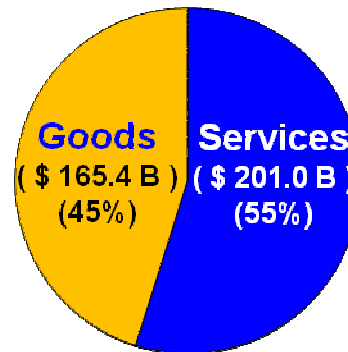


# Today's Acquisition Challenges



*Dr. Nancy L. Spruill*

*Director, Acquisition Resources and Analysis*

*Office of the Under Secretary of Defense for Acquisition, Technology and Logistics*



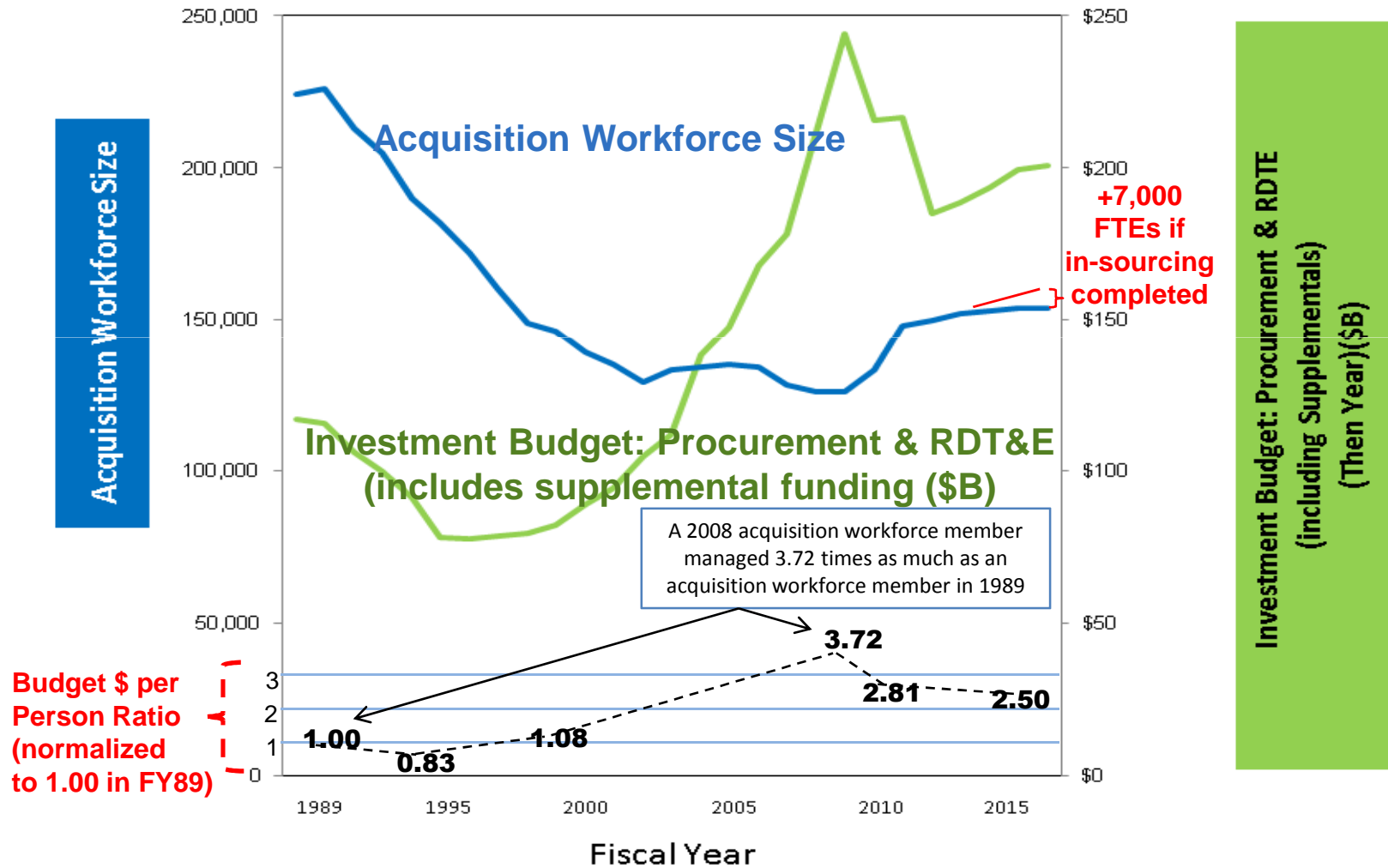
# *Agenda*

---

- Acquisition workforce
- Better Buying Power initiatives
- More on targeting affordability and controlling cost growth
- Data – Major Programs
- Future research ideas



# Acquisition Workforce



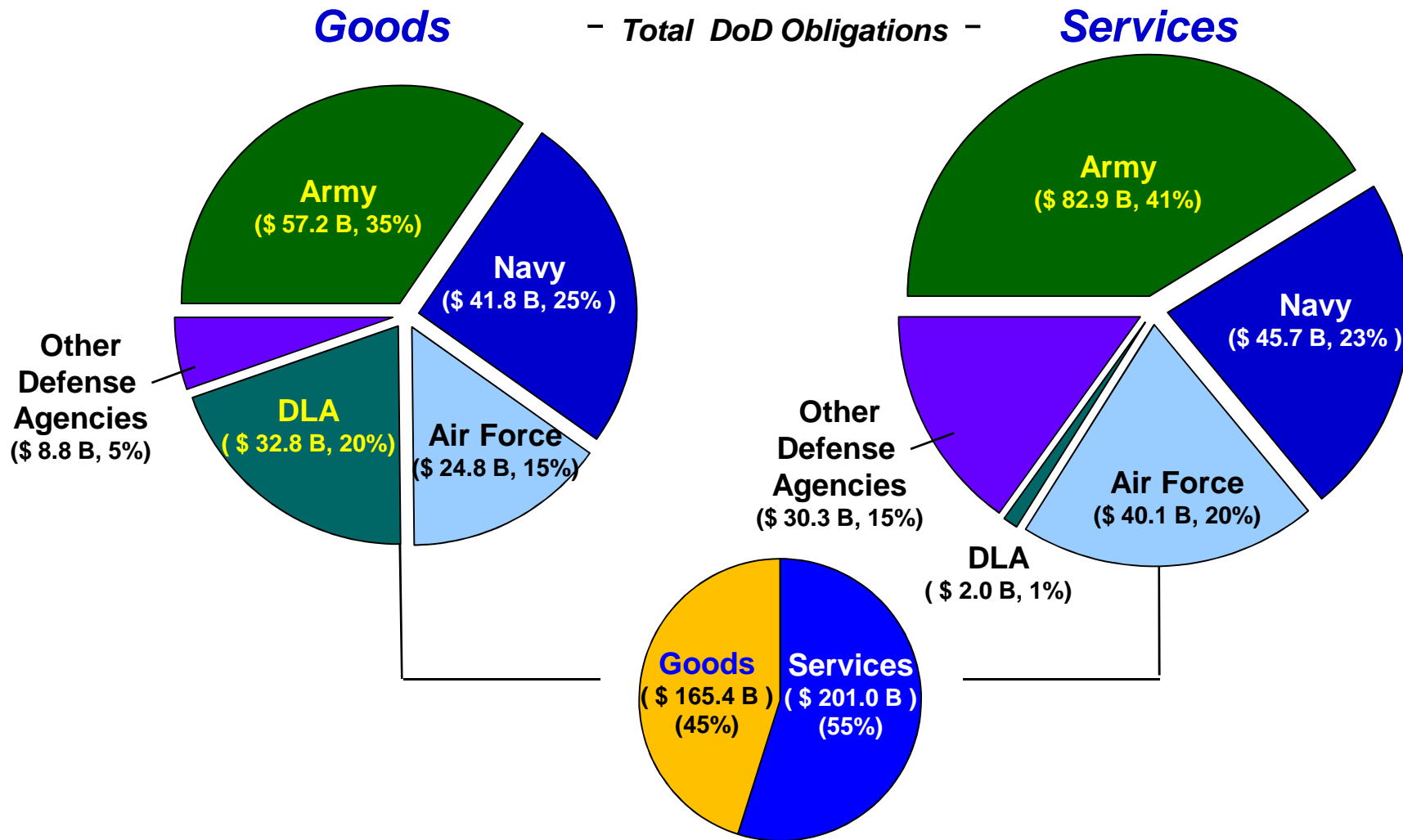
# ***Better Buying Power Initiatives***

---

- Incentivize Productivity and Innovation in Industry
- Promote Real Competition
- Improve Tradecraft in Services Acquisition
- Reduce Non-Productive Processes and Bureaucracy
- Target Affordability and Control Cost Growth



# FY10 DoD Contract Spending



# *Affordability*

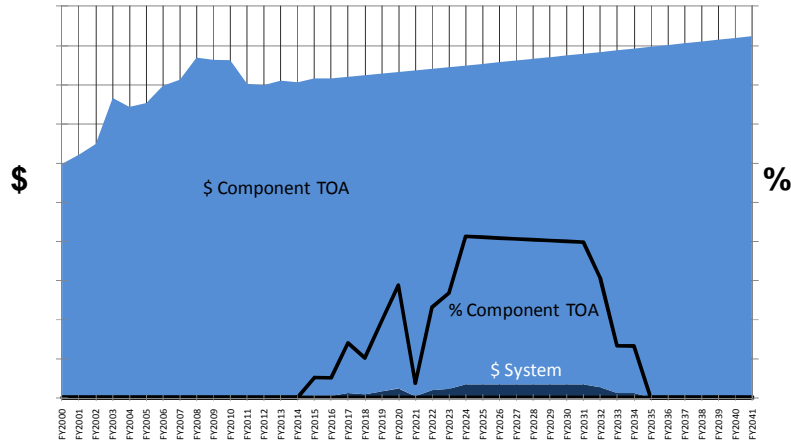
---

- Affordability is a portfolio attribute
  - Not a program attribute
  - Not a “yes or no” question
- Affordability has two main components:
  - How likely are future costs to exceed projected resources?
  - What do we have to give up in order to buy this?

