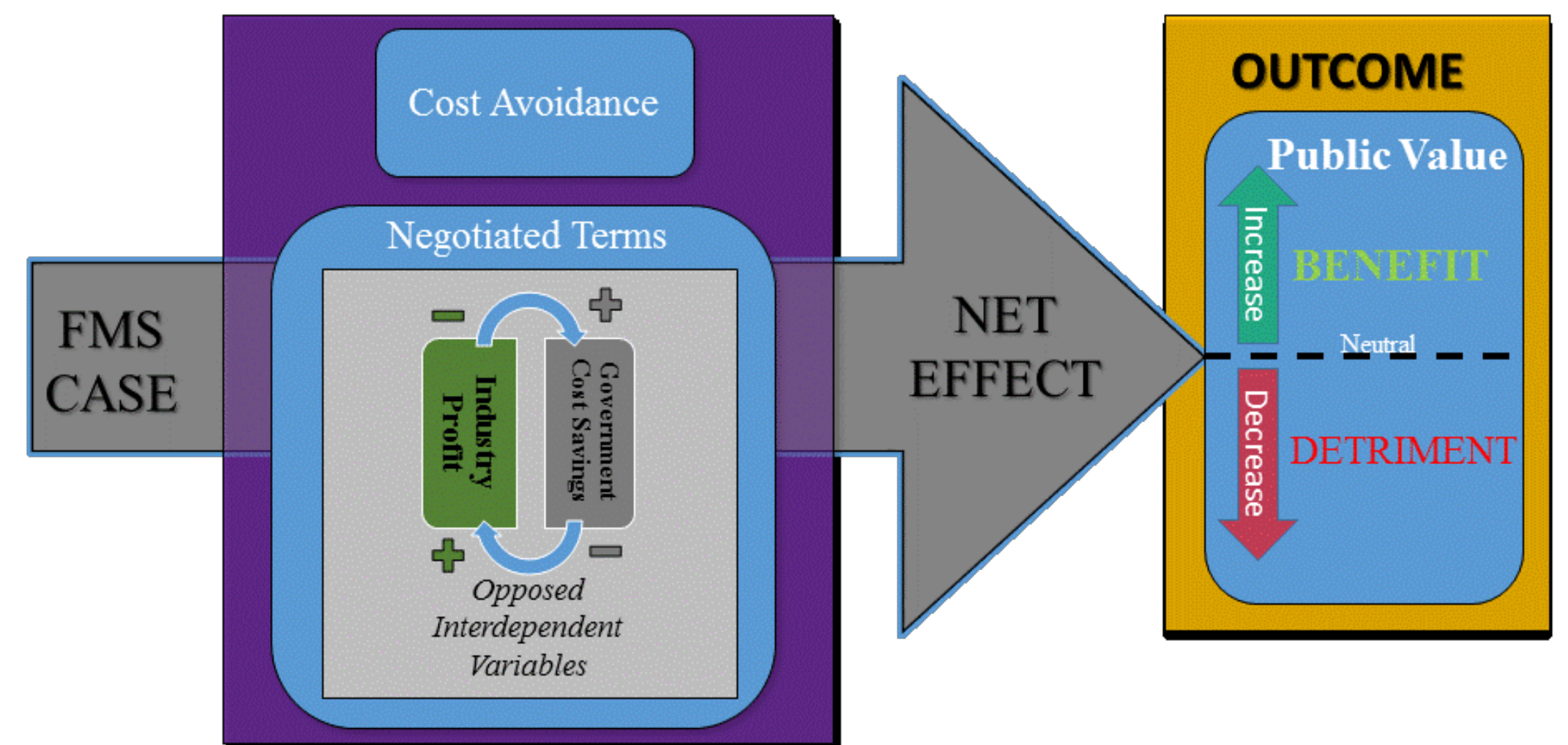


## Overview

Foreign Military Sales, in the past, has been associated with program cost savings and cost avoidance. In an effort to support DASA (DEC), this project describes current cost savings and cost avoidance trends in Army foreign military sales using a comparative high-low case study approach. Two specific cases are selected based on a determination of relative high demand volume and low demand volume in major weapons categories. The cases are analyzed on an internal basis to determine cost savings, cost avoidance, and public value. Then compared in order to determine any advantages or trends in cost savings, cost avoidance and public value.

