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## A Logistic System Simulation Model Encompassing Poisson Processes and Normal or Weibull Life

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### A LOGISTIC SYSTEM SIMULATION MODEL

### ENCOMPASSING POISSON PROCESSES

AND NORMAL OR WEIBULL LIFE

by

Willard A. Hansen

A thesis submitted in partial fulfillment<br>of the requirements for the degree

of

MASTER OF SCIENCE

in

Applied Statistics

Approved:

UTAH STATE UNIVERSITY Logan, Utah

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Utah State University May<sub>9</sub> 1966

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Willard **Ao Hansen** 

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### IN'lRODUCTION

This thesis describes a computer simulation model for determining effective spares stock levels for recoverable items at Air Force bases and depots. The simulation model is based on the following fundamental inventory theory; whenever a demand arises, it is satisfied from stock on hand, and the quantity equal to that demand is recorded immediately; when a demand exceeds stock on hand, the excess demand is backordered immediately and when item life expires procurement action is initiated at depot level. The resulting product of the model can be used as a guide for the optinmm distribution of available spares or as a computa~ tion of the necessary spares which will meet a desired percent fill rate. Outputs from the simulation model will also enable evaluation of the spares level effects as a result of change in other logistic **parameterso** 

The purpose of this thesis is two=fold to the extent that it presents a

(a) A computer simulation model of an Air Force logistic system; and

(b) A discussion of compound Monte=Carlo demand generation involving various analytic failure distributions.

**The** specific nature of the problem to which the simulation **model is**  applied is described and the model construction and output are discussed in detail.

### BACKGROUND AND GENERAL NATURE OF THE PROBLEM

A brief background concerning the techniques used in this paper is appropriate. Many authors using statistical techniques **have** considered logistic operations, including failure, **repair,** replacement, etc, on systems consisting largely of identical, independent operating units. Historically, C. Palm  $(6)$ , following the methods of A. K. Erlang,  $(2)$ , was one of the first to use properties of the exponential distribution in solving various inventory type problems. Feller (3), popularized and extended the analysis technique. Several other researchers **investiga**ting **failure** and fatigue analysis have since provided empirical mathematical formulation which has proven to be of much practical analysis worth. Probability density functions identified to these type failure analyses are the ''normal" gaussian, the gamma, weibull, and the exponential among others. More recently, renewal theory techniques have been used by many authors in solving related inventory theory problems.

Since the advent of the large scale high capacity computers, simulation techniques have become a desirable tool for simultaneous consideration of many time dependent variables. Indeed, simulation represents an excellent experimental medium to examine the time patterns of operational events and the consequences of various policies or decisions. Large scale monte-carlo models, and man-machine simulations, are being developed and utilized by many research organizations including the military.

In this paper, the general interest is in simulating an Air Force multi-echelon logistic system wherein effective spares levels are the

major concern, while the interacting effect of the other logistic parameters are secondary. To accomplish this, an appropriate probability or statistical model representing failure or life data must be an integral part of the overall simulation model. To succeed. the simulation model must be able to cope with the following:

a. Components of large logistic systems rarely operate independently.

 $b_0$  The source of spares supply in a depot  $\sim$  base complex is variable.

c. Item failure characteristics change with respect to life cycle period.

d. Statistical distributions overlay in a given simulation requiring compound monte-carlo generation.

The simulation model must be sufficiently complex to account for these first two problems and the probability models must be precise in order to handle the remaining two problems. In particular, the simulation model must be so designed as to allow detailed study of the effects of varying the input parameters over a wide range with a combination of spares failure and life probability distributions. As in all simulations the degree of success is measured by the degree to which results provided by the model are actually true.

 $\overline{\mathbf{3}}$ 

### PROBLEM DESCRIPTION

The Air Force depot-base supply process for a recoverable item operates in the following manner. When an item fails in its course at an operational base it is removed from its application and a serviceable item replaced. The source of the replacement item is either from the local base supply shelf or requisitioned directly from an appropriate depot somewhere in the continental United States. The failed item is examined to determine whether repair is possible at base level. If so, the item is scheduled into the base repair shop and following a variable repair cycle time, it is returned to a serviceable condition. If base repair is not indicated the item is either condemned or forwarded to the depot for repair. In the case of a direct replacement from the depot a variable resupply time **is**  experienced. Refer to Figure 1, page 5.

Present Air Force policy (1 authorizes a base to establish a 30-day stockage objective for most recoverable itemso The distribution **system**  operates on the basis of stock control levels which includes the base stockage objective plus the number of days of stock required for normal resupply action.

The objective of this model is to simulate the depot=base activity on a given quantity of a single type recoverable item thereby observing the interacting effects of the many variable factors such as increasing, decreasing, or constant failure rates, mortality rates, repair and resupply times, repair capacities, and alternative levels of available spares. Refer to Figure 2, the Model Concept, page  $6.$ 

L.



