



Program Execution: OIPT Leader Feedback OASD(NII) OIPT Leader

PEOSYSCOM Panel Discussion

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Agenda

- **Investment Funding Trends & Challenges**
- **Warfighter Expectations**
- **Program Trends & Challenges**
- **Implications for Program Management Community**

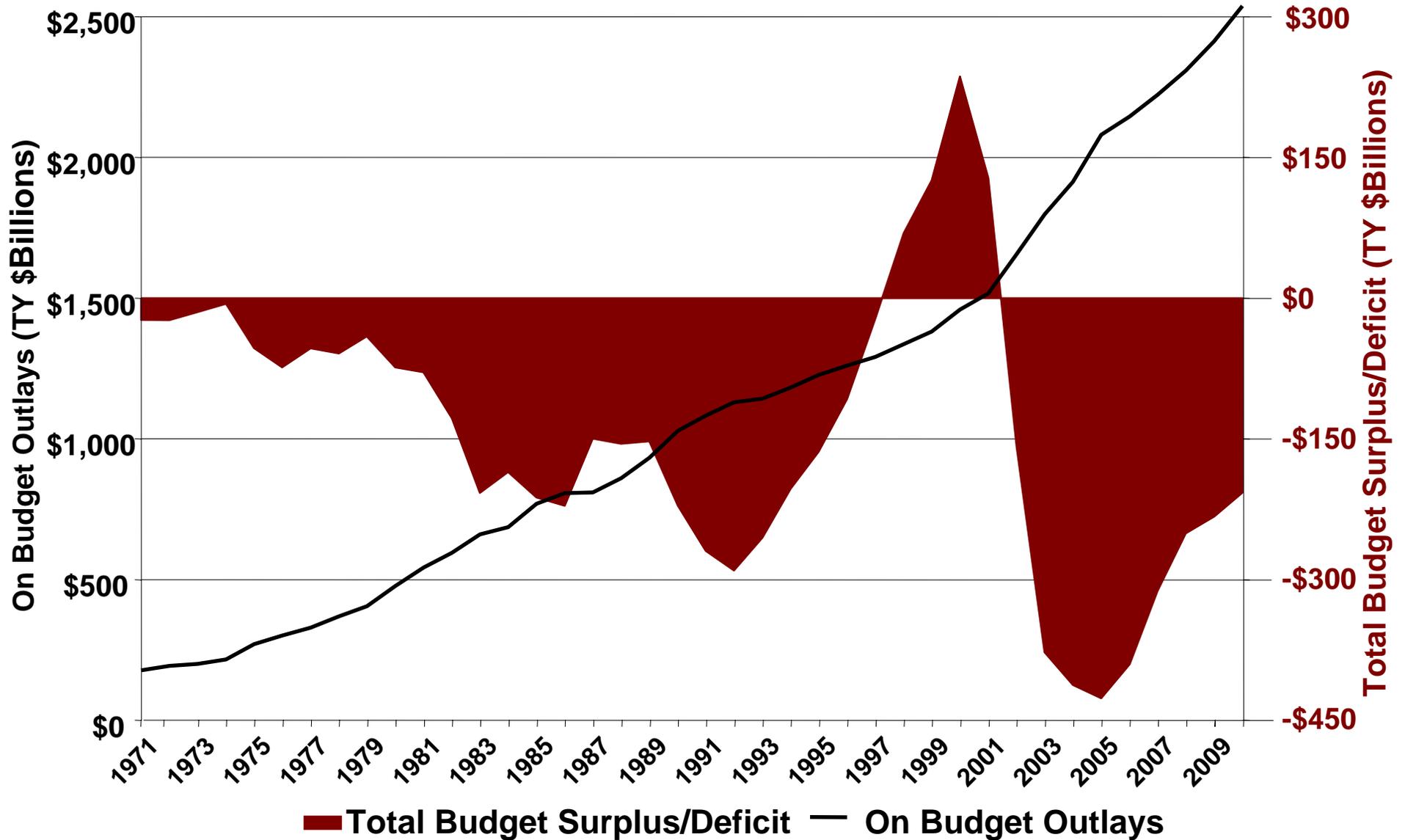


Investment Trends & Challenges

- **Federal Budget Deficit Pressures**
- **Discretionary vs. Non-Discretionary Spending**
- **Trends in Defense Topline**
- **Projected Investment Challenges**



