

# Summer Newsletter

Issue 2

July 2009

## Chairman's Comment



The global financial pressure has had an effect on all of us. Having said that, we have been delighted with the attendance levels at the three events that the Society has organised since the beginning of the year. The adverse weather conditions experienced in February resulted in a major re-organisation and re-schedule but this did not diminish a near capacity attendance for our training workshop.

Our first ever Vendor Day in April gave companies and cost estimating organisations the opportunity to showcase their products and present case studies based on applications and lessons learned. The day was a huge success and we have had several requests to repeat it in the future.

**Summer Reception:** In early June we held our Summer Reception at The Royal Armouries, Fort Nelson. What a fantastic venue – with big guns and WWII military vehicles on display it was a big boys playground. Many of the wives enjoyed the occasion as well. I should also

thank the speakers and organisers for what was an excellent day.

**Annual Conference:** The planning for this year's conference on 22<sup>nd</sup> September at the Royal Institute of Naval Architects, London is nearly complete. We have an exceptional list of speakers for the event including Academics, Policy Makers and Experienced Practitioners.



**Elections:** Ballot forms for nominations to the committee are now available for download from our website. These roles are important and more information on potential levels of commitment can be discussed with current committee members.

**A couple of other items to note:** We are always looking for written contributions from you and if you have any ideas for improvement please forward them to Max Murray-Brooks ([mmbrooks@dstl.gov.uk](mailto:mmbrooks@dstl.gov.uk)) or myself. In addition, please see details of our future events where we will be encouraging speakers

to present on a number of topics. I would encourage you to participate by giving some presentations at what is always an enjoyable and less-formal event.

**Future Events:** Later in the newsletter we provide details on our planned events for the future. Please make a note in your diaries to attend all the future events planned for this year and 2010.

I look forward to seeing you at our Annual Conference in September; please look for me so that we can discuss what you like about SCAF but more importantly what improvements you would like to see made. As always you can reach me at the contact information below.

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Chairman, SCAF

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### Special points of interest:

- Looking forward to the year ahead.
- Annual Conference 22 September 2009
- 2009 Workshops
- Future Events

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Historical data is still useful

Annual Conference  
22nd Sept 2009  
"Improving Value  
for Money  
Outcomes"  
RINA, London

## Annual Conference—22 September 2009, RINA, London

During recent spending reviews the Government set out its intention to obtain better value for money and has challenged Government Departments to deliver savings while operating within its public spending settlement.

Value for Money (VfM) savings has long been a contentious issue in the Defence sector. The default mechanism for VfM measurement is competition but, for the most part, the budgets have already been abated in line with projected savings. Industry has been addressing these challenges and supporting the Ministry of Defence through greater levels of partnering and transparency. SCAF is pleased to announce that the 2009 Annual Conference will provide the opportunity to review the latest efforts to improve Value for Money and help the Ministry of Defence to deliver its goals.

The conference will provide participants with critical insights into approaches and techniques being employed to address Affordability and Value for Money priorities. Our speakers include:

**Prof Rajkummer Roy**, President of the Association of Cost Engineers and Professor at the Decision Engineering Centre, *Cranfield University*—who will be discussing

cost engineering and its influence in the decision process.

**Robert J Barton**, Managing Director, *NITEworks*—Value for Money or Affordability? Bob will discuss measurable benefits and ask whether greater consideration should be given to affordability rather than the value for money.

**Prof Irene Ng**, Professor of Marketing Science, *University of Exeter Business School* and Research Director, *ST4 University of Cambridge*—A customer centered view of the world to present an 'outside looking in' perspective on value and price.

**Ron Finlayson**, Strategic Business Director (Defence), *QinetiQ*—How do we get more value from the Defence Programme. Ron will describe some past initiatives and indicate others that may help in the future.

**Neil Davies**, Chief Economist and Head of Division for Economic and Statistics Advice, *Ministry of Defence*—Neil will explain what he understands by value for money and the main problems confronted in defence from the challenges of limited completion and other influencing factors.

