



Navy and Marine Corps Cost Issues and Initiatives

Business Managers' Conference

10 May 06

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Outline

- Re-establishment of Naval Center for Cost Analysis
- Cost Estimating within the Dept of the Navy
- Goals and Initiatives
- Policy Updates
- Challenges



Naval Center for Cost Analysis

- **Naval Center for Cost Analysis (NCCA) re-established, Jan 06**
 - Formerly the Naval Cost Analysis Division, FMB-6
 - Now a direct report to ASN (FM&C)
 - Primary mission of guiding, directing, and strengthening cost analysis within DON remains
 - Organization perceived as more “independent,” from customer viewpoint
 - NCCA may be called upon to perform special studies and analyses to support DON
 - E.g., Defense Portfolio Analysis effort
 - Resource issues are being addressed



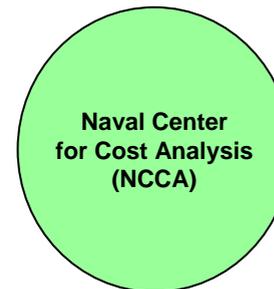
NCCA Responsibilities

- Advise Secretariat on cost issues
- Lead Naval cost community in cost policy issues
- Navy's representative to the OSD Cost Analysis Improvement Group
- Prepare Independent Cost Estimates (ICEs) for ACAT IC programs to support Milestones B, C, and Full-rate production decisions
- Prepare Component Cost Analyses for ACAT IA MAISs to support Milestones A, B, and Full-rate production decisions
- Manage the Department's Visibility and Management of Operating and Support Costs (VAMOSOC) program
- Develop cost databases and models that improve cost estimating
- Perform economic analyses and cost studies as directed
- Lead civilian sub-community: Cost Analysis and Management Sciences



Cost Estimating within Navy & USMC

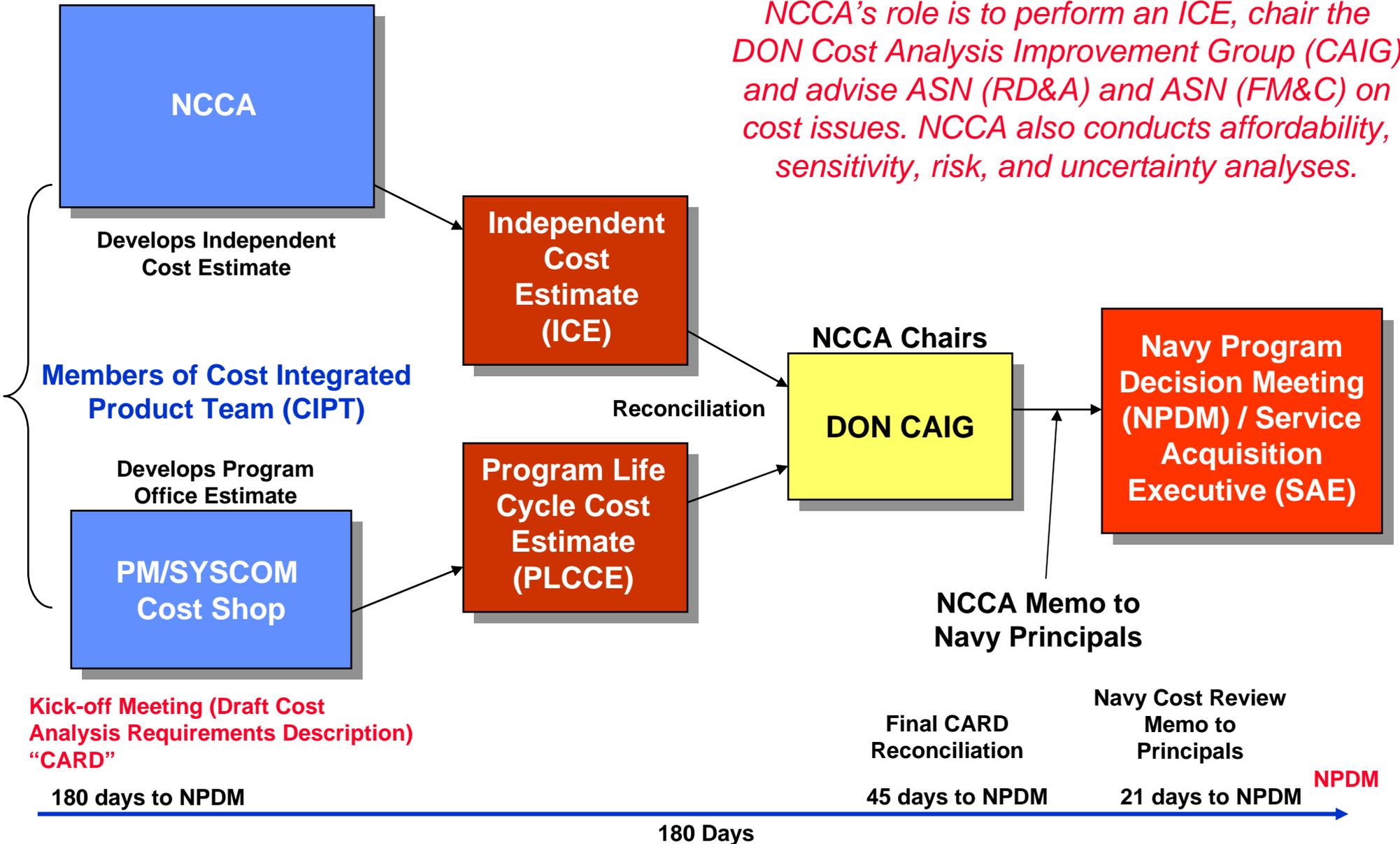
* in FY2000 constant dollars	Program Office Estimate	ICE ⇒ MDA
ACAT ID (>\$365M RDT&E or >\$2.19B procurement *)	SYSCOM	OSD(CAIG) ⇒ USD(AT&L)
ACAT IAM (>\$32M/yr or >\$126M total program or >\$378M for total life-cycle *)	SYSCOM	NCCA ⇒ ASD(NII)
ACAT IC/IAC (same as ID/IAM respectively)	SYSCOM	NCCA ⇒ ASN(RD&A)
ACAT II/III (ACAT II = >\$140M RDT&E or >\$660M procurement *)	SYSCOM	SYSCOM ⇒ ASN(RD&A) or PEO