SIMULATES OPERATION OF DEPOT AND BASES ON AN INDIVIDUAL SPARE ITEM. Figure 1. Model flow

 $5\overline{)}$ 

 $\label{eq:2.1} \begin{array}{c} \mathcal{N}^{\text{M}}_{\text{R}}(\mathbf{y}) \\ \mathcal{N}^{\text{M}}_{\text{R}}(\mathbf{y}) \end{array}$ 



 $\rightarrow \hat{\mathbf{X}}$ 

Figure 2. Model concept

### SIMULATION MODEL

### Description

The simulation model is constructed to utilize the IBM 7090/94 Computer with the IBSYS/FORTRAN  $(\underline{h})$ , system language. The operation to be simulated is described in terms of coded block diagrams. A complete set *of* rules govern the use of each block in the simulation model program. This methodology in addition to driving the computer provides for study of the logical structure of the operation being simulated.

The computer output is so arranged as to furnish information of the following:

a. The total volume of transactions flowing through all elements of the operation.

b. The distribution of flow times for transactions flowing through each base repair and depot repair element. The resupply of serviceable item flow times are also available.

c. The repair facility utilization.

d. The maximum, minimum, and average queue lengths at desired points in the operation.

Statistical sampling techniques describing failure characteristics are introduced into the simulation model. Levels of priority are assigned to each transaction to provide for various dependent events such as sources of supply points in the logistic simulation. The interdependence of certain variables in the operation, such as repair decisions in view of queue lengths and facility availability or utilization is taken into account and is simulated in the model. A copy of the computer program is included in the Appendix, page 49.

### Operation

The program operates by moving transactions from block to block of the simulation model in a manner .. analogous to the flow of **spares** through the real operational logistic system. Every movement is an event that is simulating a real event at a particular point in time. The program maintains a record of the times at which the events are due to occur, and it operates by executing the events in their correct time sequence.

Input time parameters are all converted to a single standard time unit and must be consistent throughout a simulation. Typical input parameters are shown in Table  $I<sub>s</sub>$  page 25. All input parameters are entered in the program by a set of machine control cards. The duration of the simulation is controlled either by total munber of transactions at a pre=designated point in the simulation model or by a pre=designated number of clock units within the simulation model.

The output product of the simulation run contains the **summary**  statistics which includes number of transactions for most blocks, average utilization of facilities, average time per transaction, average contents, maximum contents, queue lengths, means, variances, and frequency distributions. A typical output product is included in the Appendix and a summary of typical simulation results are reflected in Table  $II_9$  page  $26_0$ 

A logistics manager can, with this output, assess the interacting effects of changes in parameters enabling him finally to make effective time oriented decisions relative to procurement and positioning o£ spares.

### METHODS AND PROCEDURES

### Failure Phenomenon

Many items that have been analyzed for simulation demonstrate what has come to be regarded in the literature as a classical failure pattern: initially decreasing mortality, followed by a period of essentially constant failure, and ending in a sharp rise in the incidence of failure. Refer to Figure 3.



Figure 3. Component Failure Rate

Life Extended by In-Service Modification and Maintenance

This well known "bath tub curve" modified to consider life extension by an in-service maintenance or modification describes the general component time failure phenomenon. Relatively little direct attention has been given to the high initial failure rate in this model because of observed low incidence of clear infant mortality.

During the chance or random failure period of an item's life, a poisson process is assumed and has been verified on many items. The items are assumed to fail, be repaired, and made available for another application. The intervals between occurrences in this poisson pro cess are generated with an exponential distribution function. During the rapidly increasing failure or wearout period of an item's life the normak, weibull, gamma, or other probability distribution function is utilized as a statistical model to describe life length. During this period items are assuned to wearout and be replaced by procurement of a new item. The two distinct periods are simulated in the model by compound generation of failure. Random selections from the exponential distribution are made sequentially throughout an item<sup>'s</sup> total life to assign the precise failure time. Random selections from the life distributions determine the time at which items will expire. Refer to Figure 5, page  $\mu\mathbb{1}_{\circ}$ 

### Fundamental Analytic Distributions .

Since the development and derivation of the fundamental mathematical expressions are well documented in the texts and the literature, only definitions and their applications to this simulation problem will be discussed., However j the development of the less familiar or **unique**  applications such as the generation of random numbers are presented in more detail. The formulation depicts the probability or statistical models used to represent and analyze item failure or life characteristics within the simulation model.

### Poisson

The Poisson probability density function is given by,

$$
f(x) = \frac{\lambda^{x} - \lambda}{x!}
$$

where the range of x is infinite, with  $\lambda$  the expected number of failures and x is the random variable, the number of failures.

