

Headquarters U.S. Air Force

Integrity - Service - Excellence



Air Force Cost Estimating Current Issues and Initiatives

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Current Environment

- Cost realism – cost growth and credibility
 - Perceptions, Congressional action, affordability
- Personnel decline
 - Government positions, support contractors, research
- Acquisition reform
 - Better, faster, cheaper -- culture, resources & data requirements
- Increasing demand
 - ICE, IT and Clinger-Cohen act, spiral development, GWOT and modernization, CLS, leasing, rising OHD, changing technologies
- Culture



Initiatives

- Traditional
 - Data collection and methods development
 - Re-invigorate, standardize, collaborate
 - Increased involvement, credibility/accountability, communication/utility

- Analytical capability transformation
 - Improving acquisition cost capability
 - Changing current cost estimating capabilities, policies, and practices to reduce cost overruns and restore credibility
 - Potential for significant return on investment
 - Financial management Center of Expertise (COE)
 - Base- and installation-level cost, economic and business case analysis



Acquisition Cost Capability

Why?

Historical Cost Growth for Completed Selected Acquisition Reports (SAR) Programs
Actual vs. MS II Baseline, 1968-2002

Total Program	46%
Development	58%

Benchmark service / commodity performance
Examine trends on current programs
Determine cost estimating error

***THERE IS A COST GROWTH PROBLEM.
COST ESTIMATING IS A SIGNIFICANT, BUT NOT LONE, CONTRIBUTING FACTOR.
HOWEVER, IT IS A FACTOR WE CAN MANAGE!***



Cost Growth

Key Contributing Factors

Resources,
Experience

COST ESTIMATING
CONTRACTING

Budget to
estimate

BUDGETING/PLANNING/PROGRAMMING

Data

PROGRAM MANAGEMENT

Objectivity,
Optimism

TECHNICAL/SCHEDULE ASSUMPTIONS

Culture

REQUIREMENTS COMMUNITY

Accountability

SENIOR MANAGEMENT

INDUSTRY

Realism vs.
best value

CONGRESS

Competition



Credible Cost Estimating Requirements

- Personnel
- Objectivity
- Data, models / methods
- Realistic program baseline
- Culture (leadership support, policy / process)



Acquisition Cost Capability Plan

- Personnel

- Additional authorizations, improved governance
 - High-grades, pipeline – reverse decline; establish / monitor career program
 - ✓ Training, education, and development requirements
 - ✓ Career path -- promotion, better recognized profession (certification, new job series)

Skills development/retention, “command influence,” ability to meet demand

- Policy

- Guidelines, standards, requirements (data, methods)
- Require realistic cradle-to-grave cost analysis
 - Program office estimates IAW established standards
 - Expanded independent cost assessment requirements
- Maintain cost estimating performance and budget risk metrics

Objective cost analysis, earlier and more often = credibility and efficiency