Typical ICE Timeline

NCCA's role is to perform an ICE, chair the DON Cost Analysis Improvement Group (CAIG) and advise ASN (RD&A) and ASN (FM&C) on cost issues. NCCA also conducts affordability, sensitivity, risk, and uncertainty analyses.



Kick-off Meeting (Draft Cost Analysis Requirements Description) "CARD"

180 days to NPDM

Final CARD Reconciliation

45 days to NPDM

Navy Cost Review Memo to Principals

21 days to NPDM

NPDM

180 Days



Naval Cost Community Goals

- Improve data collection and reporting
 - Timely
 - Complete
 - Comprehensive
- Improve data accessibility
 - Analysts can find the data when they need it
 - User friendly interface
 - Single, authoritative source when possible
- Ensure community is positioned for NSPS implementation

Better data ➡ More accurate cost estimates ➡ More informed decision making



Ongoing Cost Related Initiatives

- Development of analytic tools and shared databases
 - JCARD Aviation database
 - Ship and Combat System Development Cost Database
 - Common Electronics System Cost Database
 - Joint Automated Information System (AIS) Programs Database
 - Software Development Estimating Handbook
- NCCA exploring portfolio analysis methodologies
- NAVSEA looking at Cost of Energy and alternative fuel sources
- NAVAIR studying cost growth in major acquisition programs
- Formation of new community management group: Cost Analysis and Management Sciences (CAMS)
 - NCCA, NAVAIR, NAVSEA, SPAWAR, USMC AC PROG
 - Sub-community within Science and Engineering



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NCCA Online Document Library System

The Naval Center for Cost Analysis maintains an in-house library of many cost analysis related publications (documents, independent cost estimates, component cost estimates, cost analysis requirements descriptions, etc.). The NCCA Library has been scanned in and is now available via downloadable PDF files for registered users. For more information please contact **NCAD Librarian** at 703-692-4893 or by email at librarian@navyamosc.com.