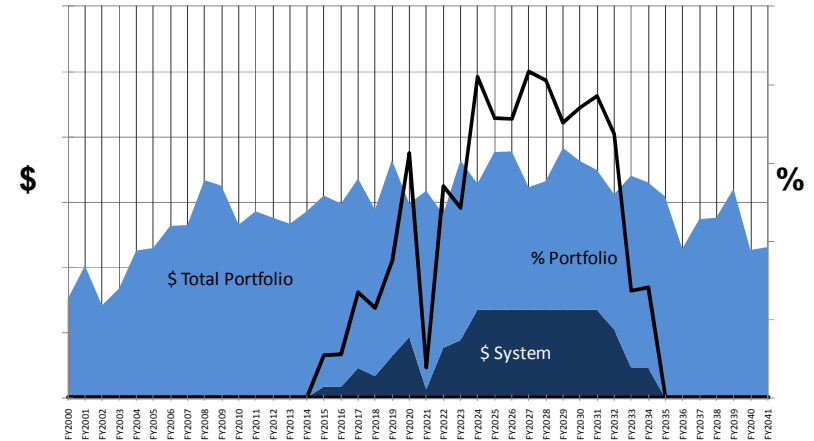


# Affordability - Portfolio View

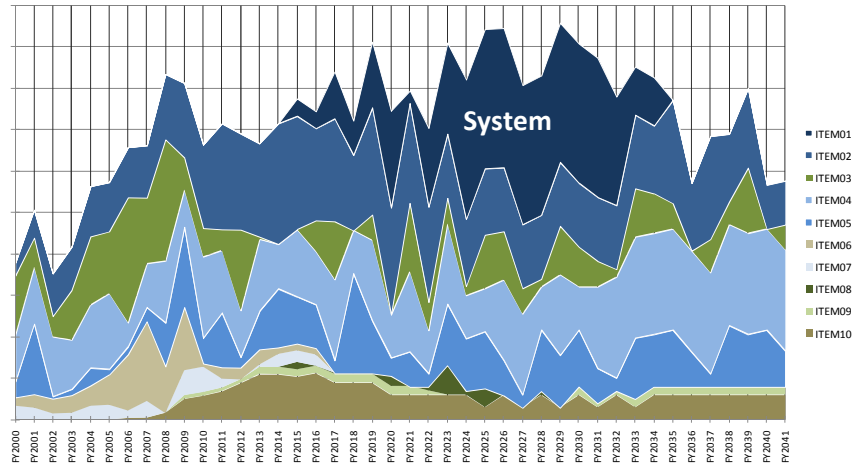
System % of Component TOA



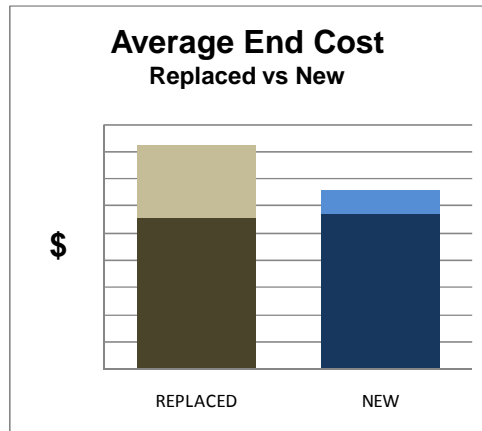
System % of Portfolio



Portfolio Budget by Item



Average End Cost Replaced vs New



		Total	FY 09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
New	X Qty												X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

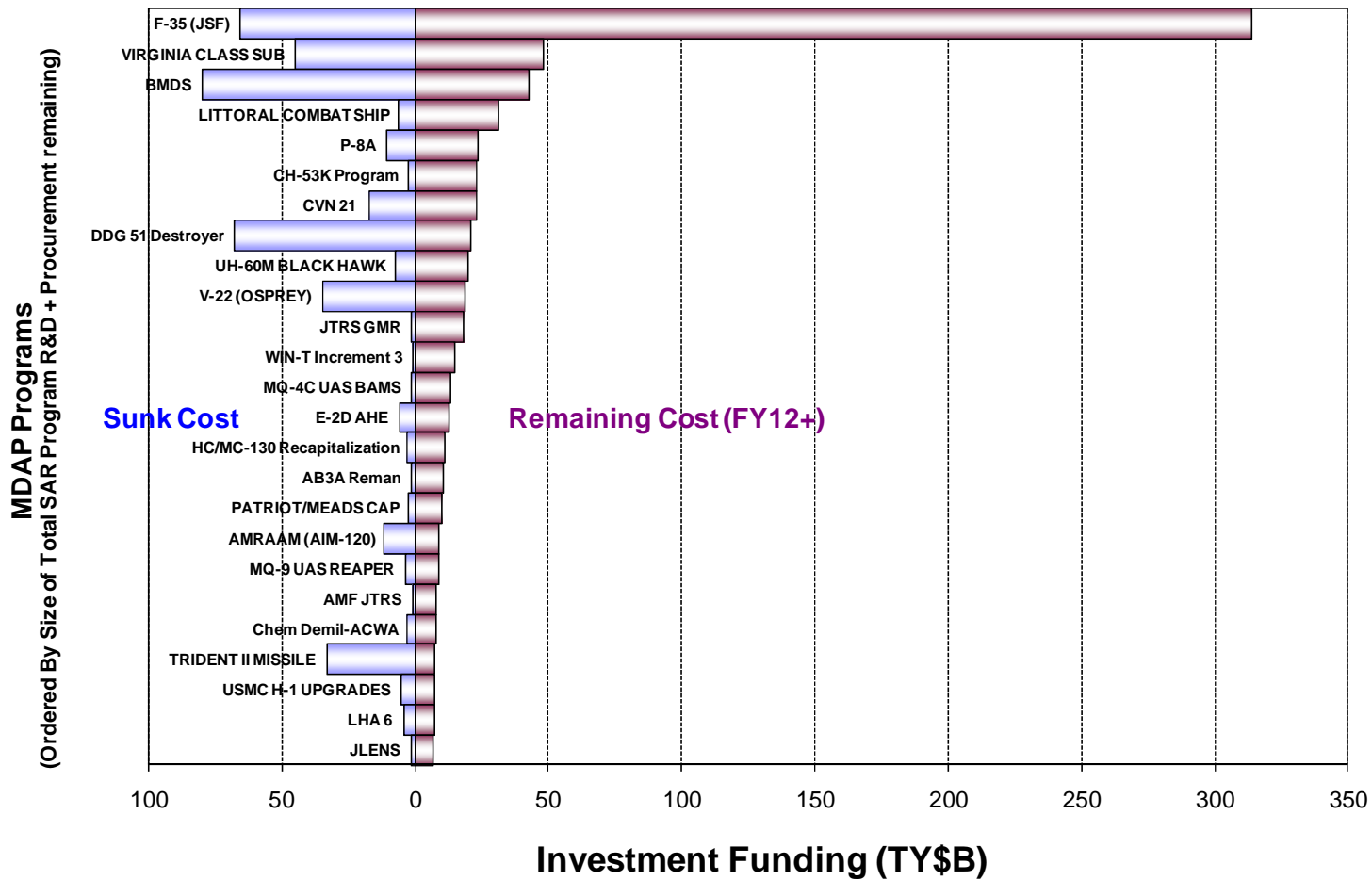
New and Replaced System Procurement Profiles

		Total	FY 73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04
Replaced	Y Qty	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y														