### Exponential

The exponential density function is given by,



 $t \geq 0$ 



Figure 4. Exponential inter-arrival times

The exponential probability density function is the function of failure versus time (t) with **(9)** equal to the mean-time-betweenfailures. The probability of failure in the interval  $(o, t)$  is given  $by<sub>9</sub>$ 

$$
\int_{0}^{t} e^{-\frac{t}{\theta}} dt = 1 - e^{-\frac{t}{\theta}}
$$

### Normal

The normal probability density function is given by,

$$
f(t) = \frac{1}{\sigma \sqrt{2\pi}} \qquad e^{-(t-\phi)^2}/2\sigma^2 \qquad \cdots \qquad (4)
$$

 $0 < t < \infty$ 

Where;

 $t =$  random time for mortality

 $\theta$  = mean life

 $\sigma$  = standard deviation

Notice that the regular restriction on the random variable (t) would be  $-\infty < t < +\infty$ , but in this application less than zero time to life expiration is not appropriate.

The corresponding cumulative distribution function for the normal is  
\n
$$
F(t) = \frac{1}{\sigma \sqrt{2\pi}} \int_{t}^{\infty} e^{-(t-\theta)^2} / 2 \sigma^2 dt \dots (5)
$$

### Weibull

The weibull probability density function is given by,

$$
f(t) = \left(\frac{\beta}{N}\right) \left(\frac{t}{N}\right)^{\beta-1} e^{-\left(\frac{t}{N}\right)^{\beta}} \quad \text{or} \quad \beta \to 0
$$

= 0 otherwise

where;

 $\beta$  = the shape parameter

 $N = a$  scale parameter (also known as the characteristic life)

t = random time for mortality

Some authors reflect  $(t - \gamma)$  in place of t above, where  $\gamma$  is a location parameter corresponding to an assumed time, prior to which no failures will occur. All application in this model assumes  $\gamma = 0$ , resulting in no restriction for first mortality. Further, other authors show a  $1/g$  b scale parameter  $\propto$  related to N by, N =  $\propto$   $\sim$  ,  $\sim$  . This form is slight ly more cumbersome to work with thus the choice of N as the scale parameter with no loss of precision.

The moments of the weibull distribution being,

mean = 
$$
\gamma * N \Gamma(\frac{1}{\beta} * 1)
$$
  
standard deviation =  $N \left[\Gamma(\frac{2}{\beta} + 1) - \Gamma(\frac{1}{\beta} + 1)\right]^{\frac{1}{2}}$ 

The corresponding cumulative distribution function for the weibull is  $t~<sup>1</sup>$  $F(t) = 1 - e^{-\frac{b}{N}}$  . . . . . for  $t_s$   $N_s$   $\beta > 0$ = O otherwise **0 0 0 0 0 0 (7)** 

### Gamma!

The Gamma probability density function is given by,

$$
f(t) = \frac{1}{\left[\left(\theta - 1\right)N\right]^{\beta}} \qquad t \qquad e^{\frac{1}{N}} \qquad \dots \qquad e^{\frac{1}{N}} \qquad \dots \qquad e^{\frac{1}{N}} \qquad (8)
$$

 $t > 0$ Where<sub>s</sub>  $\beta$  = shape parameter

 $N = scale parameter$ 

 $t$  = random time for mortality

The moments being;

mean = N(
$$
\beta
$$
)  
variance  $\sigma^2 = N(\beta)$ 

The corresponding cumulative distribution function is given by, the corresponding cumulative distribution function is given by,

$$
F(t) = \int \frac{1}{\int (\theta - 1) N^{\theta}} \int_{0}^{\theta - 1} e^{-\frac{t}{N}} dt \dots \dots \tag{9}
$$
  
t > 0

= 0 otherwise

Log Normal

The Log Normal probability density function is;

$$
f(t) = \frac{1}{\sigma \sqrt{2\pi} t} e^{-(\ln \theta t)^2/2\sigma^2}
$$
 \circ \circ \circ \circ \circ \cdot \cdot \cdot (10)  
\n $t > 0$   
\n= 0 otherwise  
\n $t = \text{random time for mortality}$   
\n $\theta = \text{mean of the logarithm of (t)}$   
\n $\sigma = \text{standard deviation of the logarithm of (t)}$ 

 $\circ$   $\circ$ 

The corresponding cumulative distribution function is given by,

$$
F(t) = 1 - \frac{1}{\sigma \sqrt{2\pi}} \int_{t}^{\infty} \frac{1}{t} e^{-(\ln \theta t)^{2}/2 \sigma^{2}} \cdot (11)
$$

### Generation of Random Variables

#### Approach

Within the existing capability of the General Purpose Systems Simulator II  $(\underline{\mu})$ , are procedures to generate uniform, exponential and normal random variables. This paper extends this capability to the generation of weibull, gamma, and log normal random variables. This additional coverage enables more precision and a greater range of application to hardware items.

In general, there are in existence many possible methods of generating functional variables. The methodology as provided in this thesis is designed to operate specifically within the General Purpose System Simulator II capability.