### Public Value Conceptual Framework



Public Value Conceptual Framework: relating FMS case Net Effects to Public Value

## US Government Sources of FMS Cost Savings and Cost Avoidance

### How are Cost Savings and Cost Avoidance Different?

**Cost Savings**- An action that will result in a smaller-than-projected level of costs to achieve a specific objective. E.g Average Unit Cost- Theoretically, savings to be re-invested

**Cost Avoidance** - An action taken in the immediate time frame that will decrease costs in the future. e.g MTBF Decision or Production Line Gap

### Sources

| Economies of Scale             | Sustainment                   | International Cooperative Programs                                      |
|--------------------------------|-------------------------------|---|
| - Learning Curve- Direct Labor | - Performance Based Logistics | - Capability Enhancement  |
| - Overhead and Common Labor    | - Common Block Upgrades       | - International Cooperative Research, Development and Acquisition (MOU) |
| - Direct Material (EOQ)        | - Production Line Gap         |   |

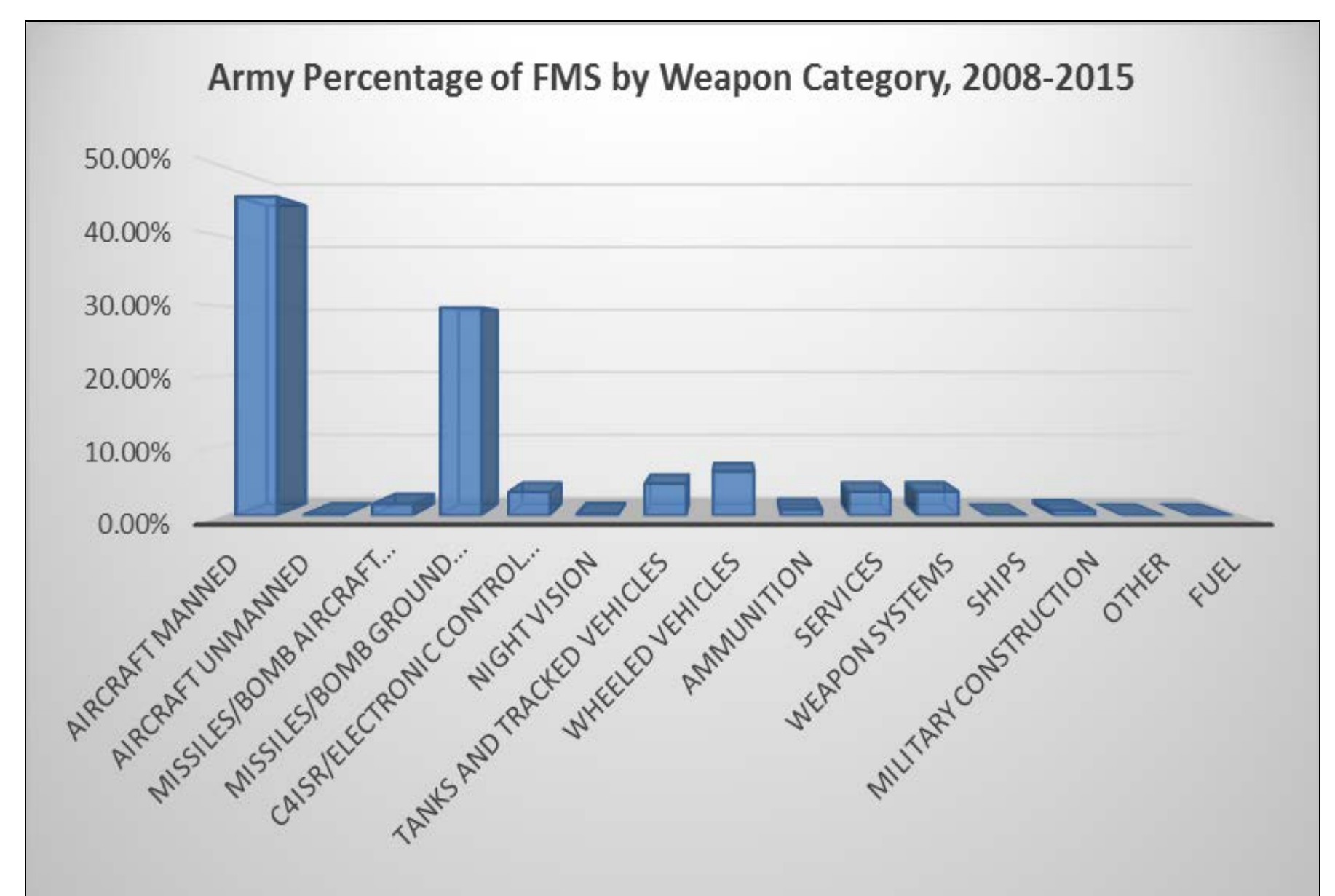
Sources of Cost Savings and Cost Avoidance