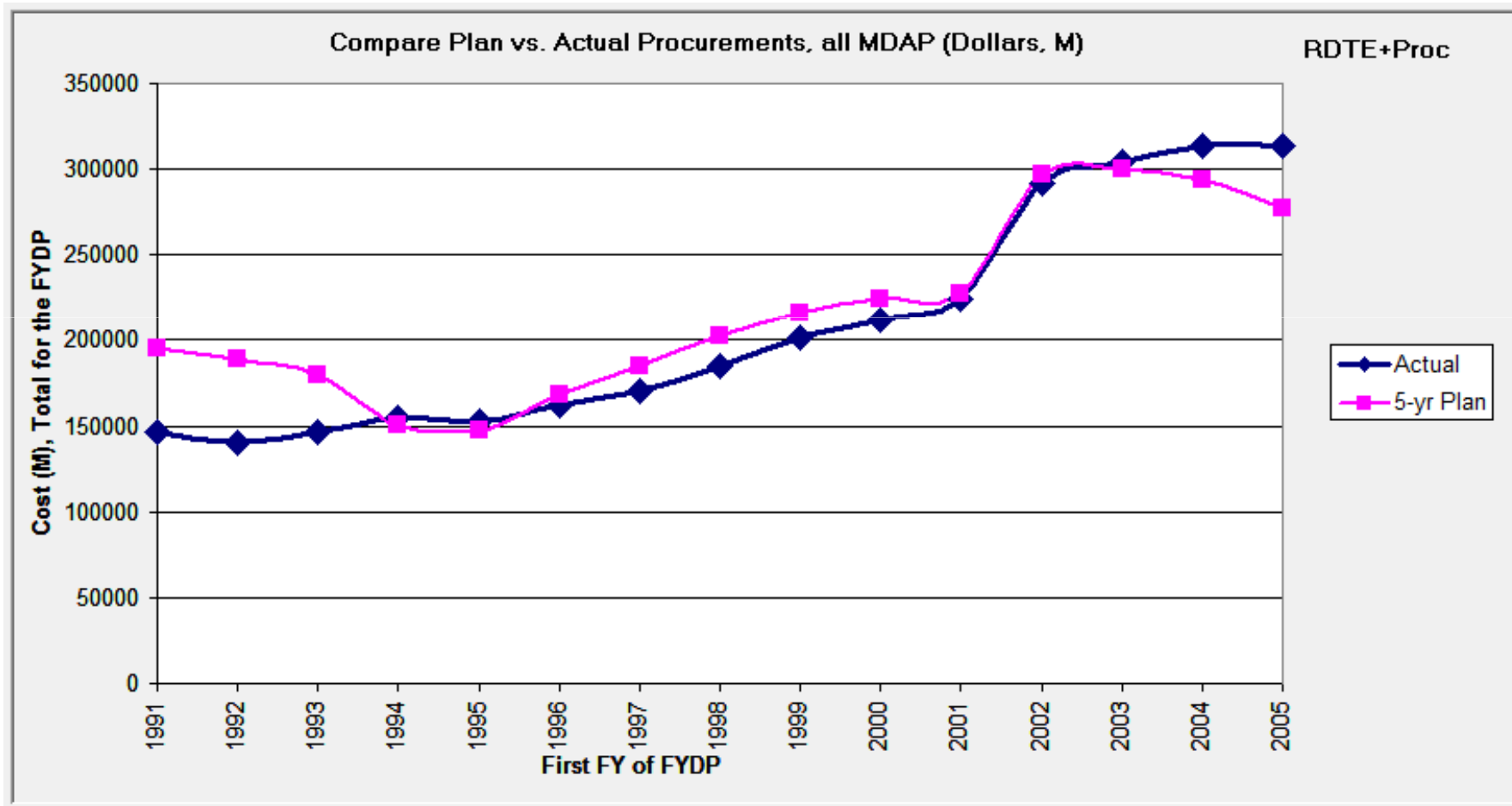
# DoD Top 25 Acquisition Programs

## MDAP "Sunk" vs "To Complete" Funding





# FYDP Funding MDAPs

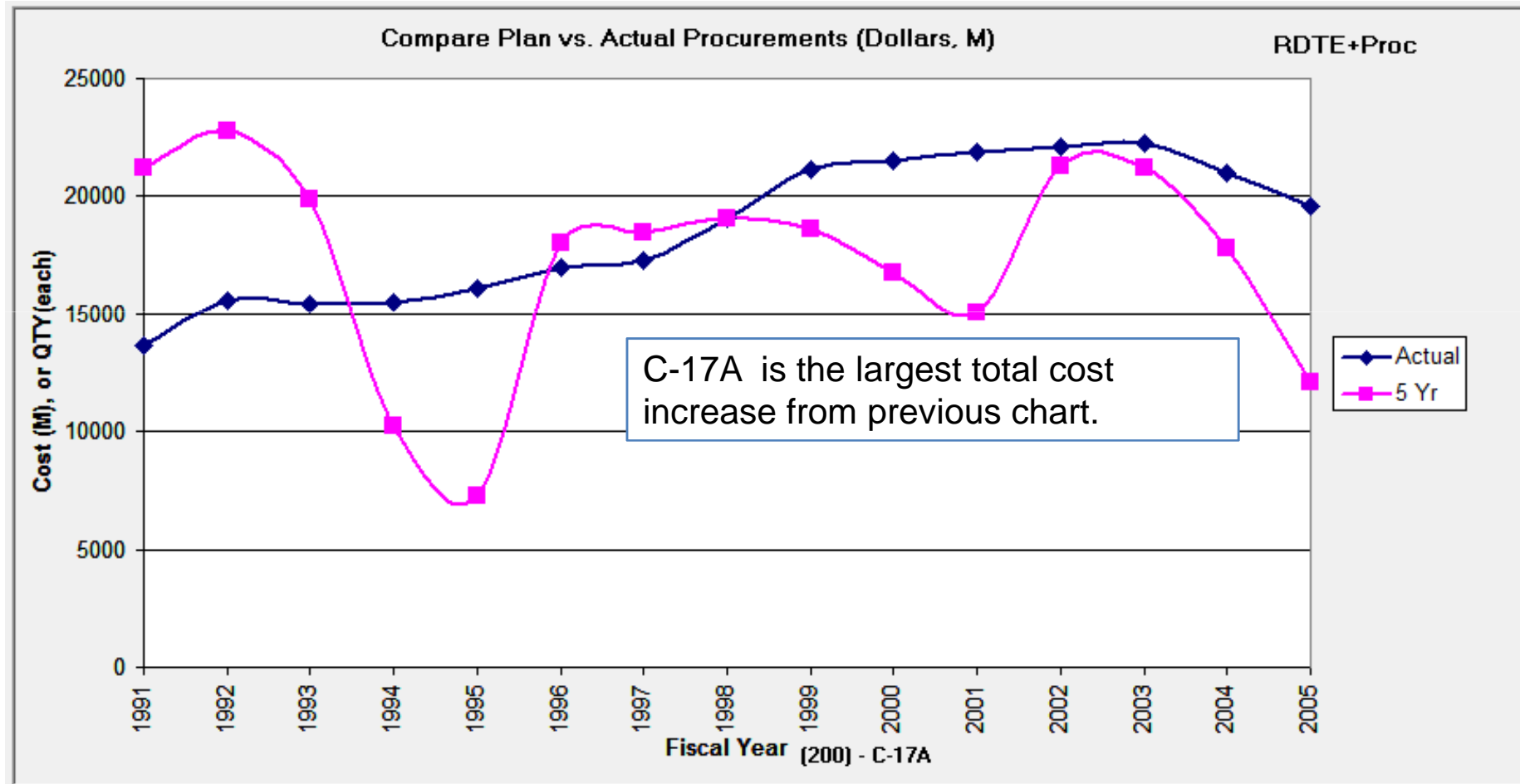


110 MDAPs in study, each had a SAR for 4 or more years

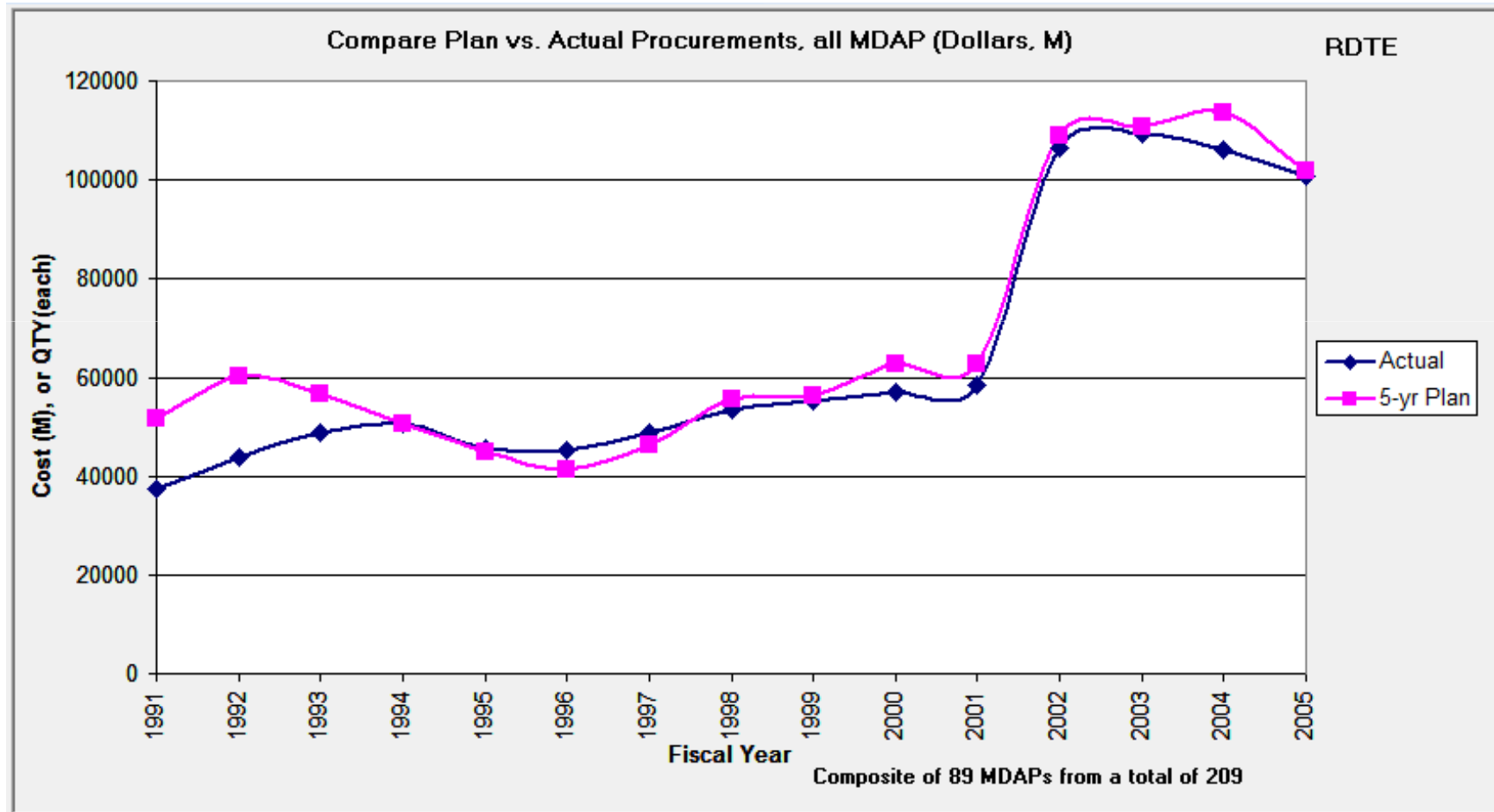


# Funding at the Individual Program Level

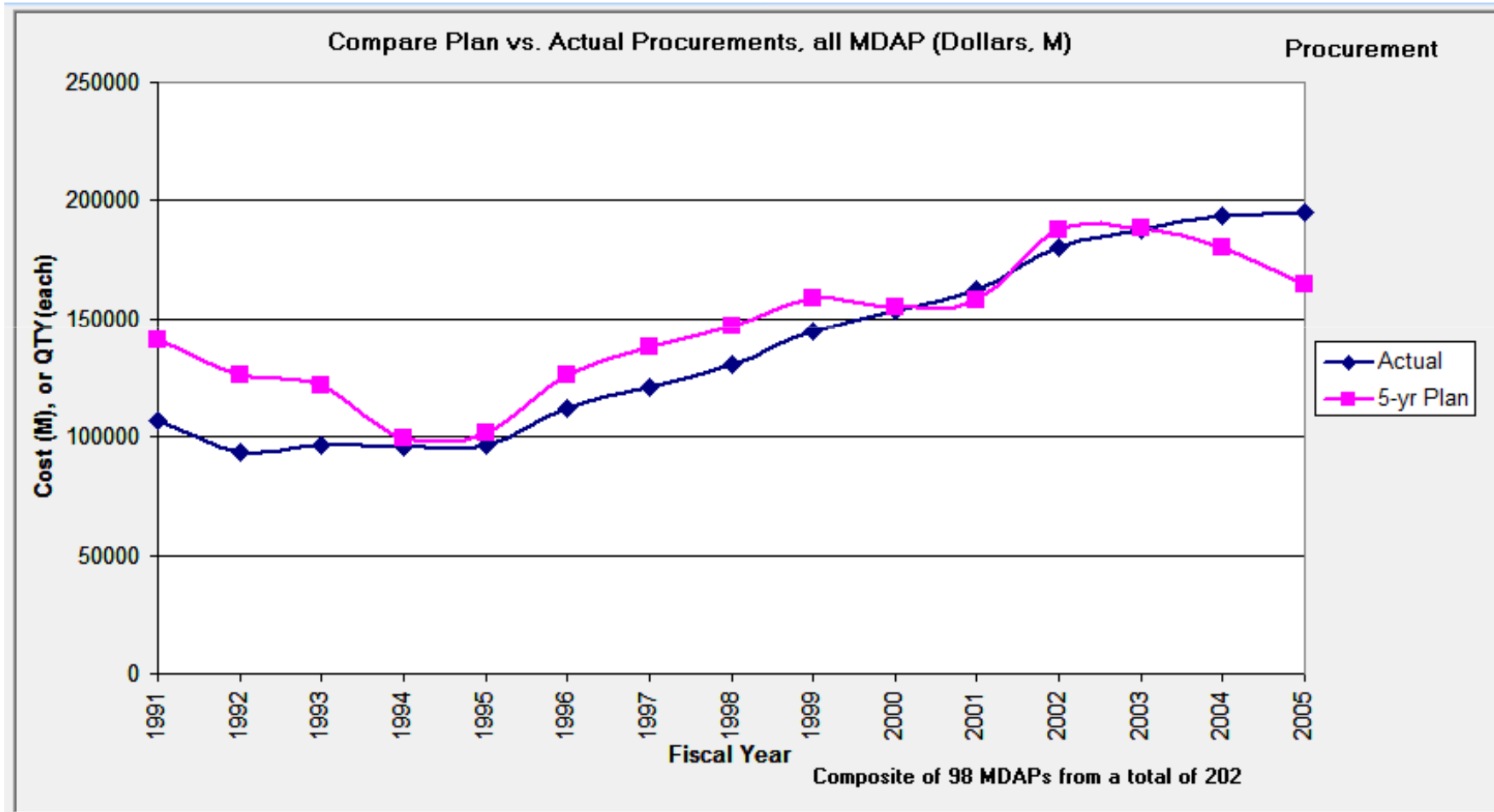