The computer program contains a uniform random number generator used as the independent variable of any defined function. The value of the generated uniform random number is a fraction greater than O but less than 1. For practical purposes, these quantities are equally probable. The methodology for producing functional variables consists of generally defining a specific probability density function  $f(t)$  versus t where  $f(t)$  is the probability of condition  $t$ . In order to generate a specific random variable, the cumulative distribution function  $F(t) = \int_0^t f(t)dt$  $\circ$ is evaluated for t in a suitable range. Given the uniform random number, the corresponding value of the function  $F(t)$  is selected and the corresponding value of t provided as the desired random variable. Specific examples of this generation are reflected in the discussion on weibull and gamma variables. The appearance of an uniform random number between defined value of t will result in interpolation within the program.

### Weibull

A weibull random variable (W) may be generated perhaps in several ways depending on the available computer equipment and the desired precision. One particular advantage to the methodology employed below is the generality of the function. At any point in the simulation model a weibull variable from a parent population with a different mean value may be generated. The generation of weibull variables in this model is accomplished as follows:

Beginning with the weibull cumulative distribution function equation  $(7)$ ;

$$
F(t) = 1 - e^{-\left(\frac{t}{N}\right)^{\mathfrak{S}}}
$$

an appropriate shape parameter  $(\varphi)$  is selected.

In this model values of  $\beta$  = 2 and  $\beta$  = 3 were selected as most representative of actual item failure experience. Notice that a value of  $\hat{\varphi}$  = 1 reduces the expression to the exponential.

If  $N_9$  the characteristic life, is set equal to unity, and an all inclusive range of  $F(t)$  defined, t can then be evaluated. An inclusive range refers to the desired precision which is increased by providing additional values of F(t) in intervals where the rate of change in **the**  value of the function is greatest.

An example of the unitized function is shown below with  $N = 1$ , and  $\beta$  = 2.  $-12$ 

$$
F(t) = 1 - e
$$

Let  $F(t)$ , which now has corresponding values of the uniform random numbers between 0 and  $1_s$  assume a value equal to  $0.39346$ ; now  $t^2 = 0.50$ , and t is evaluated equal to  $0.7071$ . This result is a particular random value of the weibull unitized function.

At the point of application in the simulation model the random value of t (o. 7071) is multiplied by the desired mean life, divided by the quantity  $\left(\frac{1}{\beta} + 1\right)$ . Refer to equation (6) and (7), pages 12 and 13. Given that mean life is,

$$
\Theta = \mathcal{V} + \int \left(\frac{1}{\hat{e}} + 1\right)N \text{ then},
$$

$$
\frac{\theta}{\lambda^* \cap (\frac{1}{\beta} * 1)}
$$
   
  $N$  (the characteristic life)

Assune that random values are desired from a population with a mean life equal to  $130$  hours. Recall that N was unitized in the generation function and now at point of use must be operated upon. Using the example uniform random number  $0.393\mu$ 6 as above a weibull random variable is generated as follows:

> The corresponding  $F(t)$  value to 0.39346 yields a value of  $t = 0.7071$ ;  $e = 0.7071 \frac{130}{0.8862} = 103.9$

r c 1 .. 1> therefore » W = (t) This quantity 10309 is a random weibull variable from **a** population

with a mean value equal to 130 and shape parameter  $\beta = 2$ .

Fifty-nine values of the weibull generating function are given in Table 7 in the Appendix, page 42. This data is presented in the same format as provided as input to the simulation program. The first value given is function X followed by its corresponding value function  $Y$ . Consequently, the first column is function X values followed by function  $Y$  repeating in this manner throughout the display.

Also in the Appendix, pages  $43$  and  $44$ , Tables 8 and 9, are two example outputs of the weibull generating function. A distribution table of  $10<sub>9</sub>$ 135 (W) variables with a theoretical population mean of 130,  $\beta = 2$ , and

standard deviation equal to  $68<sub>9</sub>$  and a second table of  $10<sub>9</sub>002$  values with a mean equal to 130, and  $\beta = 3$  with a standard deviation equal to  $\mu\delta$ . Poisson Process

If during the operational period of an item's life the probability of failure is poisson and the failure rate is essentially constant, it is known as a poisson process. The inter-arrival times of failures during this period are distributed as an exponential distribution; see Figure  $\mu_s$ page ll. In most cases of a poisson process simulation can be accomplished by selecting random values from the exponential distribution to decide when an item will fail. On some small recoverable items it is operationally desirable to wait until two or more failures have occured before initiating maintenance action. In this case the exponential distribution fails to adequately describe the times between two or more failures. The gamma distribution is used in this simulation model in those cases where two or more items are held until maintenance action is taken.

It can be shown that the distribution of inter-arrival times between two or more items in a poisson process results in a gamma distribution. Beginning with a summation of the poisson, Wadsworth  $(7)$ , has shown that the resulting distribution function of time is a gamma distribution.

