Progress Report of Achieving Efficiency and Productivity Initiatives

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COST ESTIMATION PROCESS

Efficiencies and Enhancements

Doing This

$29.6B in Efficiencies Submitted

- Streamlining operations and organizations
- Reducing redundancies in weapons systems
- Reducing installation overhead & manpower program adjustments

To Sustain/Enhance

$26.1B in net enhancements

- Forces & Structure
- Quality of Life
- Urgent & Future Capabilities
- Readiness

Restoring Affordability & Productivity

1. Affordability/Cost Reduction
- Leveraging
- Should cost vs. Will cost
- Affordability as Requirement
- Stable Production Rate
- Portfolio Reviews

2. Contract Terms
- Type of contract
- Cash flow
- Non-value added
- Improved audits

3. Incentives
- Policy
- Small business
- Rewarding excellence
- Protect tech base

4. Measure Productivity Growth
- Metrics
- Develop out-year wedge (2-3%)
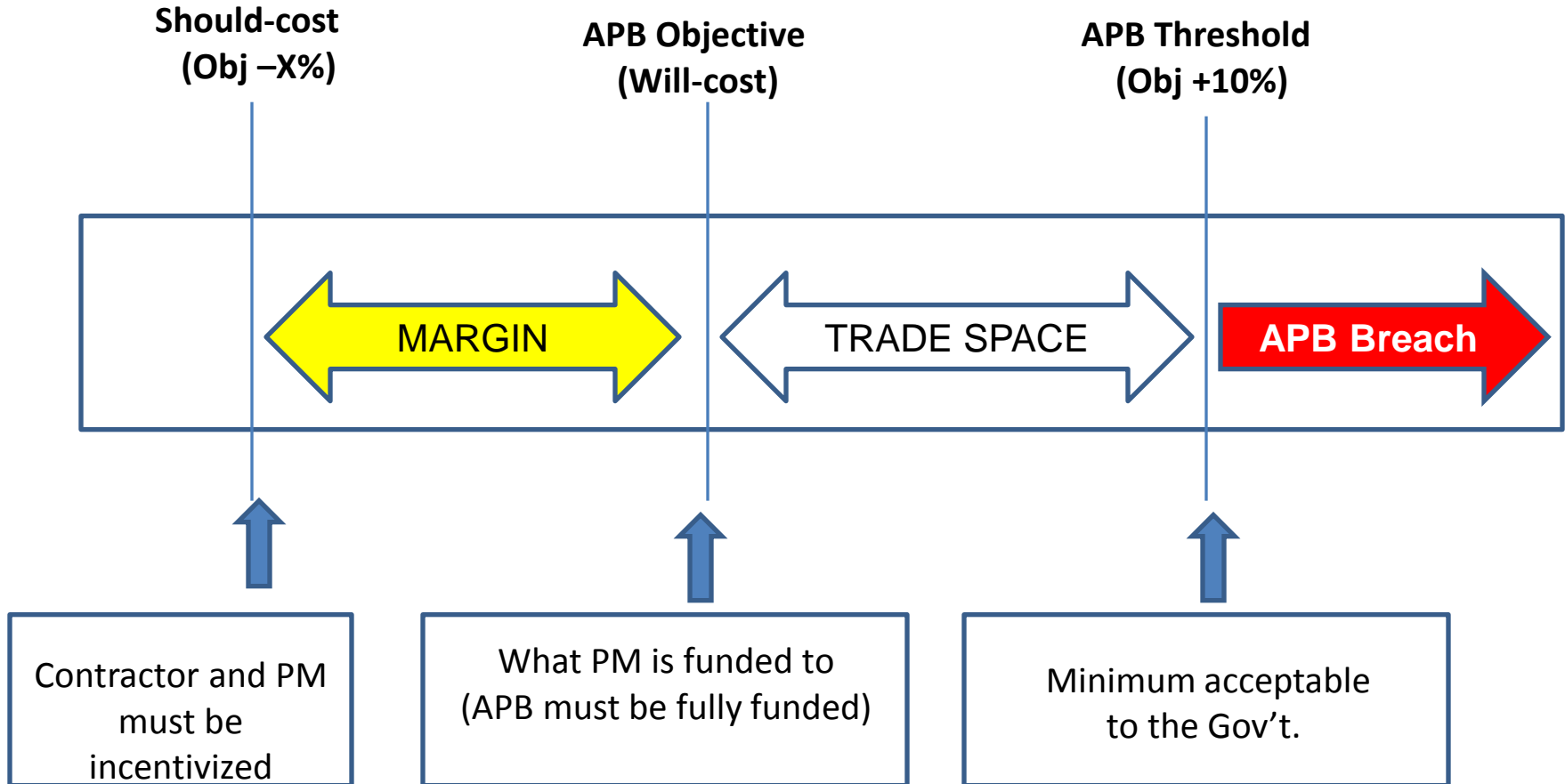- CAPE (Industry Savings Assessment)