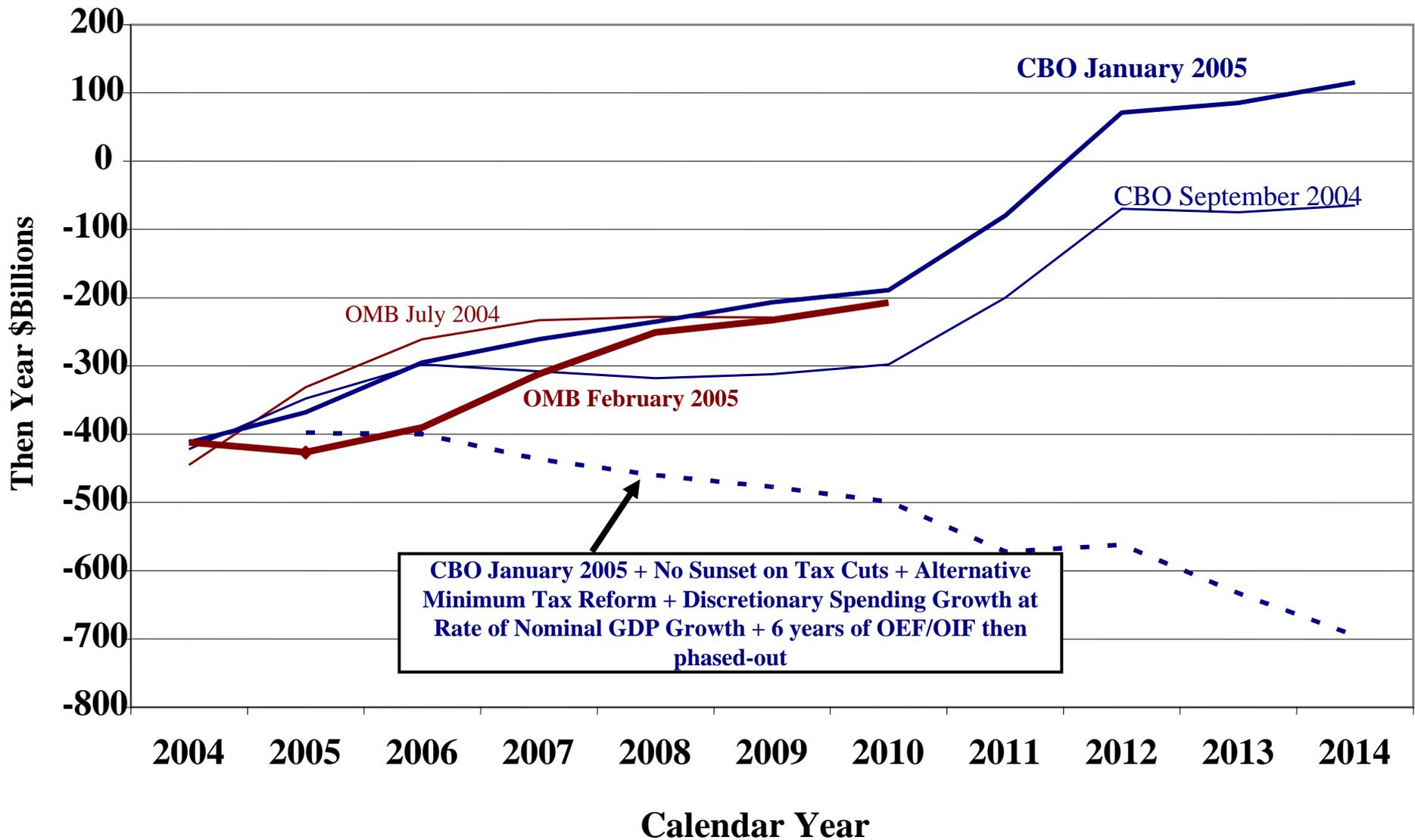
Federal Expenditures and the Budget Deficit