## C-17A



# FYDP RDT&E Funding Trends

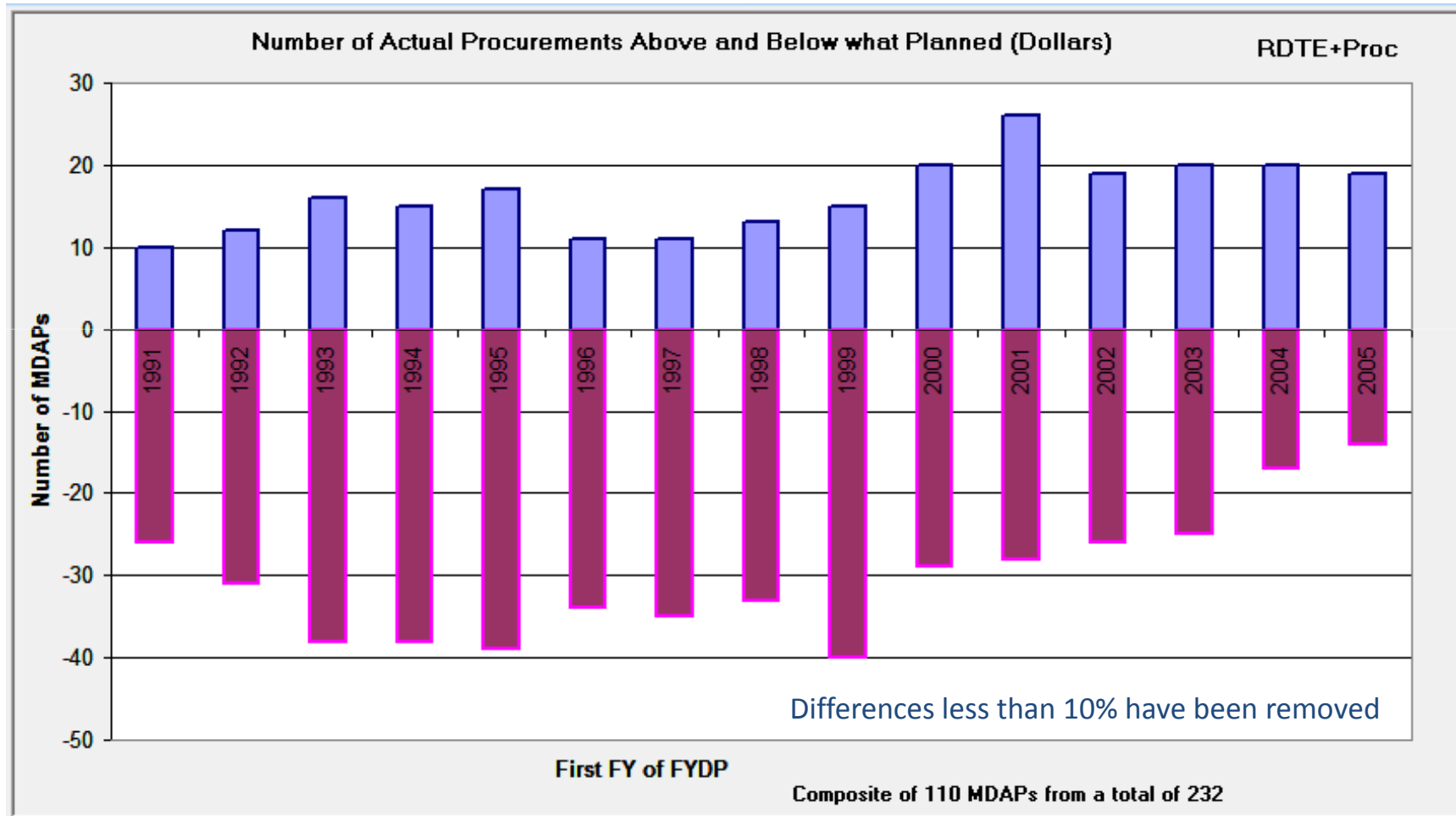


# FYDP Procurement Funding Trends

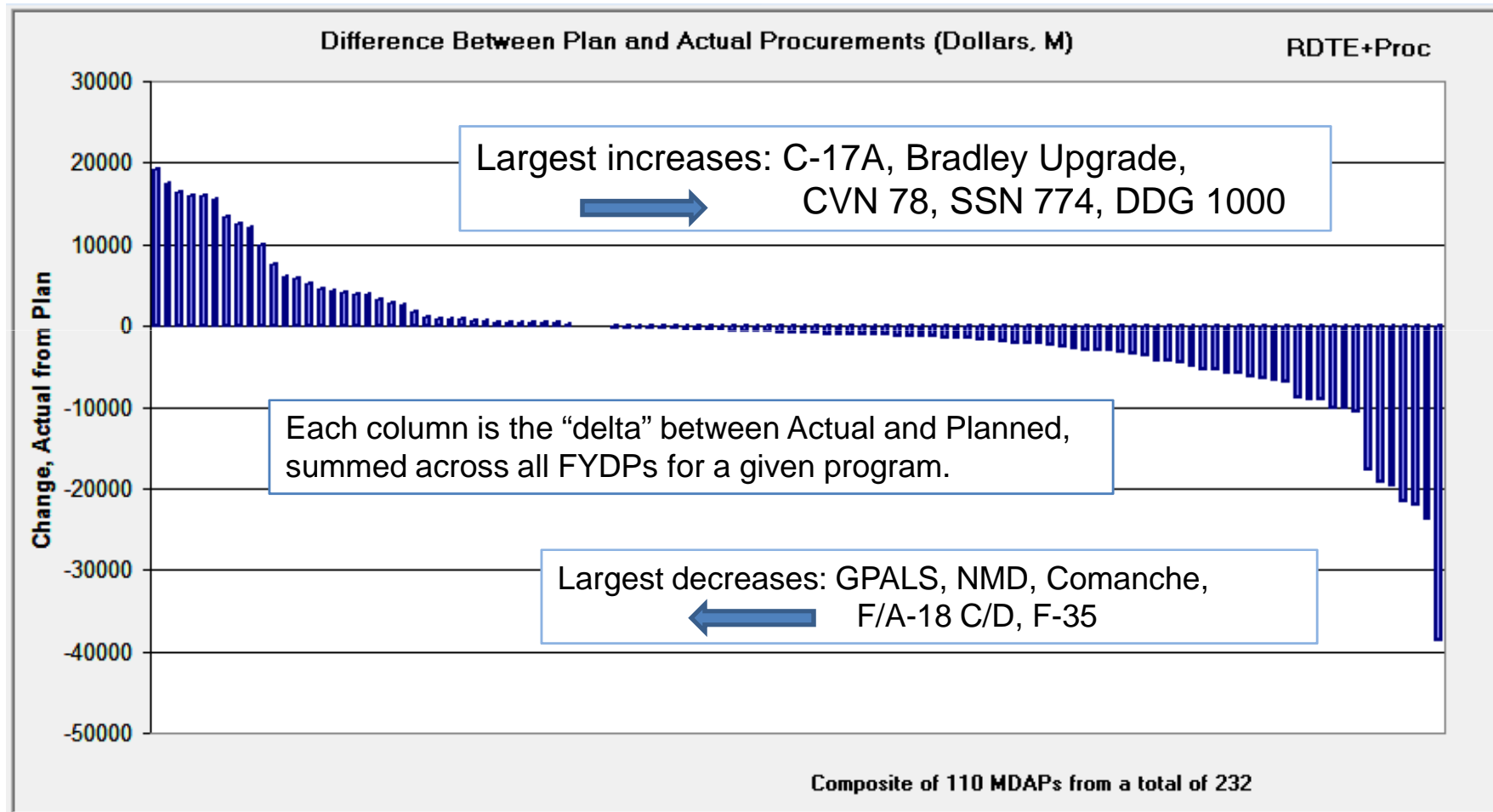


# *Deltas to FYDP Plan*

## *(Counts of Programs Up versus Down)*



# Complete MDAP Portfolio (110 MDAPs) 1990-2009 – FYDP Funding



# *MDAP Cost Growth*

---