**David Bangert**, Managing Director, *Polaris Consulting Ltd*—David's paper exam-

ines the challenges being faced by the Ministry of Defence of maximizing the return from a diminishing research budget. The paper will highlight lessons learned and future pressing needs to exploit research outcomes.

**Dr Anthony Powell**, Managing Consultant, *YorkMetrics Ltd*—Tony will discuss measurement techniques to improve business and help improve value for money outcomes.

**Arthur Griffiths**, Managing Consultant, *Decision Analysis Services Ltd* and Senior Strategic Advisor to the Life Cycle Cost Working Group *NATO*. Arthur will discuss progress on the current research and on the use of life cycle costs in Capability Portfolio Analysis.

### Registration and Costs

#### Contact:

[mmbrooks@dstl.gov.uk](mailto:mmbrooks@dstl.gov.uk)

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Registration and coffee will be available from 09.30.

The Conference will commence at 10.00 am. The costs for the conference is £120.00 per delegate.

These costs include all refreshment, a buffet lunch and FREE attendance to all SCAF workshops to August 2010.

## Your BlackBerry or Me !!!!!!!!!!!!!



A good time to network and discuss current issues

Some say that its not the status symbol that it used to be due the emergence of new technology in mobile phones but they are still capable of stirring up strong reactions.

In his entertaining memoir 'Cityboy—Beer and Loathing in the Square Mile' Geraint Anderson castigates the BlackBerry for blurring the work/life divide to the point where its users receive and respond to work related emails at any time, causing

them to lose focus on their family life.

"I firmly believe that this dreadful invention will cause more divorces and neglected childhoods than any other technical innovation," Anderson warns. "Most City workers are sleepwalking to death anyway, and the BlackBerry just gave them another excuse to avoid sucking the marrow out of life".

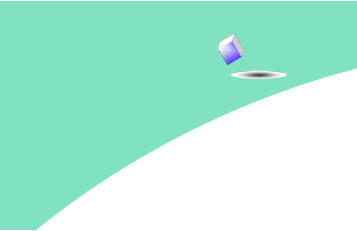
The symptoms of BlackBerry dependency are well on the

way to becoming a recognized medical condition.

We have all been irked by people clicking away during meetings and missing the point of what is being said. So who is the most productive?

Edited from Engineering and Technology

A highly amusing memoir and one we can all relate too.



**Publications**

In our winter newsletter we reported on the untimely death of Philip G Pugh (pictured with his wife Valerie). Philip was a prolific writer and author of a large number of scientific papers. His recent book "Source Book of Defence Equipment Cost" (ISBN 978-0-9556258-0-0) was a resounding success. In marked contrast to reference books where design and performance details can be found, this book provided comprehensive data on the costs of acquiring all major types of defence equipment. It additionally provides trends in those costs therefore offering and insight into likely future issues of equipping defence forces. We understand that such has been the demand that there is now some difficulty in obtaining copies. We are therefore delighted to note that further copies are directly available from Philip's son at [d.pugh38@yahoo.co.uk](mailto:d.pugh38@yahoo.co.uk)



Available August 1st, *Systems Cost Engineering*, provides a compelling case to any senior executive whose organization does not currently employ a parametric estimating approach for managing cost.

Through illustrations of real world examples the book offers insight and guidance on the major benefits and a "How To" for implementing best practices in systems cost engineering. The book is also an excellent resource for PRICE users, loaded with tips for applying PRICE solutions to common estimating intensive business processes.

**Further Publications**

***Systems Cost Engineering: Program Affordability Management and Cost Control***, by Dale Shermom

**Winter Workshop 31st March 2009, Bristol – Cost Estimating for Defence Programmes**

Apologies for the cancellation in February – it was the worst snow experienced in the west country from many years. However, our re-arranged workshop held the following month attracted a capacity attendance and resulted in a very interactive and lively discussion on cost estimating policy, practice, expectations and reality.

**Ken Young**, Defence Equipment & Support, presented current policy and guidelines for whole life cost and through life finance.