Source: FY 2006 President's Budget



Recent Federal Budget Surplus/Deficit Projections

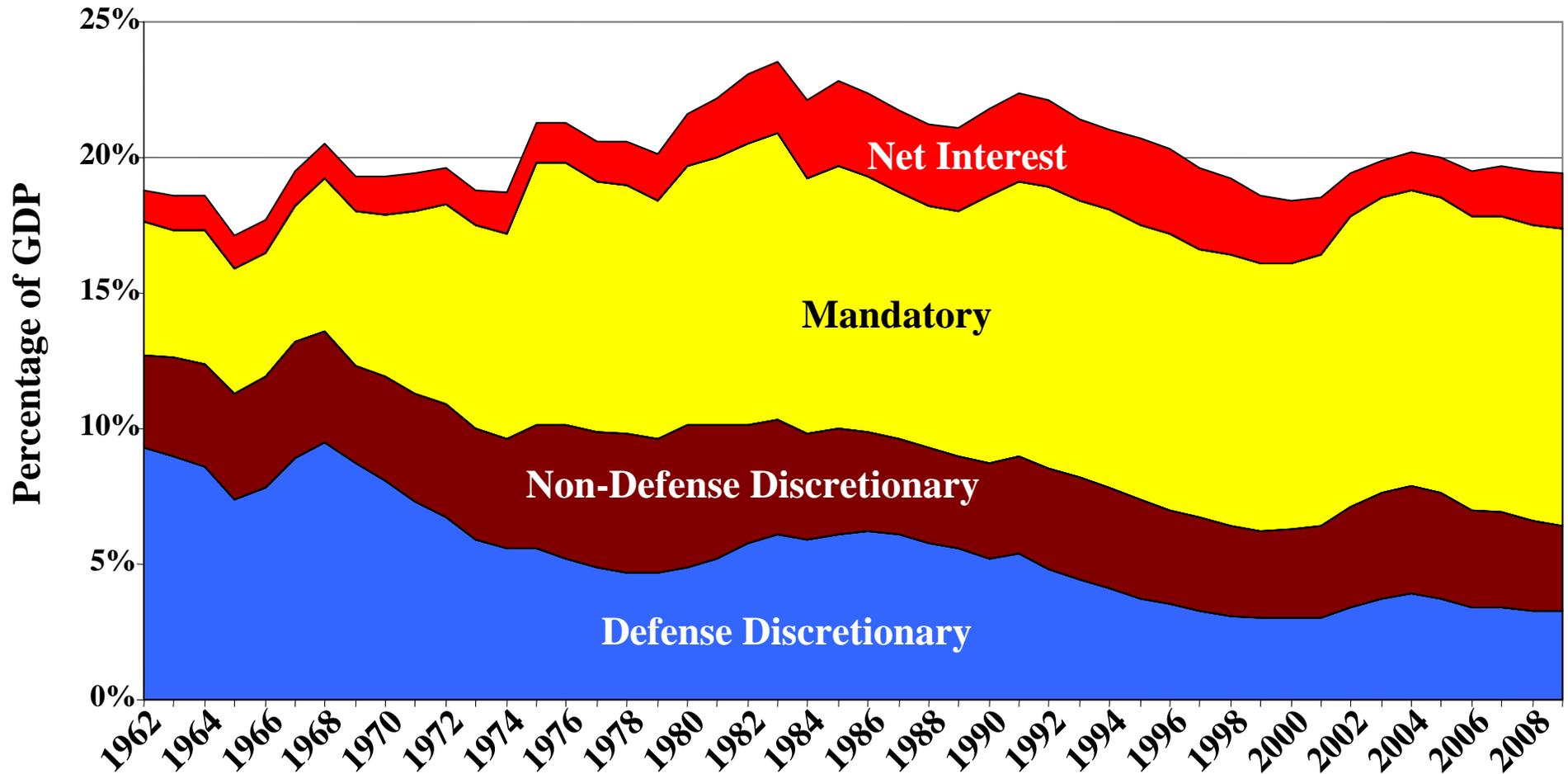


Source: FY 2006 President's Budget, CBO's Budget Outlook, OMB's Mid-Session Review, and White House Press Release