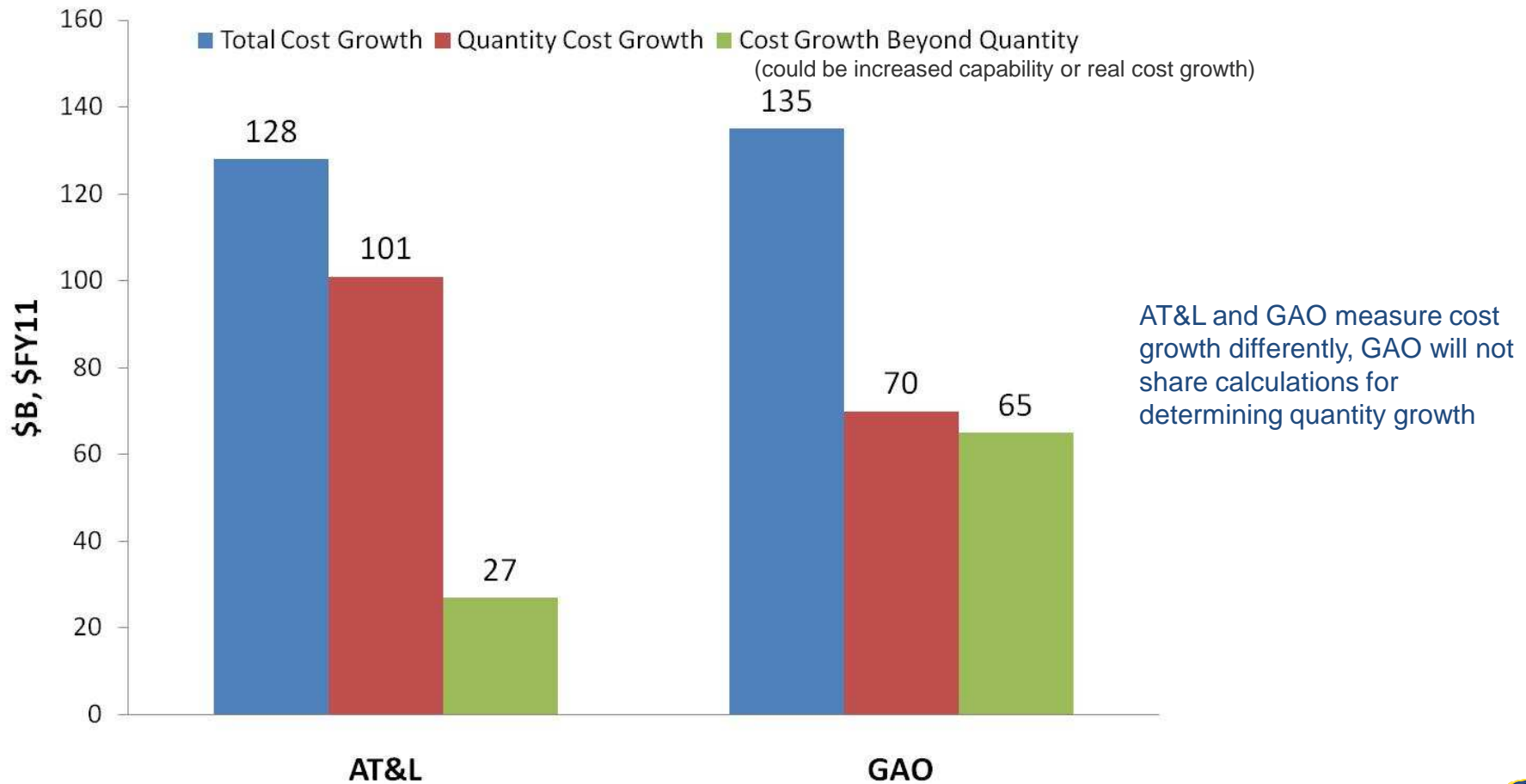
- There are numerous methods we can use to classify cost growth
- It depends:
  - Nunn-McCurdy (Congress) – measures unit costs
  - GAO focuses on MDAP portfolio cost, measuring total growth
  - My method eliminates quantity growth and focuses on “real” cost growth over short and long term