Let T be the time that is observed until exactly c failures have occurred, where c is a fixed positive interger. Now T is a random variable with a distribution function:

> $G(t_0) = Pr(T \le t_0) = 1 - Pr(T > t_0)$  $c=1$   $X = \lambda t_0$  $Pr(T > t_o) = \sum_{x_i} \frac{(\lambda t_o) e}{x_i}$ X!  $X=0$

which is a summation of the poisson.

It can be shown by mathematical induction that,

$$
\sum_{X=0}^{c-1} \frac{(\lambda t_0)^{X} e^{-\lambda t_0}}{x!} = \int_{t_0}^{\infty} \frac{c-1}{(c-1)!} dz
$$
  
Now for a  $t_0 > 0$   $\infty$   $c-1$   $-\infty$   $t_0$   $\infty$   $c-1$   $-\infty$   $c-1$   $-\infty$   $c-1$   $-\infty$   $c-1$   $-\infty$   $c-1$   $-\infty$ 

$$
G(t_0) = 1 - \int_{t_0}^{t_0} \frac{z - e}{(c-1)!} dz = \int_{t_0}^{t_0} \frac{z - e}{\sqrt{c}} dz
$$

substituting Z =  $\lambda y_s$  for the variable of integration in the integral,  $now<sub>s</sub>$ 

$$
G(t_0) = \int_{0}^{t_0} \frac{\lambda^c}{\lambda} \frac{e^{-\lambda y}}{f(c)} dy
$$

and the probability distribution function of T is,

$$
g(t_0) = \frac{dG(t_0)}{dy} = \frac{\lambda^2 + b_0}{\sqrt{\lambda^2 + b_0}} = \frac{c - 1 - \lambda t_0}{\sqrt{\lambda^2 + b_0}}
$$

... O otherwise.

It is seen that this **is a** gamma distribution with shape parameter *<sup>9</sup>*  $\beta = c_s$  and N<sub>9</sub> the characteristic life, equal to  $1/\sqrt{2}$ 

Letting the shape parameter  $\beta = 1$  which is equivalent to  $c = 1$ , the function reduces to the exponential in the case of an interarrival time for one item in a poisson process.

### Gamma Variables

Using a similar approach to the gamma distribution as was used with the weibull, a unitized gamma function can be derived.

Starting with the cumulative distribution function, equation  $(9)_s$ 

$$
F(t) = \int_{0}^{t} \frac{1}{\sqrt{(\theta-1)N}} e^{\theta-1} e^{\frac{t}{N}} dt
$$

This function can only be evaulated by numerical methods unless  $\beta$  is a positive whole number; in the application in this model  $\beta$  is limited to the integral values 2 and Jo

By successive integration by parts the function can be shown to be,  $(5)$ ,

$$
F(t) = 1 - \left[1 + \frac{t}{N} + \frac{1}{2}(\frac{t}{N})^2 + \frac{1}{3!}(\frac{t}{N})^3 + \cdots + \frac{1}{(5-1)!}(\frac{t}{N})^{6-1}\right] e^{-t}
$$

Setting N equal to 1 and letting the shape parameter  $\beta$  = 2 we obtain;

$$
F(t) = 1 - [1+t] e^{-t}
$$
  
and for  $\beta = 3$ ,  

$$
F(t) = 1 - [1 + t + \frac{1}{2} (t)^2] e^{-t}
$$

Now defining a suitable range of  $F(t)$  between 0 and  $l<sub>9</sub>$  and evaluating for t as was done with the weibull distribution, a unitized function which will provide gamma random variables of any desired mean is provided.

As an example, let,

 $F(t)$  assume the uniform random number 0.30097.  $F(t) = 1 - \left[1 + t\right] e^{-t} = 0.30097$ Evaluating for  $t_s$  $t = 1.1$ 

Similar to the weibull case, at the point of use in the model, t is multiplied by the desired mean and divided by  $\beta$  . Refer to equation  $(8)$  and  $(9)$ , pages 13 and 1 $\mu$ 

Given that the desired mean life is equal to  $130<sub>s</sub>$  a gamma random variable is generated as follows i

The mean<sub>9</sub>

 $\Theta = N\beta_3$  therefore,  $N = \frac{S}{\beta}$  $\epsilon$ 

Using the example value of  $F(t)$  above,

assume a uniform random variable was selected equal to  $0.30097$ <sub>9</sub> equated to the unitized (G)  $F(t)$  yields,  $t = 1.1$ . Therefore,

(G) = 
$$
T(\frac{\Theta}{\beta}) = 1.1(\frac{130}{2}) = 71.5.
$$

The value  $71.5$  is a random gamma variable from a population with a mean equal to 130 and a shape parameter equal to 2. Seventy=seven values of the unitized gamma function were computed for shape parameters 2 as shown in the Appendix, Table  $7<sub>s</sub>$  page  $42<sub>s</sub>$  Also shown in the Appendix, page  $\mu$ , is an example distribution with 10,000(G) variables with a mean of 130 and a shape  $\beta = 2$ .

