

7. Your conclusion that the only way to evaluate a data center is to make benchmark comparison for the entire data center is unacceptable. DITSO customers do not buy the output of the entire data center, but must make tradeoff decisions that consider alternative means for producing the identical product. I would appreciate if you bring forth the source that led you to find that data center cost comparisons must be based on total costs, rather than on fee-for-service products.

8. The customer is interested in comparing costs of CICS and IMS transactions (e.g. alternative solutions for identical needs, in different computing environments). Therefore, your advice against making such evaluations does not meet customer needs.

That CICS response time varies with capacity is well known. I expect the cost comparison standard to be based on a response time, such as "not exceeding 3 seconds 96% of the time" -- e.g. a "p" level of service well established by on-line vendors.

9. Your conclusions that cost comparisons between different NBU's are not useful (Natural Business Units) is not acceptable. We should encourage various DoD customers to be able to make evaluations of alternative processing sources and methods, including in- and out-sourcing. The capability to make consistent and easy inter-NBU comparisons is essential to protect DISA against the charge that it is an unregulated and uncontrollable monopoly.

10. The discussion that data center size affects transaction costs is not material and not grounds for not making comparisons. Customers are interested in finding the least costly location to process their transactions. This why I do not accept "classes" of costs, according to data center size. DoD is sufficiently large to compare its costs with the best. If that means comparing with super data centers, so be it.

11. Figure B-1 showing how EDS "mapped" its transaction costs is the correct approach to "fee-for-service" pricing. Your analyst rejected this solution as not a "true" CICS approach. It appears that in preparing the report your staff did not accept the principle of fully allocated activity/transaction charges as required by DBOF. Please revisit this important principle.

12. In analyzing the cost comparisons for updates between NCTS Washington (@ \$0.56 per transactions) and DFAS Cleveland (@ \$0.008 per transaction) your analyst noted the absence of a reliable transaction counting, as a possible explanation for the difference. I expect that all "benchmarking" sites will have comparable measurement schema. Which ones to adopt is one of the expected recommendations.

13. The display of the extreme ranges of CICS benchmarks conducted by COMPASS confirm three points: a. Data Center efficiencies will vary; b. CICS transaction comparisons are possible; c. The low cost performers show CICS transactions ranging from 1.47 cents to 1.55 cents -- which is just about what I expect DoD Data Centers to deliver! All I need now is for DISA/CIM to examine how COMPASS standardized their CICS benchmarking comparisons and apply a similar technique. If COMPASS excludes telecommunications from the price, that's OK. However, you should not exclude fully allocated facility costs, since this has a bearing on the allocation of workload to lower-cost data centers.

14. Development costs from CDA's should not be allocated to individual CICS transactions, except for routine ongoing maintenance and DPI infrastructure systems engineering services.

15. In a separate memorandum I am commenting to Johnnie Rankin about the computation of DEERS unit costs. Please note that out of a total of about \$12.8 million annual charges, only \$ 1.8 million can be classified as strictly volume-related variable charges. Specific data entry and support services (with measurable transaction volumes) are \$2 million. The rest is overhead which is unrelated to transaction volume. Your staff should study the detailed make-up of DEERS charges to understand that data center cost comparisons are largely a matter of how to assign overhead costs to individually priced products!

16. An examination of the ZD Labs approach should continue. It should be of value in testing and evaluating the processing power of new technologies. However, you should not expect to get useful cost accounting insights about DPI transaction products from this source. That will require the engagement of experienced industrial engineering talent with an understanding of costing from a complex process industry factory.

Summary

I gave extraordinary attention to your study on Computer Center Cost Comparability because it concerns one of the most critical issues that DISA will have to deal with to establish itself as a credible provider of low-cost information services to DoD customers. I recommend that you regroup your efforts to provide DISA with the guidance it requires to fulfill its objectives as the second largest and perhaps most complex computer services organization in the world. I would appreciate hearing how you wish to proceed next.



ic: Andrews, D.Brown, Cavallini, DDI deputies, Jeffcoat, Grimes, Kendall, Rankin, Schanzer, Lt.Gen. Short, Shycoff