# SARs – 2 Year Cost Growth

## AT&L versus GAO

2 year Estimated MDAP Cost Growth - Dec 2007 SAR to Dec 2009 SAR

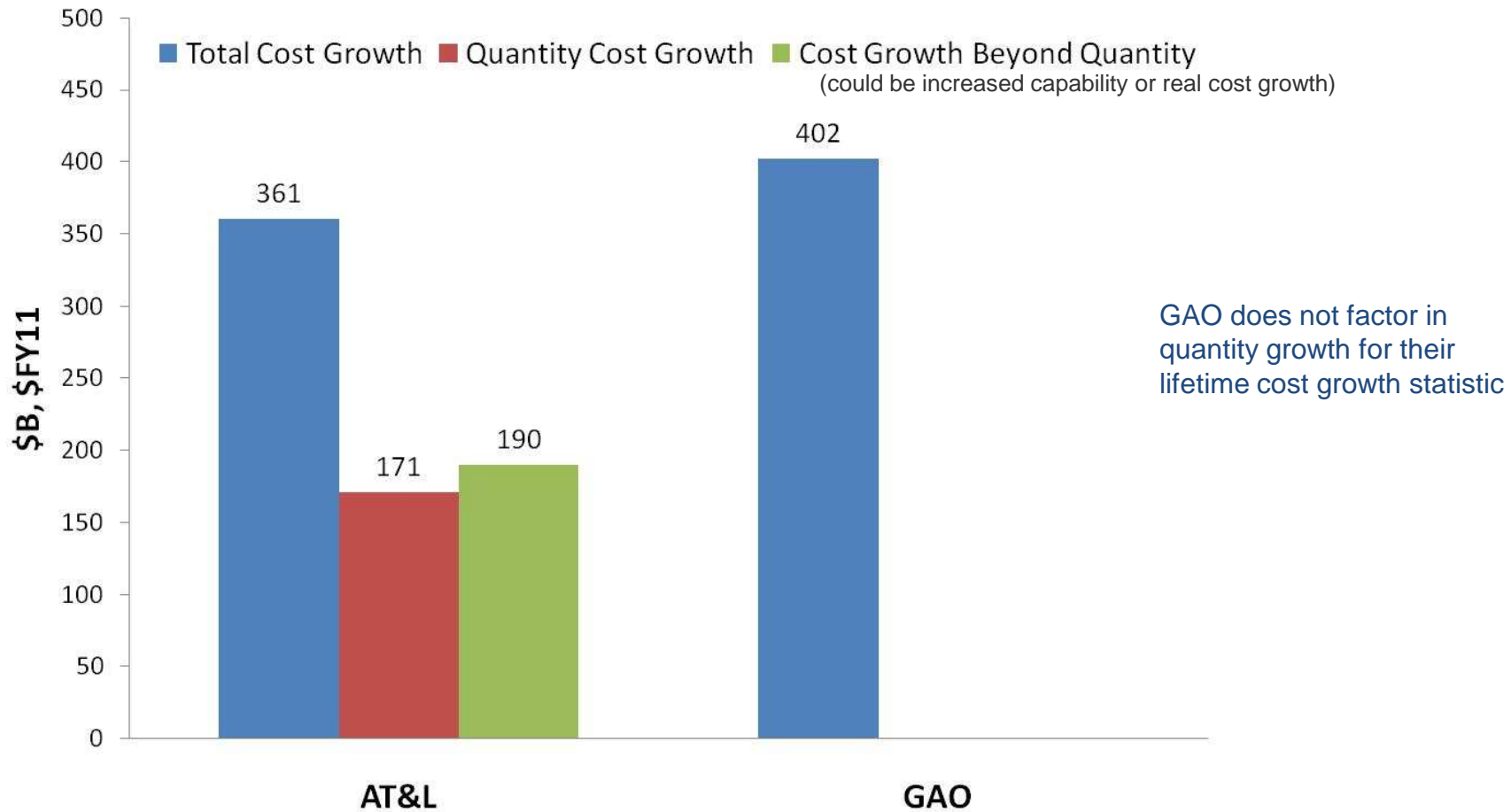




# SARs – Lifetime Cost Growth

## AT&L versus GAO

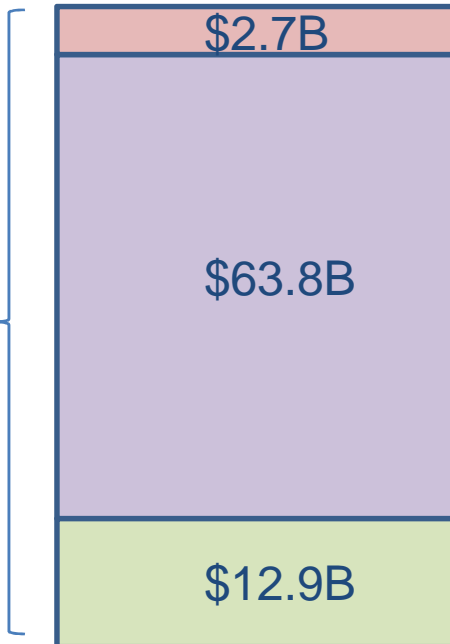
Lifetime Estimated MDAP Cost Growth - MS B to Dec 2009 SAR



# GAO Cost Growth for DDG 51



+ \$79B  
79%



Cost Growth beyond quantity  
(could be increased capability  
or real cost growth)

Quantity  
(We bought 48 more ships)

Pre-MS B Cost Growth



Growth over the life of the program



# Should Cost



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE  
3010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3010

APR 22 2011

MEMORANDUM FOR ACQUISITION AND LOGISTICS PROFESSIONALS

SUBJECT: Implementation of Will-Cost and Should-Cost Management

Last Sept  
and III pr  
initiative  
programs  
It is esse  
baselines  
Program  
governm  
impleme

Program  
so, they s  
program  
expect Pr  
and III pr  
Board ter  
Will-Cos  
identify



OFFICE OF THE SECRETARY OF DEFENSE  
1000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1000

APR 22 2011

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
COMMANDERS OF THE COMBATANT COMMANDS  
DIRECTOR, ADMINISTRATION AND MANAGEMENT  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Joint Memorandum on Savings Related to "Should Cost"

The purpose of this memorandum is to establish policy with regard to achieved savings as a result of successful "should-cost" program execution. At some point, Service Acquisition Executives will declare that program should-cost savings have been achieved (for example, the negotiated price of an annual production lot of a system is equal to or better than a should-cost program target). That assertion should be validated by the Service Assistant Secretary (Financial Management and Comptroller). Savings would then generally be retained by the Service and reallocated to the highest priority needs as determined by the Service Secretary or a senior leader designated by the Service Secretary.

An exception to the aforementioned guidance would apply if the Secretary of Defense or appropriate designee determines that the savings are required to meet high-priority Department-wide needs, such as financial requirements generated by Joint Urgent Operational Needs. In that case, the savings would be diverted to these departmental requirements.

Ashton B. Carter  
Under Secretary of Defense  
(Acquisition, Technology and Logistics)

Robert F. Hale  
Under Secretary of Defense  
(Comptroller/Chief Financial Officer)

## Ingredients

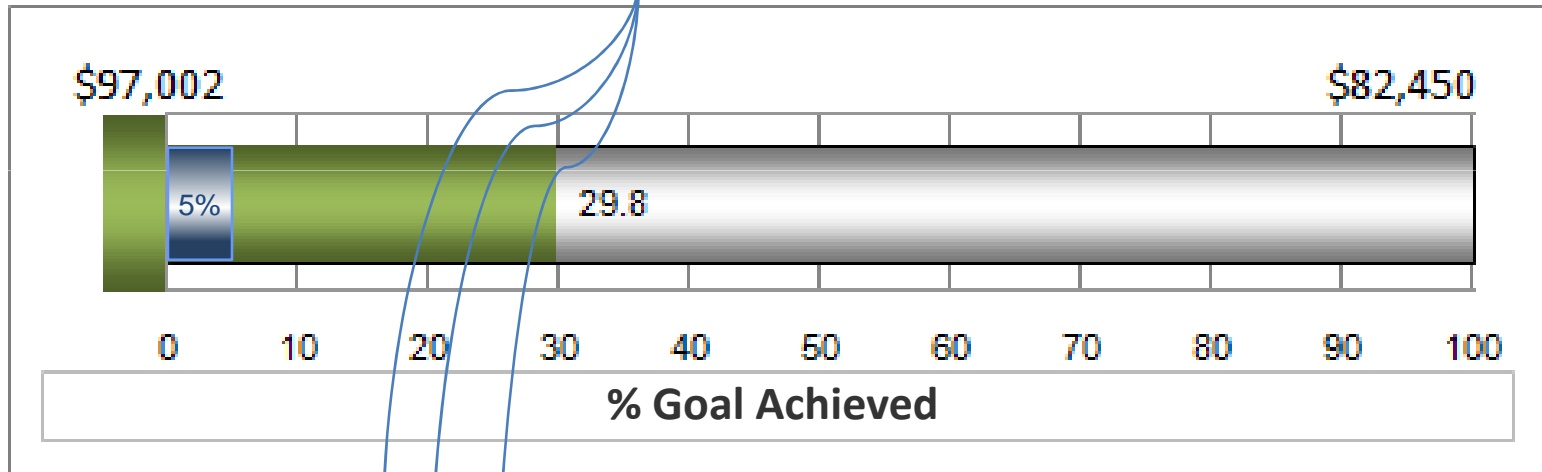
## What About the Money?




# Should Cost Management

Goal = 15% Reduction in Recurring Unit Price

Total Savings: \$ 4,334.87      Est. Price: \$ 92,666.80



- Realized - \$678/unit
- Submitted Ideas in work
  - Prime - \$2,038/unit
  - Suppliers - \$1,599/unit

