



Panel #13: Containing Program Lifecycle Costs

Chair: Gary Bliss, Director, Performance Assessments and Root Cause Analyses (PARCA), Office of the Assistant Secretary of Defense (Acquisition)

Discussant: John Dillard, Senior Lecturer, Naval Postgraduate School

Creating a "Should Cost" Culture through Opportunity Management

by David Riel
Defense Acquisition University



Javelin Anti-Tank Missiles EMD Contract Cost Audit Trail

Day 1: 36-month EMD contract awarded for **\$169.7 million**.

(Government estimate and budget was **\$263 million**)

18 MACA: PM's nightmare - Contractor "bottoms up" estimate says technical problems preclude execution of 36 month schedule and significantly raise BAC beyond the government estimate.

21 MACA: 48-month EMD program presented to MDA. Contractor CEO states that **\$372 million** is required to execute. Also expressed willingness to cost share above revised target. Says worst case, 54-month program at \$420 million is possible but not likely.

24 MACA: After numerous reviews, OSD directs **54-month** EMD program re-baselined from original 36 (30 more months to completion).

32 MACA: **\$443 million** is new negotiated target cost with contractor sharing 50/50 above that amount.



2016 Defense Acquisition System Annual Performance Report:

- “should cost” management ... has been a success”
- “should be a permanent feature of the DoD’s acquisition culture.”
- But... inculcation of “should cost” implies a mindset to:
 - Execute cost saving opportunities throughout all levels.
 - Require continuous cost saving ideas.
- **Are *opportunities* being as aggressively pursued and managed as risks?**