**Arthur Griffiths**, Decision Analysis Services, discussed cost estimating methods and techniques.

**Dale Shermom**, PRICE Systems, discussed the development of cost estimating relationships and their use in cost forecasting.

**Colin Drysdale**, Atkins, articulated the use of causal

mapping to undertake benefits analysis and,

**Terry Johns**, Defence Equipment & Support, discussed

the MoD's expectations on estimating assurance and cost model validation.

This was the fourth in a line of workshops aimed at training and was exceptional.

Our thanks to all the speakers and to the attendees who made it a very interactive and informative day.

Copies of the presentations can be found on the website

[www.scaf.org.uk](http://www.scaf.org.uk)



Missed the last workshop?  
Catch up online at:  
[www.scaf.org.uk](http://www.scaf.org.uk)

## 10 years old but still an attractive option !!!!

Portsmouth Football Club under the management of Harry Redknapp became known as the place to be for resurrecting and rejuvenating careers. Harry has moved on but the famous dockyard has taken up the mantle by transforming the

former HSV-X1 used as an experimental platform by the US Navy into the Isle of Man Steam Packet Company's new flagship vessel *MANANNAN*.

Built by INCAT of Tasmania, Australia she was a commer-

cial ferry for the TT-Line before being converted for military use.

Bought for £20m and a refit of £3m this low mileage and low use vessel made it a very attractive procurement.

From this → To this



## Shortage of Naval Engineers

Eighteen organisations have joined forces in a bid to attract more graduate engineers into the UK's naval defence industry in order to stave off a predicted 'talent gap'. The UK-NEST consortium comprising major defence engineering businesses, the Royal Navy and the professional organisations IMarEST and RINA, has created an awareness campaign under the banner of 'NETWORK' (Naval Engineering Talent at Work). This offers a unique opportunity for everybody to join forces in the industry and tackle the lack of engineering talent in the pipeline and safeguard the future of naval defence in the UK.

[www.nextgenerationnavaldefence.com](http://www.nextgenerationnavaldefence.com)

## Familiar Terms—Different Uses

We are used to using prediction techniques to forecast future outcomes and a recent article in the Institute of Engineering and Technology magazine explained that the use of mathematical models was used to predict how diseases and viruses will spread. The article showed that diseases and viruses don't spread in the same way as the kind of physical systems that engineers are familiar with, so there is no physical law that can be applied to them.

That said, two types fundamental types of models were identified—deterministic and stochastic.

Deterministic models assumed all contact rates between each infectious and susceptible person are equal, and that a new infection will result from each of these contacts at a given rate. They are useful for estimating some important characteristics of epidemics such as the conditions under which they occur and the rate at which they grow.

Stochastic models, by contrast build in random variables and use probabilistic factors to determine the rate of infection—factors that deterministic models ignore.

The choice of model depends largely on the size of the population and the desired degree of precision. It is noted that no model can work without data and the more data that better. This being the real world, however, models frequently have to work with less than perfect data, in terms of robustness and completeness so its common to use a variety of models to achieve a consensus— sounds familiar. It was at this point that I sympathised with the epidemiologists but it didn't increase my confidence in their predictions for swine flu or SARS.

Networking for  
Cost Estimating  
and Analysis  
Community

## Cost Estimating and Analysis Vendor & Service Provider Day

This was the Society's first dip in the water in arranging such an event. In line with many other Society's we do not encourage any direct advertising at our seminars and workshops but this was something different.

We had become aware that there were many companies who had developed novel tools and techniques for cost analysis in capability assessment and portfolio management as well as the more traditional hardware and software cost estimation.

Many of these were not known within large organisations and so the day was geared towards raising the awareness of these tools and services to a wider audience.

With sixteen companies exhibiting and presenting to plenary sessions and one-one discussions it meant that both exhibition halls were full.

This was an excellent day and even the most critical admitted that they had gained something out of listening and viewing products that



they did not come into daily or even occasional contact with.

The vendors also gave a round of appreciation in recognition for the opportunity to exhibit directly at the cost community.