Submitted Ideas   
Realized To Date 

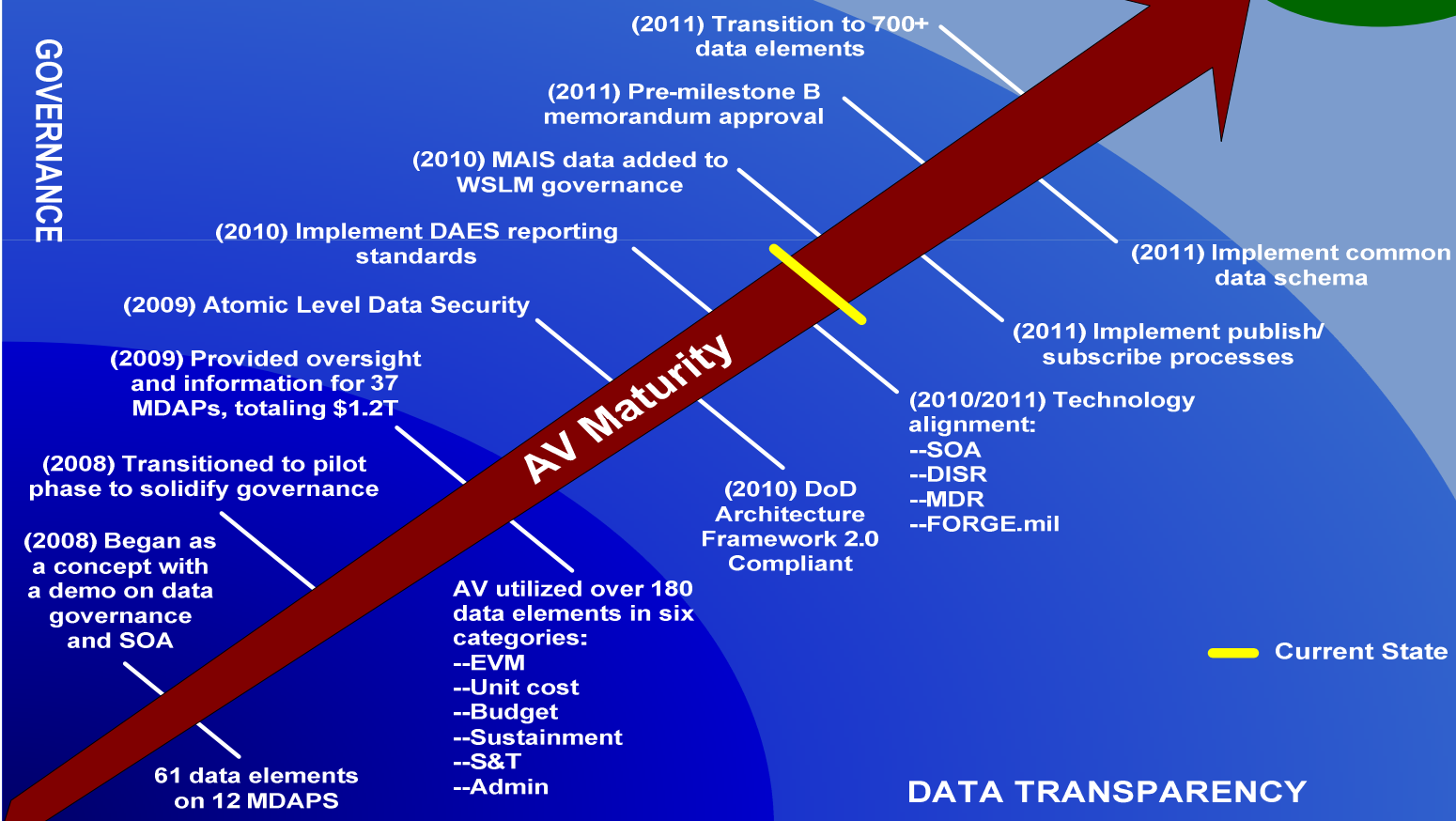


# Acquisition Visibility

## Leveraging Technology and Best Business Practices to Achieve Acquisition Visibility

Acquisition  
Visibility End  
State

GOVERNANCE

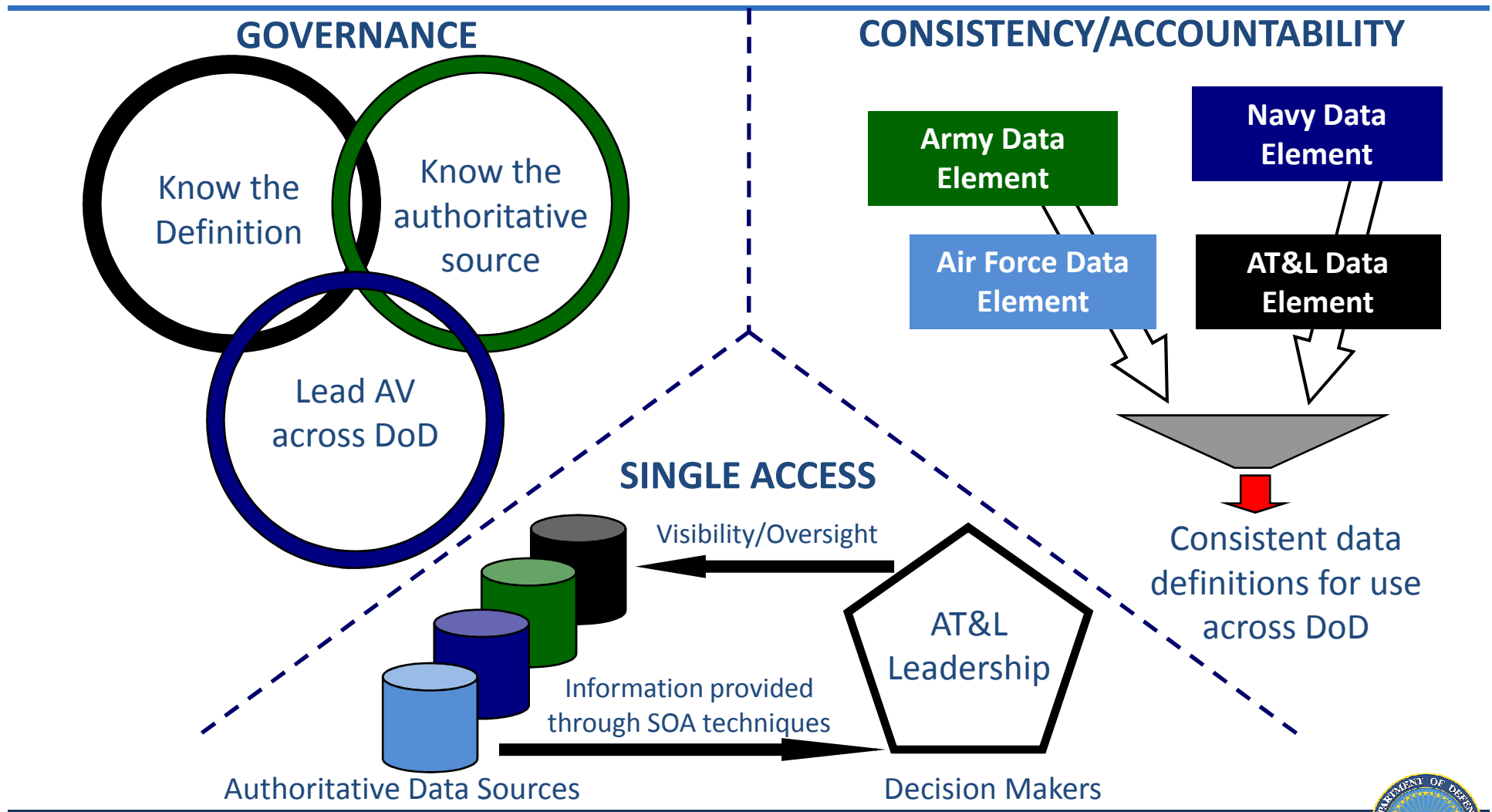


DATA TRANSPARENCY

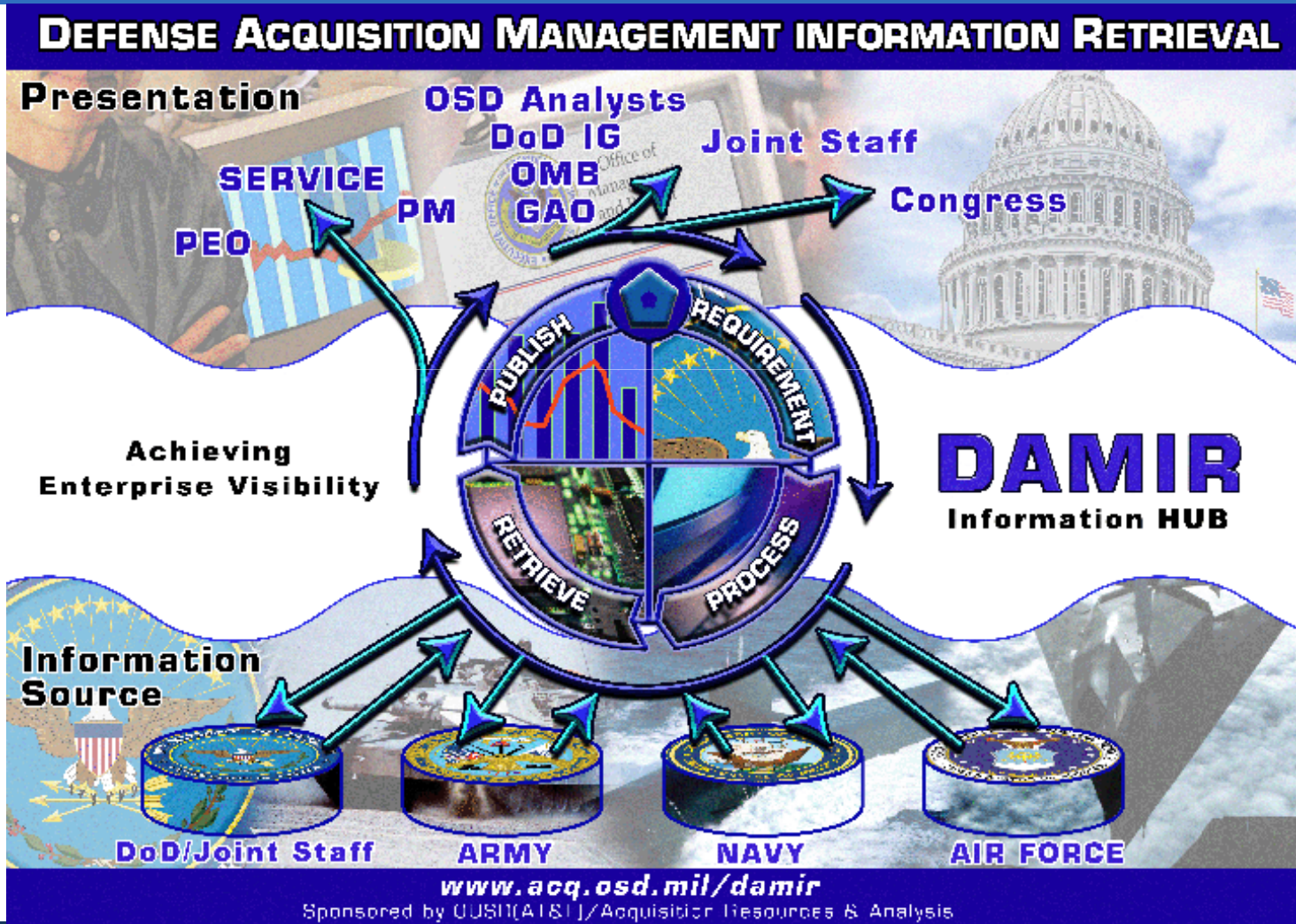


# Acquisition Visibility

## A Focus on Data and Governance

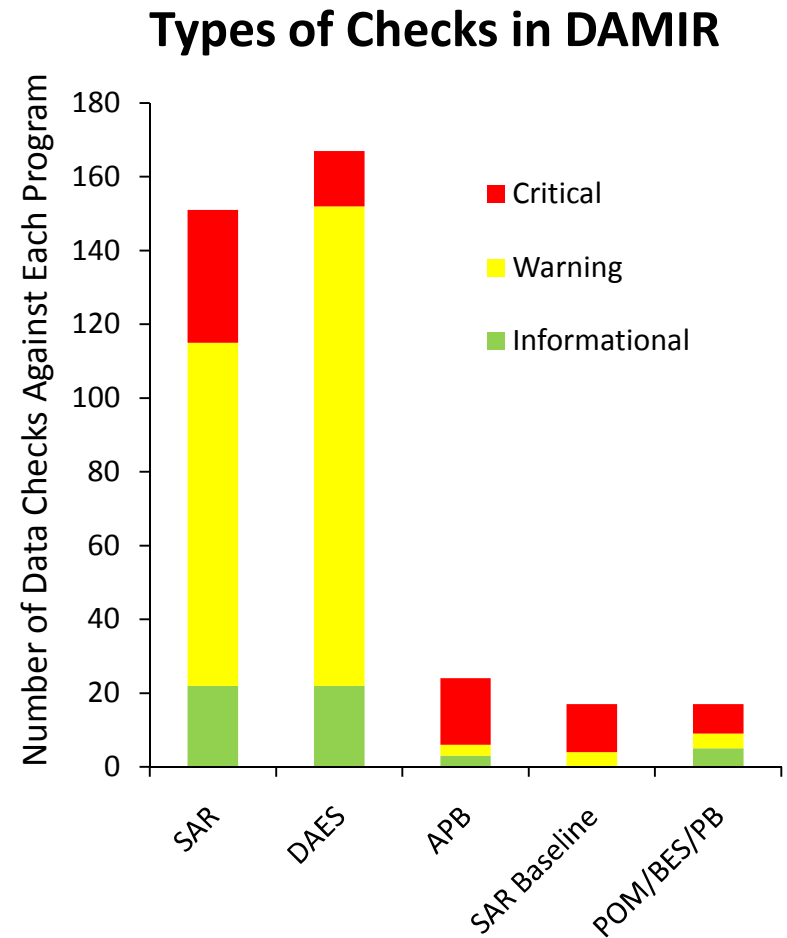


# DAMIR



# DAMIR Validation Checks at Submission

- DAMIR Data entry checks
  - **Critical**, **Warning**, and **Informational** checks
  - Reports *cannot* be finalized with critical checks