Federal Spending by Category as a Percentage of GDP

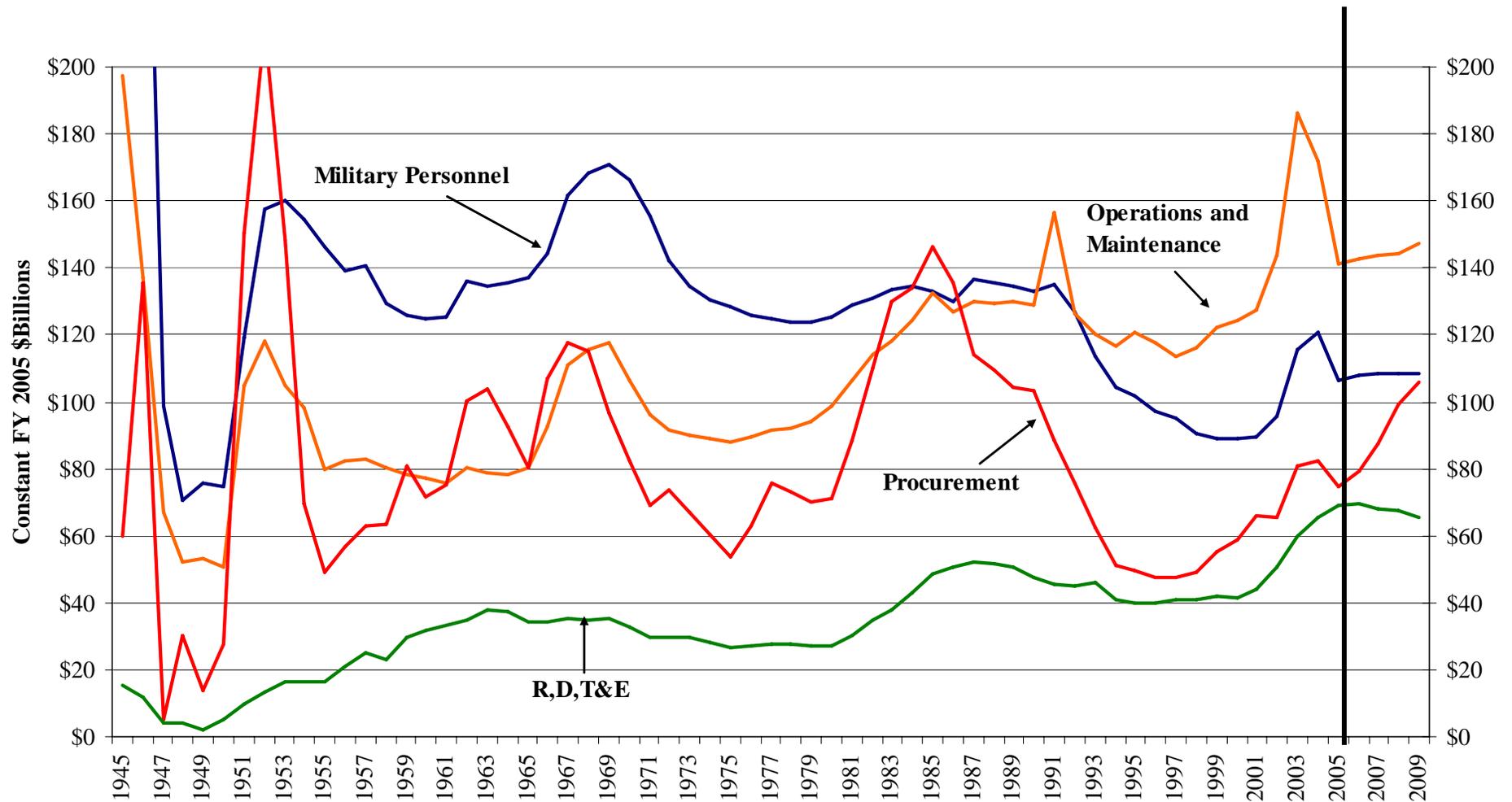
FY 1962 - FY 2009



Source: FY 2005 President's Budget



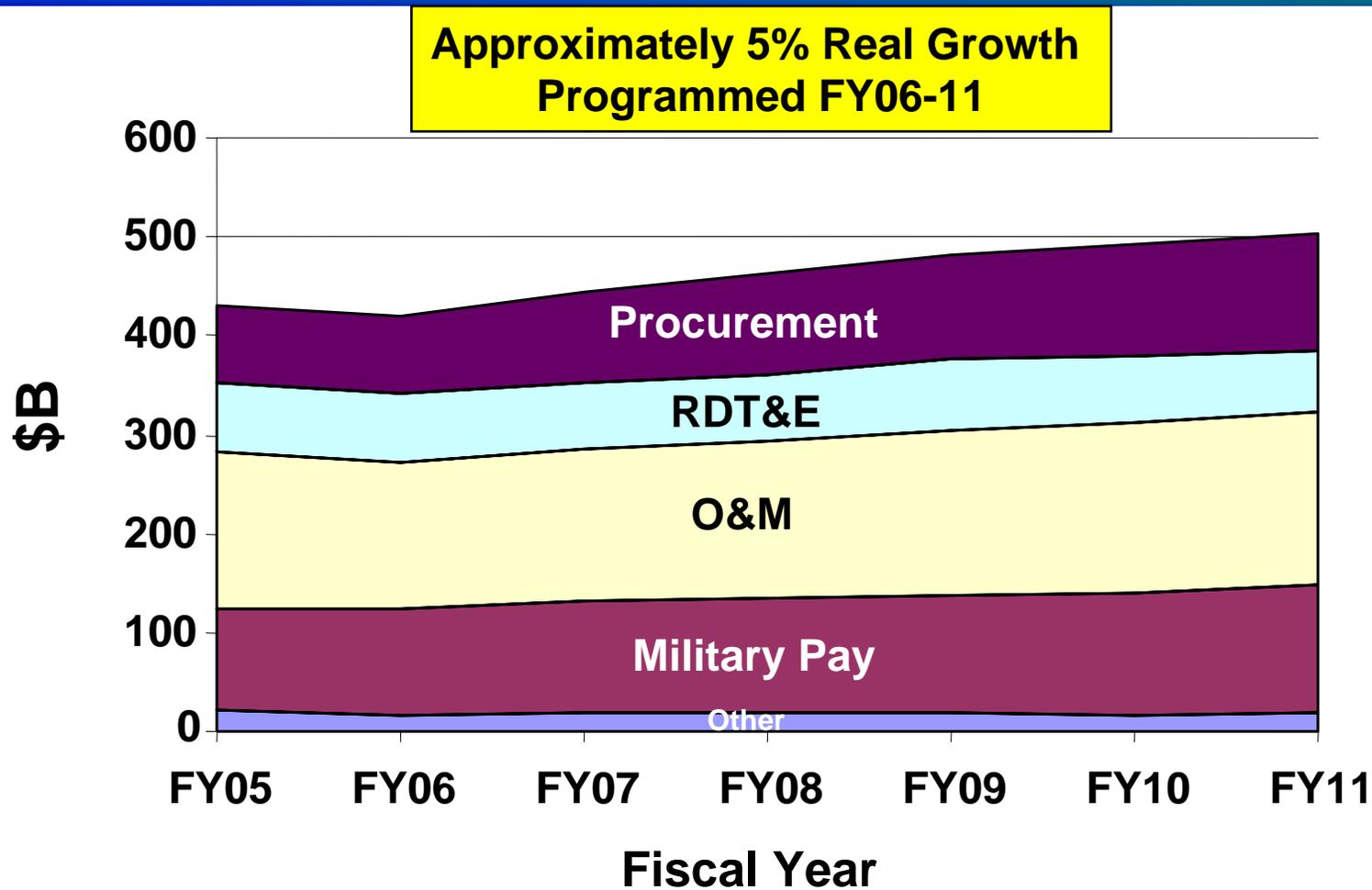
Department of Defense Budget Authority by Appropriation FY 1945 – FY 2009 (Constant FY05 \$)