5. Services Tradecraft
- Management of services

Margin vs Trade Space

Should-cost (Obj –X%)

APB Objective (Will-cost)

APB Threshold (Obj +10%)

MARGIN — TRADE SPACE — **APB Breach**

Contractor and PM must be incentivized

What PM is funded to (APB must be fully funded)

Minimum acceptable to the Gov't.

BACK UP SLIDES

Should-Cost Definition

"Program-Level" Should Cost Estimate - not just the immediate contract!

- **Who owns?**

  Program office develops, owns, reports & tracks the program-level should cost estimate. Program manager (PM) recommends to MDA (AT&L/AAE) for approval.

- **When required?**

  All milestone decisions or other decisions going before OUSD(AT&L) and AAE; annual updates/progress reporting.

- **Which programs?**

  ACAT I, II and III

- **Intent:**
  - A DoD internal management tool used to incentivize performance to targets.
  - Based on realistic technical and schedule baselines and assumes success-oriented outcomes from implementation of efficiencies, lessons learned, and best practices.
  - Designed to drive productivity improvements in our programs and will incorporate results of contract direct and indirect cost reviews (See FAR 15.407-4 and DFARS 215-407-4 should-cost reviews) when they are conducted.

Should-Cost Definition
(What it's not!)

- **<u>What it is not:</u>**

    − Not the FAR/DFARS definition of Should cost.

    − Broad challenges by management to reduce cost through straight reductions by a specified percentage or dollar value against the will-cost estimate are **<u>not</u>** valid should-cost estimates. Estimates are expected to have specific actionable content associated with reductions.

    − Anything requiring significant investment for completion and an increase to the budget is outside the scope of the should-cost estimate and should be shown separately for consideration

    − Most items outside the control of the program office and inconsistent with the current program of record are outside excursions and not appropriate for the should-cost estimate. However, these can be raised with Stakeholder concurrence or if PM/PEO believes Senior Leaders will support implementation

        - Example: economic production rates

Efficiencies and Enhancements

Doing This ➤ **To Sustain/Enhance**

Streamlining operations and organizations

~Training Range Management
~Service Contractor Efficiencies
~Workforce Management & 4,500 overhead positions
~MILCON
~Contract Management Efficiencies

Reducing redundancies in weapons systems

~NLOS-LS Termination
~Abrams Upgrade
~SLAMRAAM Termination
~GCV – 6 month delay RDT&E
~GCV-Fixed price contract savings
~EIBCT Network
~Scorpion Termination
~Medium Altitude Reconnaissance & Surveillance Systems (MARSS)

~JLENS
~RQ-7 UAV
~Excalibur (reduce QTY)
~War Reserve – Ammo
~BCT UGV Incr 2

Reducing installation overhead & manpower program adjustments

~Recruiting/Retention
~Installation Management
~Logistics Support (sustainment)
~Recruiting/Retention (O&M)
~Service Delivery

~IT (Email/
            Data Servers)
~Other Manpower
            Program Adjustments

Forces & Structure
~Fully Fund ES (MILPAY)
~Accelerate 13th CAB
~Convert 9th HBCT to SBCT

Quality of Life
~HHOP (Korea Family Housing)
~Army Substance Abuse Program
  (prevention/resiliency)

Future Capabilities
~ JTRS Cluster 5 (Handheld)
~Tactical Networks
~Counter IED
~BCT UGV Increment 2
~Modernize Soldier Equipment
~Indirect Fire Protection
~ JLTV
~UAS - MQ-1 Payload
~Combat Vehicles (Abrams/Bradley/Stryker)
~ Add'l ISR (ERMP, Vertical UAS, MC-12)

Readiness
~RC OPTEMPO / FTS
~RADOC COEs
~Reduce PME Backlog
~Training Enhancements FSO
~BOS Life, Health, & Safety
~Installation QOL / ARFORGEN
~Energy Security (EISA)

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SOLDIERS AS THE DECISIVE EDGE