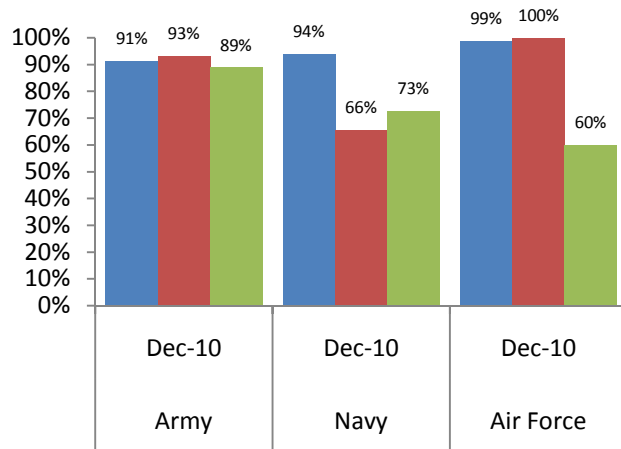
# Data Quality Metrics by Service

Availability

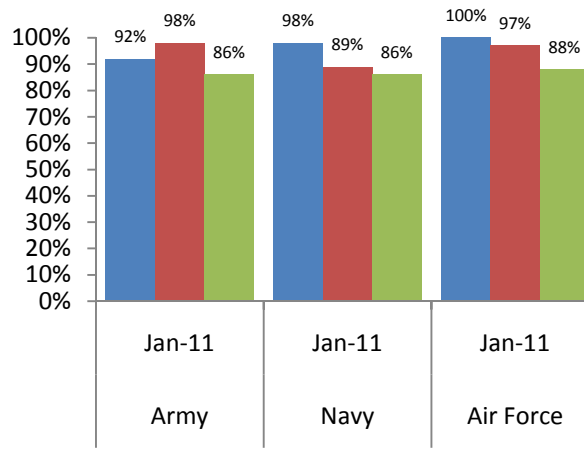
Currency

SAR vs. DAES Alignment

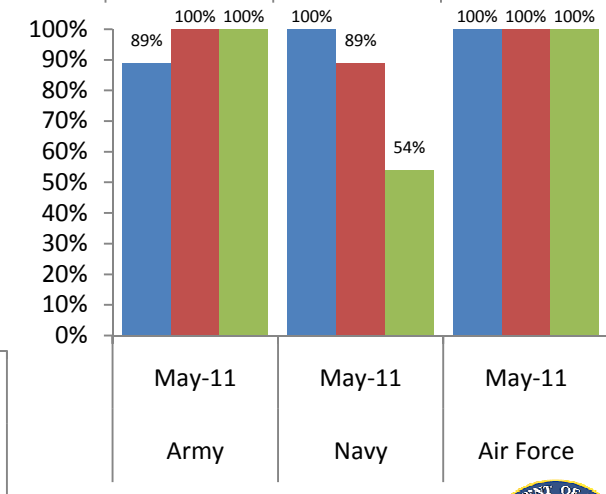
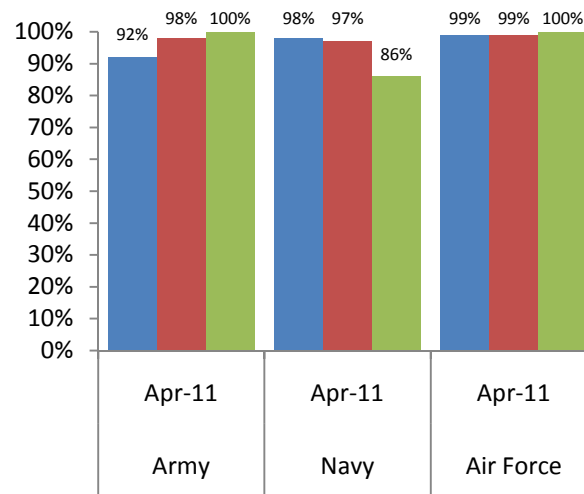
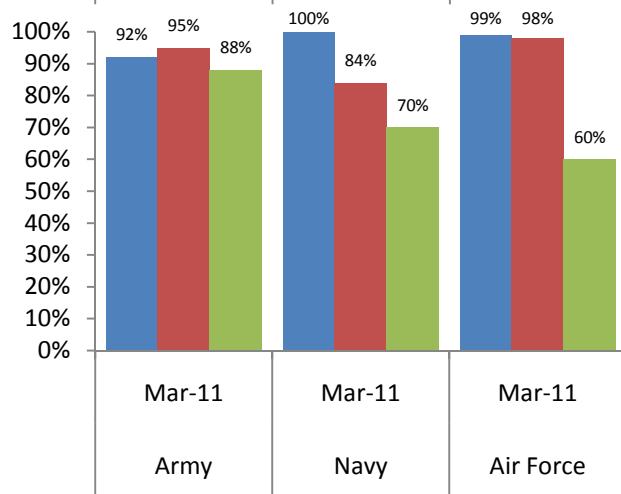
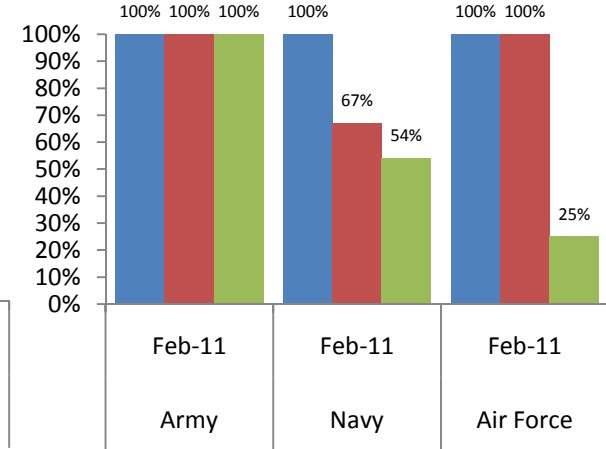
## DAES Group A



## DAES Group B



## DAES Group C



# DAES Assessments

## Program X

### Cost

<b>G</b>	DCMA	The cost risk is rated Green. The major cost driver is . . . There are no known deficiencies in the contractors EVM systems and the program is about 85% complete.
<b>G</b>	ARA/AM	Concur with PM's "green" rating. No known cost issues.
<b>G</b>	PSA/NW	PSA/NW concurs with PM rating/assessment for Cost as Green. Current program estimates are all well below both the Original and Current Baseline APB.
<b>G</b>	CAPE/CA	Rates the Program as GREEN. No outstanding CSDR issues.
<b>G</b>	PARCA	Rates the Program as GREEN. No outstanding CSDR issues.

### Schedule

<b>Y</b>	PSA/NW	Rates Schedule as Yellow (PM assessment is Green). Flight testing is x days behind program schedule but will not breach the APB schedule IOC thresholds.
<b>Y</b>	PARCA	Rates Schedule as Yellow because flight test is behind schedule.

### Performance

<b>Y</b>	PSA/NW	Rating Yellow (PM assessment is Green). There remains some potential for performance risk due to . . .
<b>Y</b>	OT&E/AW	Deficiency corrections identified in the operational assessment need to be addressed prior to OT.
<b>G</b>	SE	Rating green. Program is projected to achieve all KPPs.
<b>Y</b>	PARCA	Rates Yellow because . . .

### Funding

<b>G</b>	AR&A/RA	On track with funding.
<b>G</b>	PSA/NW	Concur with PM Green rating. OSD-12 budget fully funds to the SCP.
<b>G</b>	USD (C )	Rates Green, budget fully funds.

### Test

<b>Y</b>	DT&E	Program created efficiencies to improve from x weeks behind schedule at last assessment to only y weeks behind now. Will make Objective date for IOT&E if schedule efficiencies all work out as planned. No significant technical issues at this time.
<b>Y</b>	OT&E/AW	A delay in DT may impact the scheduled start of OT.

### Sustainment

<b>G</b>	L&MR	L&MR concurs with the PM assessment
<b>G</b>	P&R	Training has been tracking concurrent with program development capabilities. No know training challenges.

### Management

<b>G</b>	PSA/NW	Concur w/PM rating. Program office staffing is adequate/stable.
----------	--------	---

### Contracts

<b>G</b>	DPAP	Contract awarded (date). Contract type is FFP. The basic award and subsequent funding modification obligated funds to procure long lead materials in support of LRIP. No reported UCAs.
<b>G</b>	IC	No international aspect

### Interoperability

<b>G</b>	PSA/NW	PSA/NW rates Interoperability as Green. There are no identified interoperability issues.
----------	--------	--

### Production

<b>G</b>	IP	Rates the Program as GREEN
----------	----	----------------------------



# *Sign Outside the Door of My Boss*

**“IN GOD WE TRUST, ALL OTHERS  
MUST BRING DATA”**

W. EDWARDS DEMING



---

# *Future Research Ideas*



---

*Questions?*