Source: FY 2005 DoD Greenbook



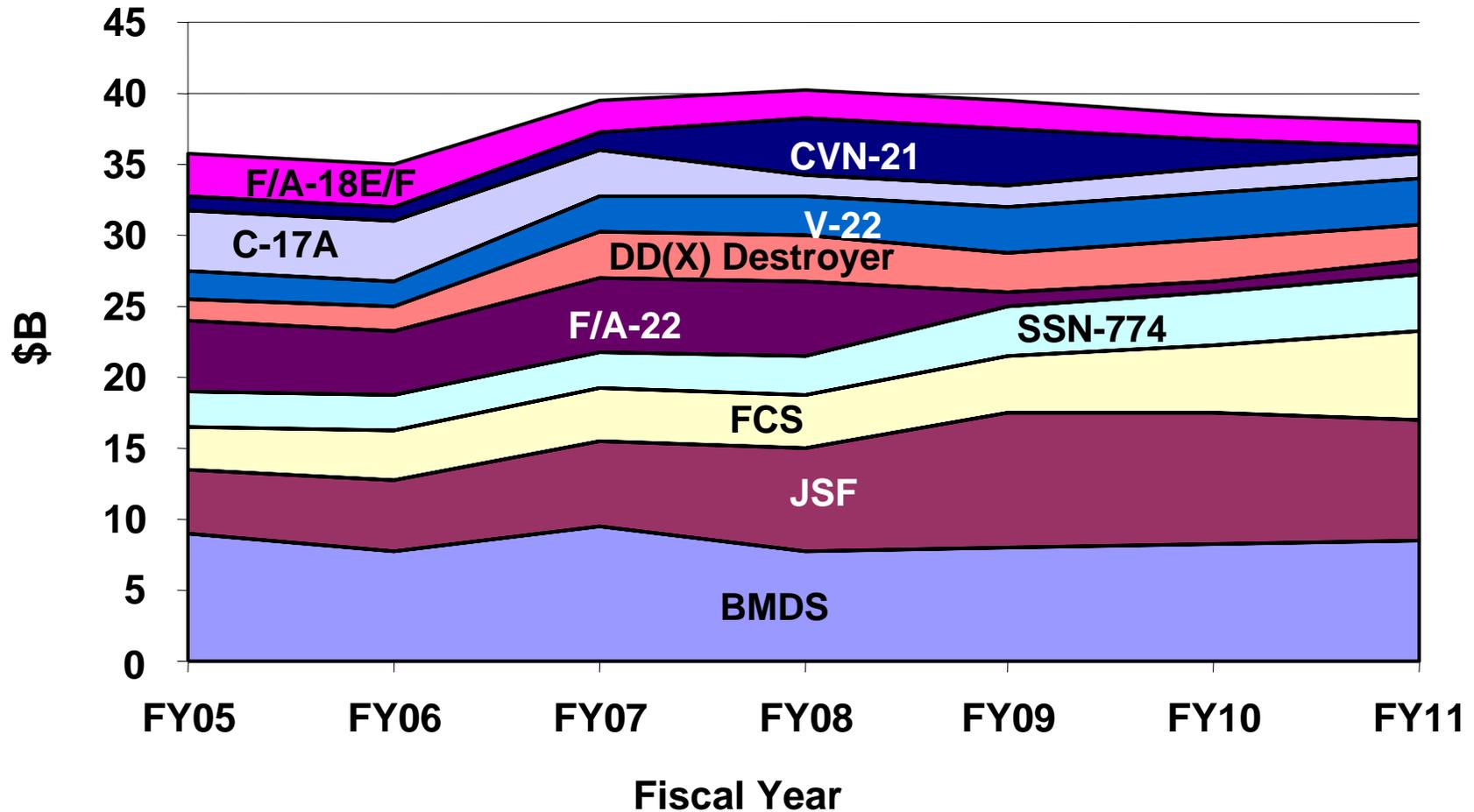
Total DoD Topline FY 2006 President's Budget



FY06-11 Investment Averages 36% of Topline
FY06-11 O&M Averages 35% of Topline
FY06-11 Military Pay Averages 25% of Topline



PB06 Top 10 Investment Programs



FY06-11 Cumulative Total = \$231B
Approximately 23% of total Investment consumed by Top 10 Programs



Conclusion

- **Federal Budget seeks Equilibrium**
- **Mandatory Payments are Growing**
.....But Federal Topline remains at 20% GDP
- **DoD Investment remains fairly flat**



DoD Program Trends & Challenges

- **Frequent Program Rebaselining**
- **Increasing Cycle Time**
- **Increasing Cost**
- **Loss of “Buying Power”**



DOD Programs Frequently Rebaseline

- GAO found that 49 of the 81 major defense programs (60 percent) reporting in 2003, rebaselined more than once during the life of the program.
- Programs with largest number of rebaselining:

Program	Year of Program Start	Latest Rebaseline	Number of Rebaselinings
F/A-22	1992	April 2004	14
DDG 51	1988	August 2002	11
SM-2 Block V	1993	August 1999	11
SSN-21	1988	April 2000	10

Source: GAO Report 05-182, Defense Acquisition, March 2005

Based on Analysis of DOD SAR Data



GAO Analysis of 26 DoD Acquisition Programs

Cost and Cycle Time Growth for 26 Selected DoD Weapons Systems

FY05 \$ Billions	First Full Estimate	Latest Full Estimate	Percent Change
Total Cost	\$479.6	\$548.9	14.5
RDT&E Cost	\$102.0	\$144.7	41.9
Simple Average Cycle Time	94.9 Months	114.7 Months	20.8
Weighted Average Cycle Time	146.6 Months	175.3 Months	19.6

26 Programs Assessed: AESA, AEHF, APKWS, C-5 AMP, C-5 RERP, CH-47F, CEC, E-2 AHE, EA-18G, Excalibur, EFV, ERGM, F/A-22, FCS, Global Hawk, JASSM, JSOW, JSF, JTRS Cluster 1, Land Warrior, NPOESS, Tomahawk, SDB, V-22, WIN-T, and WGS