## Research Questions

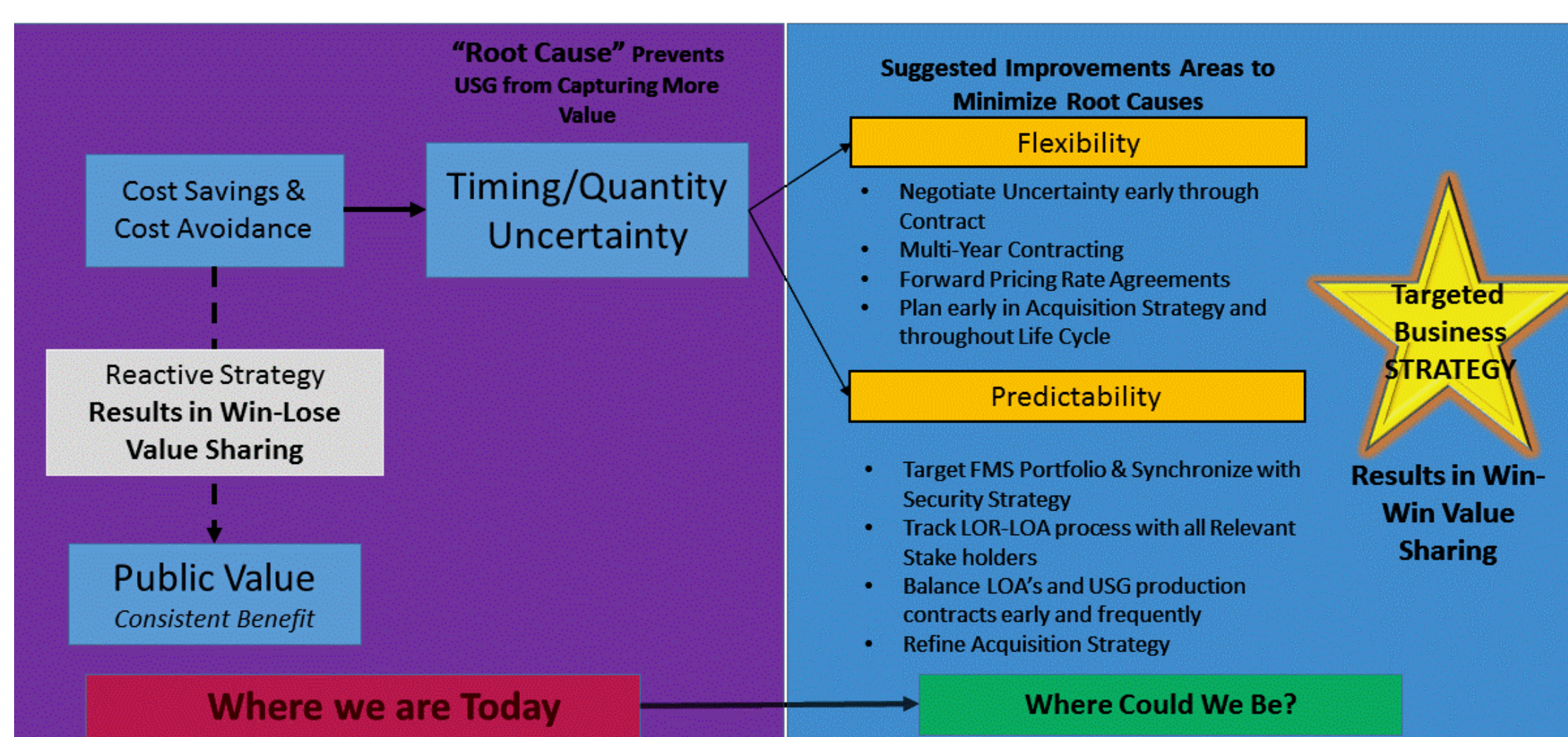
- Identify the DOD and Army Foreign Military Sales demand trends
- Define cost savings and cost avoidance
- Create a framework from which to analyze the impacts of FMS
- Analyze the barriers to leveraging Foreign Military Sales to generate cost savings and cost avoidances.

## Methods

Initially, we analyzed 378 Defense Security Cooperation Agency (DSCA) news releases addressed to Congress, issued from 2008 until 2015, to identify trends at the DOD level. Our second level of analysis focused only on the Army FMS program. In total, from 2008 to May 2015, the DSCA notified Congress of \$150.7 trillion worth of expected Army-related FMS. The largest weapon category across this period was Manned Aircraft at \$68.8 trillion; conversely, the smallest was Unmanned Aircraft at \$218 million. Based on an analysis of DSCA's archival information, we selected the Army's AH-64 Apache Helicopter to represent the high case and the Army's RQ-7B TUAS Shadow to represent the low case for this comparative case study.



Army FMS Weapon System Demand Trends 2008-2015



FMS Value Sharing Challenges and Root Causes

## Conclusions

- Army procurement spending nearly matched by Army Foreign Military Sales
- Three categories of cost savings and cost avoidance: Economies of scale, Sustainment, International Cooperative Partnerships
- Value from Foreign Military Sales is not fully captured due to the lack of a synchronized business strategy