



U.S. AIR FORCE

Headquarters U.S. Air Force

Will Cost – Should Cost



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Integrity - Service - Excellence



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“GENTLEMEN,
WE HAVE RUN
OUT OF MONEY.
NOW WE HAVE
TO THINK.”

- SIR WINSTON CHURCHILL



Integrity - Service - Excellence



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Will-Cost/Should-Cost (Plan)

■ Will-Cost Estimate

- Service Cost Position or Independent Cost Estimate (ICE)
- Provides sufficient funding for program execution under normal conditions and average levels of technical, schedule, and programmatic risk
- Used for budgeting and planning purposes
- Based on past performance

■ Should-Cost Estimates

- Large Shift in Thinking – Risks *and* Opportunities
- Stretch goal below ICE that program is trying to achieve
- Developed by program office based on specific actions that will yield potential cost savings, reductions and/or efficiencies over the program life-cycle
- Effort to continuously fight to lower all costs—Contract & Gov't



Will-Cost/Should-Cost (Reality)

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- **Budgets realities have impacted many programs**
 - **Programs of record needing restructuring to stay alive**
 - **Should cost initiatives quickly becoming program plans for survival – no longer stretch goals**

- **Program Managers believe Will-Cost/Should-Cost needs more stable budget environment to succeed**
 - **Should-Cost only works if programs feel comfortable to identify higher risk/reward initiatives to pursue**
 - **Programs need stable budget at Will-Cost levels to fall back on if higher risk Should-Cost initiatives are not 100% successful**

- **Given current budget environment, affordability is still critical -- need to use common sense approach to successfully implement Should-Cost**



Status of AF Implementation

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- **Joint SAF/AQ and SAF/FM memo on implementation issued 15 Jun 11**
 - **Established requirements for developing Will-Cost and Should-Cost estimates**
- **AFPEO plans for developing Should-Cost estimates for ACAT I-III programs provided in Aug-Sep 11**
 - **Identified estimate of completion and next milestone**
- **Will-Cost/Should-Cost charts included in templates for Air Force Review Boards (AFRB) & Acquisition Strategy Panels (ASPs)**
- **Program Status Provided at Spring Execution Reviews – March & April**
 - **Status of Should-Cost estimates completed to date or in progress – all ACAT levels**

The PM Must Manage Risk to Succeed!