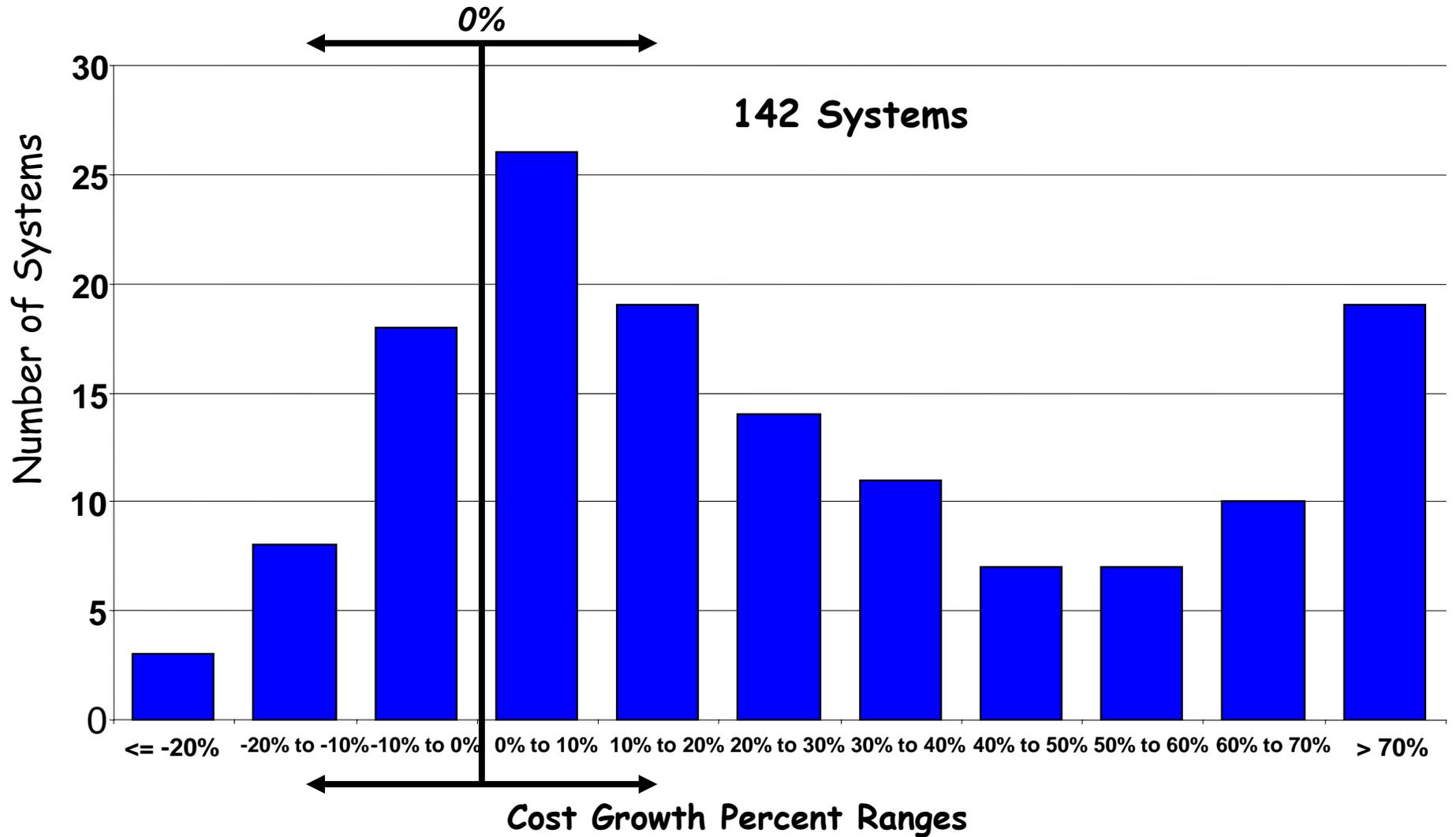
Weighted Average Cycle Time: weighted estimate of average acquisition cycle time for the 26 programs based on total program costs for first and latest estimates.

Source: GAO Report 05-301, Assessments of Selected Major Weapons Systems, March 2005