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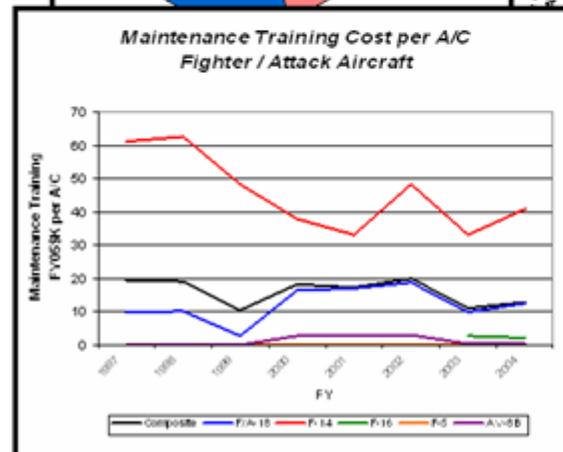
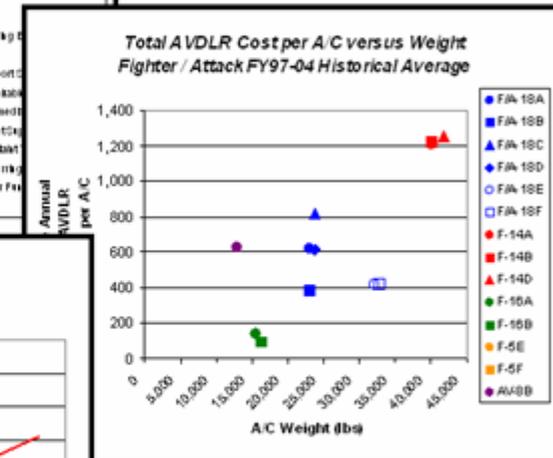
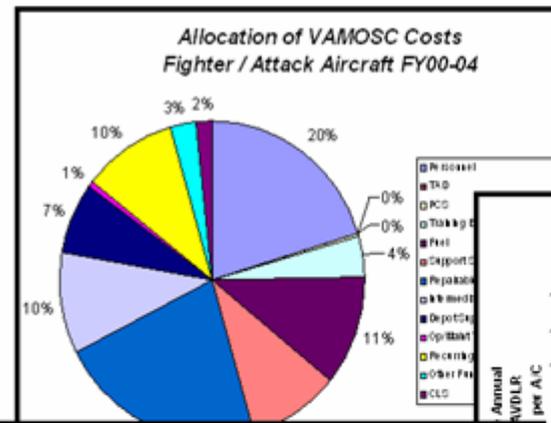
Since its inception in Jan 05, over 125 users have registered for access to 10,000 documents that represent over 20 years' worth of essential cost information.



Naval VAMOSC Improvements

Timeliness and Easy Access

- Earliest annual release in Naval VAMOSC history
 - Weapon system O&S data
 - Ships & Shipboard Systems
 - Aircraft
 - USMC Ground Systems
 - Weapons
 - Military Personnel
- VAMOSC Views
 - Provides easy look at trends
 - .pdf and Excel files
 - Anomalies explained





Policy Update

Secretary of the Navy Instructions

- **SECNAVINST 5000.2D (*DRAFT*)**

“Implementation and Operation of the Defense Acquisition System and the Joint Capabilities Integration and Development System”

- CCDRs mandatory for cost or incentive contracts greater than \$20M in TY\$s (applies to all ACAT programs)
- SRDRs mandatory for all contracts (ACAT I) greater than \$50M
- CARD required for ACAT II programs if an ICE is required by MDA

- **SECNAVINST 5420.196**

“DON Cost Analysis Improvement Group (CAIG)”

- Signed 16 Nov 05
- Lays out charter for ICEs/CCAs for ACAT ICs and ACAT IDs
- Applies primarily to NCCA



Challenges

- High demand for cost support
 - Limited resources, especially for lesser ACAT programs
 - Significant challenges in adequately staffing projects
 - SYSCOM cost shops facing increasing pressure to downsize
 - Stiff competition from government and industry when hiring analysts
- Continued erosion of cost research funding
 - Number of ongoing initiatives halved since 1998
- Data collection and availability
 - Fragmented and dispersed datasets that are normalized differently
 - No rigor in instructions or policies for data collection for ACAT IIIs & IVs
 - Usefulness of legacy databases changing with evolving acquisition strategies

Your help in providing reliable, timely cost data will be greatly appreciated!