### Compound Generation

A frequently encountered condition on Air Force recoverable items is a situation where a portion of a set of items is distinctly in the operational life period where chance failures alone occur, while the remaining items are approaching mortality and are subject not only to chance failures but also to wearout. In any given simulation of an item *of* this type the model must provide for exponential inter-arrival times for chance failure which is independent *of* item age and wearout failures using one of the mortality distribution functions, i.e., the normal, gamma, or weibull.

The combined effects of random and mortality failures are sinmlated in the model by dual Monte-Carlo generation of failure. Random selection of exponential times till chance failure occurs is assigned to all i terns continually for failure after failure throughout any simulation periodo For that subset of items that will enter the wearout period random selection from one of the mortality distribution is assigned and as the mortality occurs in the simulation the item is removed from the system and a new item takes its place.

A flow diagram using the coded blocks of the simulation language is contained in the Appendix, page  $45.$  This diagram portrays the flow of transaction through the simulation model. The diagram reflects only that element of the program where compound generation is accomplished. It can be seen that in general as transactions approach this element of the program they are all assigned a time to fail, then are tested to determine to which subset they belong. If they belong to the wearout subset they are assigned a time to wearout. The transactions are then held simulating application or use and remain in this state until their respective times till failure or wearout occurs in the model. They then depart from their held position which simulates the occurrence of failure and are replaced by a transaction obtained from storage which is simulating a stock level.

### **RESULTS**

Specific inventory problems have been defined and examined to demonstrate the use of the simulation model as a technique for decision making. It is not the intent of this section to provide complete and conclusive answers to specific inventory problems, but to establish the fact that simulation runs can be used by operation logistics personnel to evaluate stock levels and other inventory decision rules. For this reason, only a small number of items are selected representing perhaps a narrow range of the total system stock.

Three particular hardware items have been selected as typical examples of operation of the simulation model. The detailed input parameters are described and the resulting outputs from the simulation model are discussedo The items will be referred to as items Aj B*9* and C to prevent violation of security regulations.

Item A is a relatively high cost, recoverable item, with a high demand rate. The question to be investigated by the model is: Given a set quantity of spare items, what is the best distribution of these spares among four operational bases and a support depot? Refer to Table  $l_s$ page 25.

Item B is an extremely high cost, low demand, recoverable item. This item is typical when compared to the life cycle pattern. It is subject to random failures, which are capable of being repaired, for a relatively long period of its life but finally criteria such as metal fatigue, wear, and other life expectation elements take over to cause mortality. The objective of the simulation run is to define a set of spare stock levels at base which will meet a desired percent fill rate. Refer to Table 3, page 28.

Item C is a medium cost item, with infrequent demands for repair but

is subject to wearout after about two thousand hours of application. The objective of the simulation run is to evaluate the effect on spares levels if the repair is accomplished at the depot or at the bases. Refer to Table  $5$ , page 31.

## MODEL PARAMETERS FOR RUN NUMBER 1



Procurement Lead Time - Normal - Mean =  $1\frac{1}{20}$  Hours Std Deviation =  $2\frac{1}{0}$  Hrs Quantity (Condemnation Before Procurement) 6

Hrs

# SIMULATION RESULTS<br> $2<sub>9</sub>000$  Days Simulation

## ITEM A

## RUN  $#1$

## 1st Result





# SIMULATION RESULTS  $2,000$  Days Simulation

## ITEM A

## RUN  $#1$

## 2nd Result  $\overline{1}$





## MODEL PARAMETERS FOR RUN NUMBER 2



# SIMULATION RESULTS<br>2,000 Days Simulation

## ITEM B

## $RUN$  #2

## **1st Result**





# SIMULATION RESULTS  $2,000$  Days Simulation

## ITEM B

## $RUN$  #2

## 2nd Result





## MODEL PARAMETERS FOR RUN NUMBER 3



# SIMULATION RESULTS<br>280 Days Simulation

## ITEM C

## $RUN$  #3

## 1st Result





# SIMULATION RESULTS<br>280 Days Simulation

## ITEM C

## $RUN$  #3

## 2nd Result





The results of two separate operations of the model are reflected for each of the items A, B, and C. Refer to Tables 2, 3, and 4 for a summary of the simulation results.

It can be seen that for item A, spare stock should be distributed as finally shown in the second result to achieve approximately a *95%*  availability of spares over all bases. Outstanding in the first result is the fact that only 90% availability of spares occurred at Base  $\#\mu_*$ Further, it is noteworthy at Base  $#1$  that spares reached a zero level, and also fluctuated to a maximum of 12 units at one point in time in the simulation. This fact demonstrates the occurrence of a wide variability of available spares. However, the system still requires a spares stock position of six units to maintain a high level of fill rate over a long period of time.

