CAT2 025300 BY NIIN 025400 IF COG NE 1R OR 5R 025500 IF VAD LT 100000 025600 IF PRICE GE 15000 025700 WRITE VAD PRICE PCT ASSET TOTY COG WEAPONCAT 025800 AFTER MATCH HOLD OLD-OR-NEW 025700 RUN 026000 FILE CAT2 026100 BY NIIN 026200 IF VAD LT 100000 026300 IF PRICE LT 15000 ---- -3

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EDIT ---- JXXXXXX.PPU00.PTF0C648.F0CEXEC(JEWELS) - 01.45 ---- COLUMNS 001 072 COMMAND ===> SCROLL ===> PAGE 026400 IF COB NE 1R DR SR 026500 IF PCT GE .33 026600 WRITE VAD FRICE FCT ASSET TOTY COG WEAPONCAT 026700 AFTER MATCH HOLD AS YYY OLD-DR-NEW 026800 END 026900 DEFINE FILE YYY CLEAR 027000 VAD/D14.2 = E02 + E09 + E16; 027100 PRICE/D10.2 = E03 + E10 + E17; 027200 PCT/D5.2 = E04 + E11 + E18;027300 ASSET/110 = E05 + E12 + E19; 027400 TQTY/I10 = E06 + E13 + E20;027500 COB/A2 = IF E07 LT 'AA' THEN E14 ELSE E21; 027600 WEAPONCAT/A1 = IF E08 LT 'A' THEN E15 ELSE E22; 027700 END 027900 ** ** LINES 285 TO 318 MATCH XXX AND YYY FILES INTO FINAL LIST 028000 ** ** AND DEFINE OTY FIELD ** 028100 ** 028200 ** ** ***** 028400 MATCH FILE XXX 028500 BY NIIN EDIT ---- JXXXXXX.FPU00.FTF0C648.F0CEXEC(JEWELS) - 01.45 ---- COLUMNS 001 072 SCROLL ===> PAGE COMMAND ===> 028600 PRINT VAD FRICE PCT ASSET TOTY COG WEAPONCAT 028700 RUN 028800 FILE YYY 028900 BY NIIN 027000 PRINT VAD PRICE PCT ASSET TOTY COG WEAPONCAT 027100 AFTER MATCH HOLD AS FINAL OLD-OR-NEW 029200 END 029300 DEFINE FILE FINAL CLEAR 029400 VAD/D14.2 = E02 + E09;029500 FRICE/D10.2 = E03 + E10; 027600 PCT/D5.2 = E04 + E11;029700 ASSET/110 = E05 + E12;029800 T0TY/I10 = E06 + E13;027900 CDG/A2 = IF E07 LT 'AA' THEN E14 ELSE E14; 030000 WEAFONCAT/A1 = IF E08 LT 'A' THEN E15 ELSE E08; 030100 END 030200 DEFINE FILE FINAL ADD 030300 QTY/I10 = ASSET; 030400 EXVALUE/D15.2 = PRICE * 0TY; 030500 AVVALUE/D15.2 = PRICE * TOTY; 030600 END 030700 MATCH FILE FINAL -....

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EDIT ---- JXXXXX.PPU00.PTFDC648.FDCEXEC(JEWELS) - 01.45 ---- COLUMNS 001 072 COMMAND ===> SCROLL ===> PAGE 030800 BY NIIN 030900 PRINT VAD PRICE PCT ASSET TOTY OTY EXVALUE AVVALUE 031000 RUN 031100 FILE PPR 031200 BY NIIN 031300 IF UIC EQ 00651 031400 IF COG NE 0\$ 031500 IF WEAPONCAT ED &WEAPONCAT 031600 FRINT COG WEAPONCAT ACFT 031700 AFTER MATCH HOLD OLD-AND-NEW 031800 END 035000 ** ** 032100 ** LINES 324 TO 356 ARE PRINT STATEMENTS ** 035500 ** ** 032400 TABLE FILE HOLD 032500 IF DTY NE 0 032600 PRINT NIIN TOTY AS 'AVCAL' 032700 QTY AS 'ONHAND' 035800 EXVALUE AS 'EXTENDED VALUE' 032900 EDIT ---- JXXXXXX.PPU00.FTF0C648.F0CEXEC(JEWELS) - 01.45 ---- COLUMNS 001 072 CUMMAND ===> SCROLL ===> PAGE PCT AS 'U-TEST' 033000 033100 PRICE 033200 VAD 033300 COG 033400 BY WEAPONCAT AS 'CATEGORY' BY ACFT 033200 033600 ON WEAPONCAT SUB-TOTAL 033700 ON WEAPONCAT PAGE-BREAK 033800 HEADING CENTER 033900 " " 034000 "BALANCE OF ITEMS BY WEAPON CAT" 034100 " " 034200 END 034300 TABLE FILE HOLD 034400 SUM EXVALUE COUNT NIIN NOFRINT BY COG 034500 COLUMN-TOTAL 034600 HEADING CENTER 034700 " " 034800 "SUMMARY TOTALS" 034900 " " 035000 RUN 035100 SUM AVVALUE COUNT NIÌN NOFRINT BY COG

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EDIT ---- JXXXXXX.FFU00.FTF0C648.F0CEXEC(JEWELS) - 01.46 ---- COLUMNS 001 072 COMMAND ===> SCROLL ===> PAGE 035200 COLUMN-TOTAL 035300 HEADING CENTER 035400 " " 035500 "SUNMARY TOTALS" 035600 " " 035700 RUN 035800 IF EXVALUE LT 0 035900 SUM EXVALUE COUNT NIIN NOFRINT BY COG 036000 COLUMN-TOTAL 036100 HEADING CENTER 036200 " " 036300 "ADJUSTMENT OF EXVALUE" 036400 " " 036500 END 036600 EX SENDOFF

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- 4. U.S. Department of the Navy. Naval Supply Systems Command. <u>Inventory</u> <u>Management: A Basic Guide to Requirements Determination in the Navy</u>. NAVSUP P-553.

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Thesis D5673 c.1

Dietz A template for the selection and array of inventory as an aid in the development of evacuation plans.

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