OSD CAIG Study January 2003 Cost Growth Summary

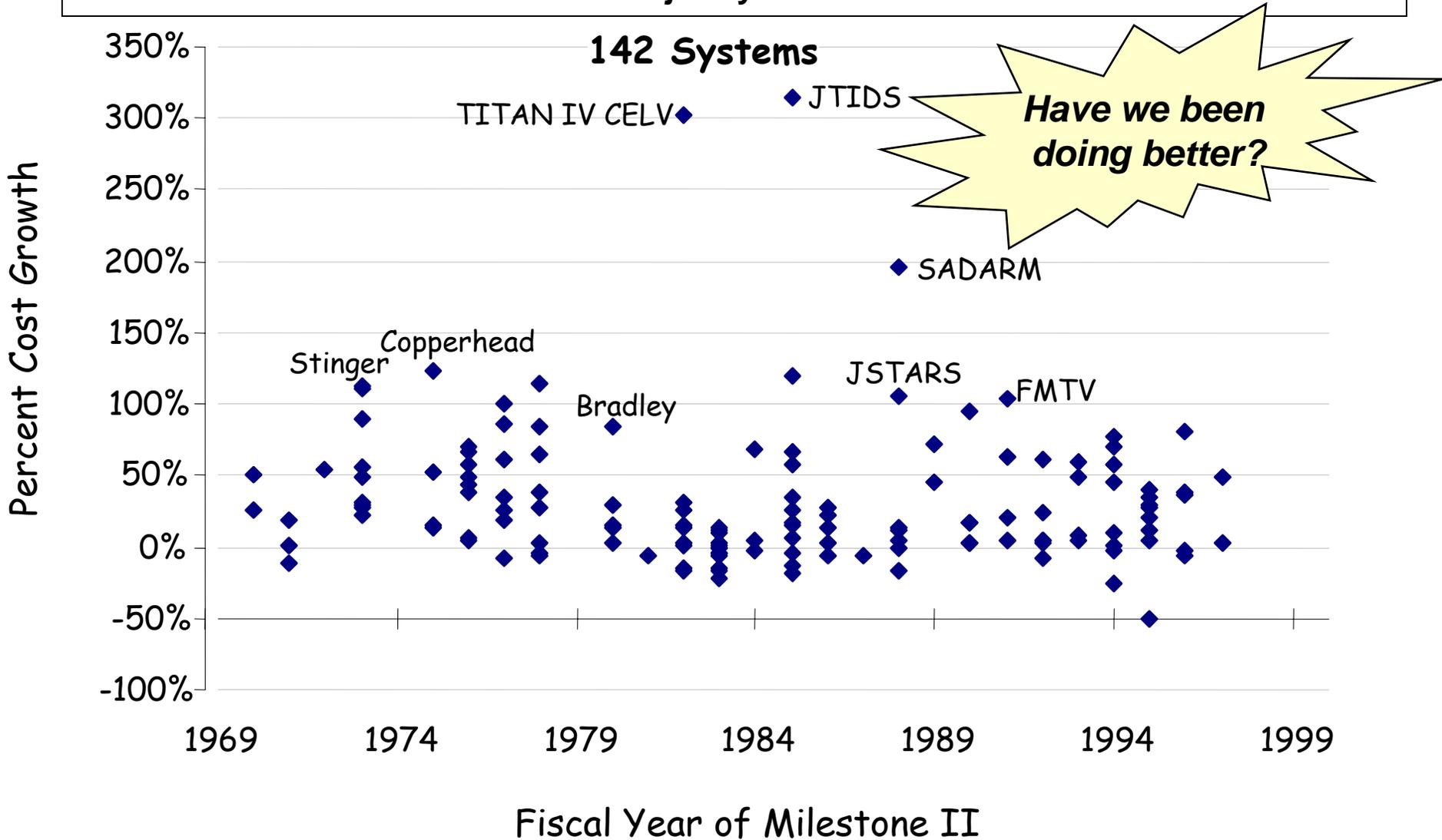
Source: OSD Cost Analysis Improvement Group (CAIG) Study: Cost Growth of Major Systems





Total Cost Growth by Fiscal Year

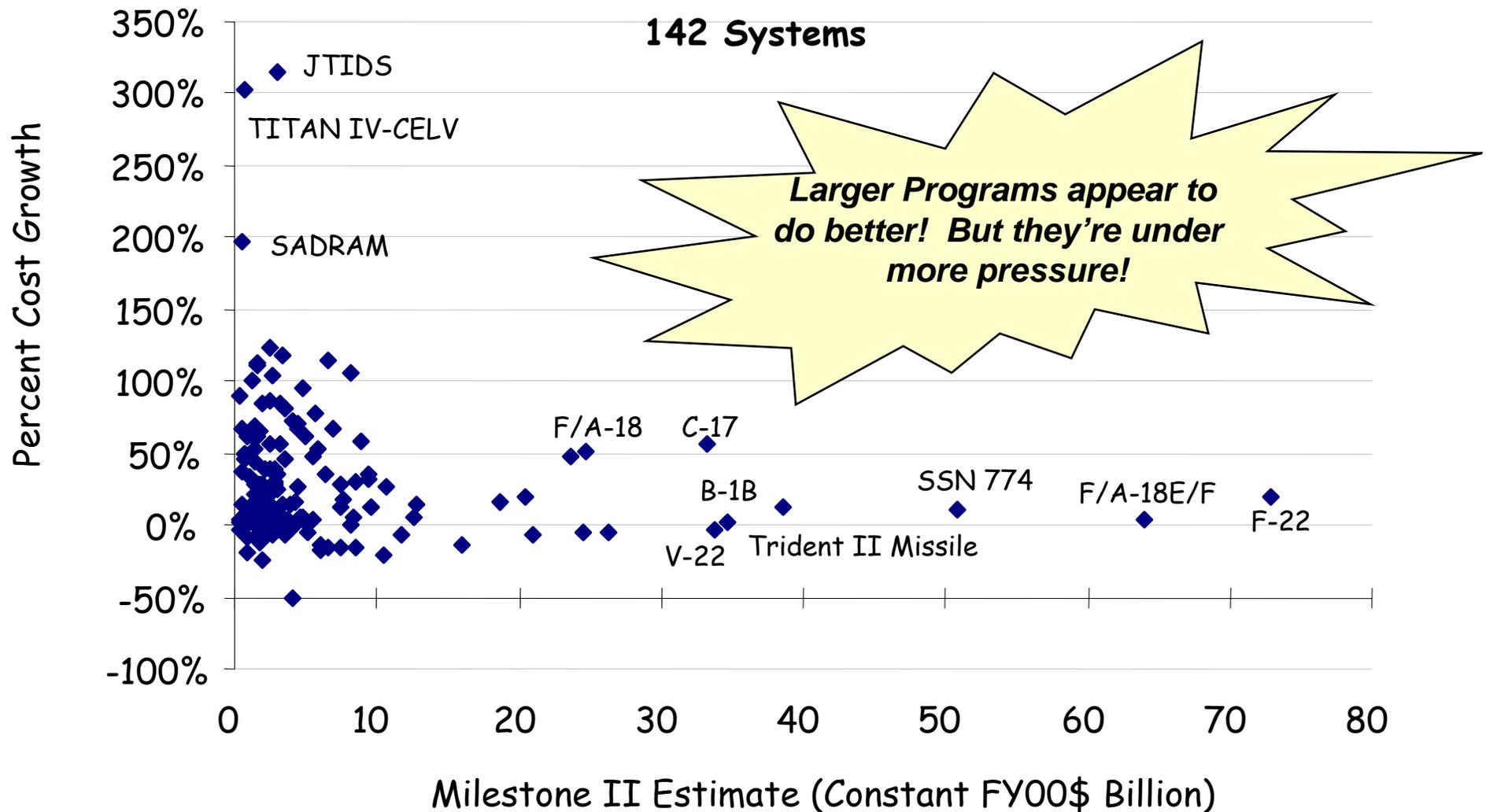
Source: OSD Cost Analysis Improvement Group (CAIG) Study: Cost Growth of Major Systems