The results for item B shows in the second operation of the model that an additional 78 spare items are required and that a spares level increases from three to five units provides tor an approximate overall rill rate of 90%. Notice the first results which included 22 total spares and stock level of three spares for eacn base, indicated extremely low fill rates, 66% for Base #1, 6.1% for Base #2, 2.1% for Base #3, and 2.1% for Base #4. The large quantity of units awaiting repair suggest that improvement in *for air times could result in less* total spare requirements. The decision to increase capability of repair would require further analysis comparing the cost of increased spares with the cost of increased repair facilities.

The results for item  $C$  indicate that with a base repair capability and a total of 125 spares in the system a low unsatisfactory percent of spares availability occurs. The second result reflects that by increasing to a

large quantity of 225 spares and fnrther utilizing only depot repair capability near 95% availability of years is possible. However, the large queue of 231 units awaiting repair suggest that the total spares requirement could be reduced significantly if improvement in depot repair time could be achieved. Subsequent runs of the model would further evaluate this condition and establish the proper ratio for a balanced condition.

### DISCUSSION

The ever increasing complexity of military operations due to rapidly changing technology under the constraints of limited resources has forced managers to look for new methods by which more alternatives can be considered in making logistics decisions. Some of the recent techniques of logistics evaluation has been the construction of mathematical models to represent some elements of a real operating situation. A computer manipulation of these models is known as simulation. It enables the user to compress time and examine the effects of changes in variables incorporated in the model over simulated time. In this thesis one type of simulation was examined in an attempt to establish this method of evaluation as a useful tool for operating managers.

Items selected as samples to test the simulation model are high cost, high activity items, wherein considerable dollar investments **are**  necessarily involved in any policy decision. Precision in simulating the true environmental effects of these items becomes absolutely necessary and the precise statistical models utilized to simulate failure and wearout are obviously an integral part of the model. As a result of analyzing the output from this simulation model it is concluded that an inventory manager could see the impact in terms of percent of time spares are available, percent of time stockout occurs, the minimum and maximum quantities available, the effects of repair times and capacities, when he applies the various decision rules.

The expanded use of this modelling technique has the potential to give managers a clearer understanding of the alternative courses of action or policies in complex problem situations involving risk and uncertainity where analytical methods cannot be used.

#### **SUMMARY**

This paper has presented a simulation model with capability to consider both random and mortality failures for application to the decision making process by managers of logistics functions. The results suggest that computer simulation is a tool for managers that is available for perhaps a wide range of logistics problems where analytical solutions cannot be formed in a reasonable time, and where it is desirable to test decision rules prior to deployment. Since this **paper**  only covered an inventory use of computer simulation in logistics management an examination of other forms of simulation and other problems may establish a basis where these techniques would prove profitable to many types logistics management problems.

An obstacle that is limiting the use of simulation is now perhaps being overcome. This obstacle is the substantial time,  $cost_9$  and effort needed to develop the statistical models and prepare the compu= ter programs. This paper presented a model programmed in General Purpose Systems Simulation II (GPSS II) language. There are now new programming languages being developed to aid this process, i.e., SIMSCRIPT, SIMPACT, and DYNAMO.

Development of simulation should **proceed** within an organized framework of construction or within a master plan to permit later integra= tion of subsystems into a higher order system simulation., The **system**  must be simulated with as many interrelationships as exists in the real operational world. If these techniques can reduce the quantity of an item stocked or eliminate stocking of an item, then the dollar savings realized would more than offset the increased cost of applying more intensive and improved inventory decision techniques.

It is recommended that before a decision is made to adjust the stock levels certain costs must also be considered. For example, consideration must be given to the possibilities of deferring procure**ment** action, calculation of the risk of a stockout versus holding costs, expected procurement lead time, expected life duration, and equipment cost versus cost of repair. As a result of these additional cost considerations a more economic inventory level of high cost items will resulto