The day was such a success that SCAF has been requested to consider making this a bi-annual event

## Summer Reception, June 2009, The Royal Armouries, Fort Nelson



Dale in a state of shock and surprise after the announcement of his achievement and presentation of the Frank Freiman Award

The venue was early 19<sup>th</sup> century and the weather a little chilly as we welcomed the keeper of the fort to provide us with a hugely interesting talk on the history of the fort and the chain of fortifications that had been erected to protect the great naval harbour of Portsmouth from a feared French invasion.

Covering nearly 19 acres and now fully restored, Fort Nelson sits majestically atop Portsdown Hill, with amazing views of the Solent and the Meon Valley. The Fort stands today as a monument to the skills and ingenuity of Victorian engineering and architecture.

We welcomed past Chairmen of the Society and listened to Joe Harland (another of our past Chairmen) present on historical art of the day. Joe now has a successful second career speaking on the history of fine art onboard cruise liners. It was a nice change to see Joe and his wife Maureen on dry land.

Before lunch and a few glasses of wine there was time to congratulate Dale Shermom on being presented the Frank Freiman Award at the ISPA/SCEA Conference in St Louis. This was great honour for him and he was certainly caught by surprise. Well done Dale it is well deserved.

After lunch there was time for all the attendees to take in a guided tour of the exhibits and even cover their ears at the live firing. We gather that the wives enjoyed the day as much as the men!!!!!!

We are already thinking of next year's event so any suggestions would be welcomed.



## Future Events

### SCAF Workshops and Seminars

- 22 September 2009**, “Improving Value for Money Outcomes”, Royal Institution of Naval Architects, London.
- 24 November 2009**, “Affordable Defence”, BAWA Centre, Filton, Bristol
- 09 February 2010**, “Investment Appraisal—is it best used”, Royal Institution of Naval Architects, London
- 21 April 2010**, “Defence Indecision—cost and schedule implications”, BAWA Centre, Filton, Bristol
- 21 September 2010**, Annual Conference and AGM
- 23 November 2010**, Through Life Cost Modelling across the CADMID cycle. This will be the first in a series of seminars using a case study to illustrate the estimating process over time. This first seminar will address concept study type tasks and focus on meeting the costing requirements for the Genesis and Initial Gate approvals.

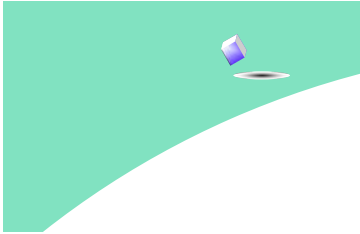
### Other Related Events

- 30 September 2009** 20th Workshop of the European Aerospace Working Group on Cost Engineering (EACE), ESTEC, Noordwijk, The Netherlands
- 12 November 2009** Joint ISPA/DACE (Dutch Association of Cost Engineers) meeting, Brussels, Belgium
- 23-24 March 2010** Joint EACE/SCAF workshop, MoD Abbey Wood, Filton, Bristol, UK
- 11-12 May 2010** Joint SSCAG (Space Systems Cost Analysis Group)/EACE/SCAF meeting, Berlin, Germany
- 08 June 2010**, Joint SCAF/Engineering Council, Process Improvement Working Group meeting, BAESYSTEMS, Warton, Preston, UK
- 8-11 June 2010** ISPA/SCEA Professional Development and Training Workshop, San Diego, USA
- 6-8 October 2010** PRICE Systems European Symposium, Barcelona, Spain

Networking for  
the Cost  
Estimating and  
Analysis  
Community



**SSCAG/EACE/SCAF Meeting, 11-12 May 2010, Berlin, Germany**



For over 20 years the Society has sought to illuminate key issues in the analysis and forecasting of project costs—and to promote best practice within the cost forecasting community.



The Society provides a single point of contact for advice to those wishing to address key issues in the analysis and forecasting of costs and timescales of complex programmes.

[www.scaf.org.uk](http://www.scaf.org.uk)

### SCAF Committee Members



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**Bridging relationships  
in cost estimating**