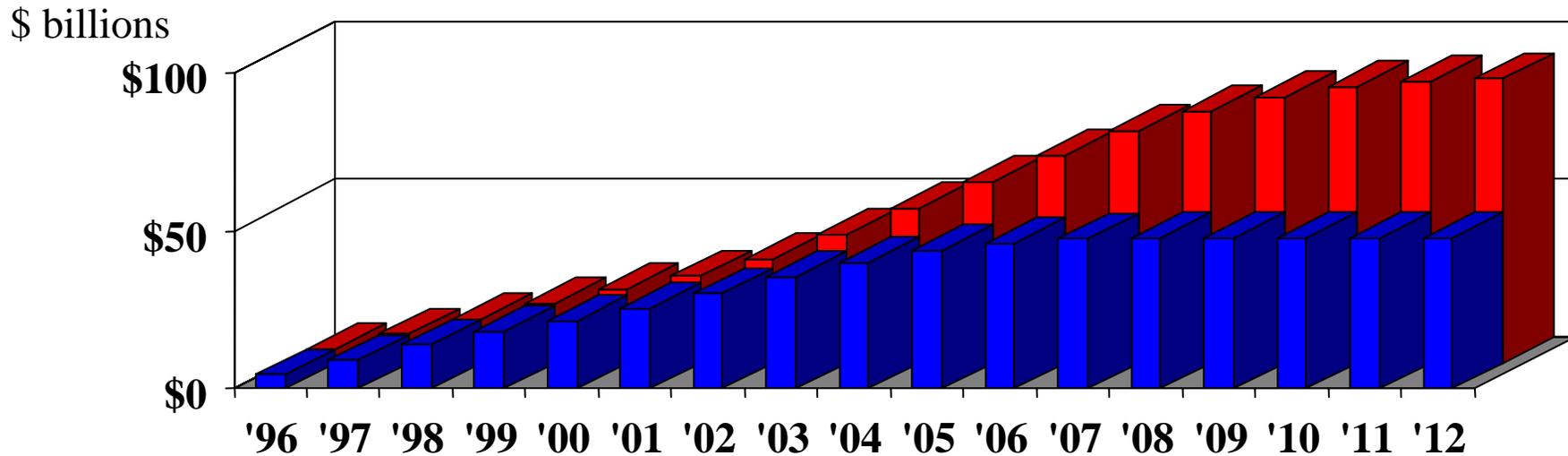
Total Cost Growth by Program Size

Source: OSD Cost Analysis Improvement Group (CAIG) Study: Cost Growth of Major Systems





Cumulative Effect of R&D Cost Growth on Developing Weapon Systems¹



8 Programs: JSF, Comanche, SBIRS-H, F/A-22, V-22, EFV, DDG-51, SSN-774

■ FY 1998 Plan ■ FY 2005 Plan

FY '05: \$89.95 billion total

FY 1998 plan for completing development of 8 programs



Additional investment needed under FY 2005 plan for completing the 8 programs

Source: GAO Analysis of SAR data (12/31/96 and 12/31/03) on the 8 weapon systems among the highest R&D budget requests for FY 2003.

Note: All dollars are in constant FY 2005 dollars.



Summary

- **While Investment Funding is projected to grow, historic trends suggest that it actually might be reduced**
- **Programs are taking longer and costing more**
 - **Competing for Available Funds**
 - **Reducing the Department's Flexibility**
 - **Reducing the Number of New Initiatives**
 - **Reducing our Buying Power**

Indicators signal a sea change in the acquisition environment, future success will require an incremental approach, disciplined execution and steady leadership.