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**APPENDIX** 



EQUIPMENT AGE



 $\downarrow$  1

### GENERATING FUNCTIONS

12 FUNCTION RNl *C59* WEIBUIJ, B 3 o o .00099.10000.00199.12599.00399.15874.00598.18111.00797.20000 .00896.20800.00994.21544.04877.36840.09516.46415.13929.53132.18126.S848o .22119.62996.25918.6694J.29531.70472.32967.76380.36237.76630.39346.79370 .42304.81932.45118.84343.47795.86623.50341.88790.52763.90856.55067.92831 .57258.94726.59342.96548.6132S.98304.632121.oooo.6So061.0163.667121.0322 .683361.0476.698811.0626.713491.0772.727461.0913.740751.1052.753401.1186 .765421.1318.776861.1447.798101.1696.817311.1934.834701.2164.850431.2385 .864661.2599.877541.2805.889191.3005.899741.3200.917911.3572.932791.3924 .944971.4260.950211.4422.969801.5182.981681.5874.988891.6So9.993261.7099 .997521.8171.999081.9129.999662.0000.999872.0800.999952.1544 13 FUNCTION RN1 C59 WEIBULL B2<br>0 0 00099.03162.00199.0hh72.00399.0632h.00598.077 O o .00099.03162.00199.04472.00399.o6324.00598.07745.00797.08944 .00896.09487.00994.10000.04877.22360.09516.31622.13929.38729.18126.44721 .22119.50000.25918.54772.29531.59160.32967.63245.36237.67082.39346.70710<br>.42304.76161.45118.77459.47795.80622.50341.83666.52763.86602.55067.89442 .57258.92195.59342.94868.61325.97467.632121.0000.650061.0247.667121.0488 .683361.0724.698811.0954.713491.1130.727461.1402.740751.1619.753401.1832 .765421.2042.776861.2247.798101.2649.817311.3038.834701.3416.850431.3784 .864661.4142.877541.4491.889191.4832.899741.5166.917911.5811.932791.6432 .944971.7029.950211.7321.969801.8708.981682.oooo.988892.1213.993262.2361 .997522.4495.999o82.6457.999662.8284.999873.oooo.999953.1623 JOB **GAMMA ANALYSIS**<br>22 **FUNCTION** RN1, C77 22 FUNCTION RN1, C77 GAMMA B 2 X 100<br>0 0 0 00005 1.0 00121 5.0 0006810.0 0175220.0 o o *.00005* 1.0 .00121 *5.o* .0046810.0 .011s2zo.o .0369430.0 .0615540.0 .0902150.0 .1057355.0 .1219060.0 .1386265.0<br>1733575.0 .1912180.0 .2092985.0 .2275290.0 .26424100.0. .1733575.0 .1912180.0 .2092985.o ~2275290.0 .26424100.0 .30097110.0 .33738120.0 .37318130.0 .40816140.0 .44217150.0 .47506160.0 .50676170.0 .53716180.0 *.56625190.0* .59398200.0 .62037210.0 .64544220.0 .66914230.0 .69155240.0 .71272250.0 .73263260.0 .75132270.0 .76892280.0 .78542290.0 .80084300.0 .81529310.0 .82881320.0 .84142330.0 .85317340.0 .86410350.0 .87433360.0 .88382370.0 .89262380.0 .90082390.0 .90840400.0 .91549410.0 .92200420.0 .92808430.0 .93374440.0 .93889450.0 .94372460.0 .94813470.0 .95227480.0 *.95605490.0 .95956500.0* .96279510.0 *.96578520.0 .96856530.0*  .97107540.0 .97342550.0 *.97558560.0 .97756510.0 .97939580.0* .98109590.0 .98264600.0 .98601625.o *.98875650.0 .99093615.o* .99272700.0 *.99532750.0*  .99694800.0 .99810850.0 .99880900.0 *.99926950.0* .999451000.0

## OUTPUT

### WEIBULL GENERATING FUNCTION



## **OUTPUT**

### WEIBULL GENERATING FUNCTION







 $\overline{45}$ 

### CARD CHANGES OF MODEL PARAMETERS

Run Number 2 Item B

JOB **NR 2 GAMMA WEAROUT** .. 22 FUNCTION RNl 077 **GAMMA. B2 x 100**  *.00005* 1.0 .00121 *5.o* .0046810.0 .0175220.0 .0369430.0 .0615540.0 .0902150.0 .1057355.0 .1219060.0 .1386265.o .1557970.0  $.1733575.0$   $.1912180.0$   $.2092985.0$   $.2275290.0$   $.26424190.0$   $.30097110.0$ .33738120.0 .37318130.0 .40816140.0 .44217150.0 .47506160.0 .50676170.0 .53716180.0 .56625190.0 .59398200.0 .62031210.0 .64544220.·o .66914230.0 **.69155240.0 .71272250.0 .73263260.0 .7,132270.0 .76892280.0 .7&:5b.2290.0**  .80084300.0 .81529310.0 .82881320.0 .84142330.0 .85317340.0 .86410350.0 .87433360.0 .88382370.0 .89262380.0 .90082390.0 .90840400.0 .91549410.0 .92200420.0 .92808430.0 .93374440.0 .93889450.0 .94372460.0 .94813470.0 .95227480.0 .95605490.0 *.95956500.0* .96279510.0 .96578520.0 .968~6530.0 .97107540.0 .97342550.0 .97558560.0 .97756570.0 .97939580.0 .98109590.0 .98264600.0 .9860162,.0 .98875650.0 *.99093615.o* .99272700.0 *.995321*  .99694800.0 .99810850.0 .99880900.0 .99926950.0 **.999451.ooo.o**  *9* **VARIABLE FN5\*K225&1000** 

- **22' VARIABLE FN22\*126,3&KlOO**
- **1 CAPACITY** 4
- **2 CAPACITY** 3
- *3* **CAPACITY** 3
- 4 **CAPACI?t** 3
- *5* **CAPACITY** 3

TABLE 11 (continued)



 $\frac{1}{47}$ 

## CARD CHANGES OF MODEL PARAMETERS

Run Number 3 Item C

 $JOB$ 

NR 3 WEIBULL WEAROUT



## COMPUTER PROGRAM







