



Department of Defense Releases Selected Acquisition Reports

The Department of Defense has released details on major defense acquisition program cost and schedule changes since the December 2001 reporting period. This information is based on the Selected Acquisition Reports (SARs) submitted to the Congress for the June 30, 2002 reporting period.

SARs summarize the latest estimates of cost, schedule, and technical status. These reports are prepared annually in conjunction with the President's budget. Subsequent quarterly exception reports are required only for those programs experiencing unit cost increases of at least 15 percent or schedule delays of at least six months. Quarterly SARs are also submitted for initial reports, final reports, and for programs that are re-baselined at major milestone decisions.

The total program cost estimates provided in the SARs include research and development, procurement, military construction, and acquisition-related operation and maintenance (except for pre-Milestone B programs which are limited to development costs pursuant to 10 USC §2432). Total program costs reflect actual costs to

date as well as future anticipated costs. All estimates include anticipated inflation allowances.

The current estimate of program acquisition costs for programs covered by SARs for the prior reporting period (December 2001) was \$1,065,044.4 million. After subtracting the costs for three final reports [Common Ground Station (CGS), Sense and Destroy Armor (SADARM), and Titan IV] and one cancelled program [Crusader], and adding the costs for four new programs [Black Hawk Upgrade, C-5 Reliability and Reengineering Program (RERP), C-130 Avionics Modernization Program (AMP), and Ballistic Missile Defense System] in December 2001, the adjusted current estimate of program acquisition costs was \$1,116,983.8 million. There was a net cost increase of \$1,685.4 million or 0.2 percent during the current reporting period (June 2002). This increase was due primarily to the higher cost estimates for the Air Force's SBIRS (Space Based Infrared System) High program. The cost changes between December 2001 and June 2002 are summarized below:

	Current Estimate (\$ in Millions)
December 2001 (70 programs)	\$ 1,065,044.4
Less final report on completed programs (CGS, SADARM and TITAN IV)	-19,021.6
Less cancelled program (Crusader)	-4,286.3
Plus four new programs (Black Hawk Upgrade, C-5 RERP, C-130 AMP, and BMDS)	+75,247.3
December 2001 Adjusted (70 programs)	\$ 1,116,983.8
Changes Since Last Report:	
Economic	\$ 0.0
Quantity	0.0
Schedule	+9.4
Engineering	-167.7
Estimating	+1,747.0
Other	0.0
Support	+96.7
Net Cost Change	\$ +1,685.4
Less correction to JAVELIN costs previously reported in the December 2001 SAR Summary Tables	-0.5
June 2002 (70 programs)	\$ 1,118,668.7

For the June 2002 reporting period, there were quarterly exception reports submitted for five programs: Joint Simulation System (JSIMS), B-1B Conventional Mission Upgrade Program (CMUP), and Global Broadcast Service (GBS) reported schedule delays of six months or more; Space Based Infrared System (SBIRS) High reported a Nunn-McCurdy unit cost increase of at least 15 percent that was certified to the Congress in May 2002, but was not reported in the December 2001 SAR; and Cooperative Engagement Capability (CEC) was rebaselined to reflect a successful full rate production decision (Milestone III). Details of the changes for these five programs are as follows:

Army

JSIMS (Joint Simulation System)—The SAR was submitted to report schedule slips of up to 19 months due to unanticipated technical complexities in the software development of Version Release Milestone (VRM) 1.0. This led to a Joint Warfighting Center decision not to utilize JSIMS for the Unified Endeavor training exercise in March 2003, which was planned for use as a multi-service operational test & evaluation (MOT&E)/initial operational capability (IOC) training event. The extended integration resulted in a slip to the delivery of VRM 1.0 to December 2002, and a slip in MOT&E/IOC and VRM 2.0 to September 2004. The program is undergoing a restructure due to these delays. The cost impact of these delays is under review and will be updated in the next annual SAR submission. No cost changes were reported.

Navy

CEC (Cooperative Engagement Capability)—The SAR was submitted to rebaseline the program from a development to a production estimate following a successful full rate production (Milestone III) decision. On April 3, 2002, the Undersecretary of Defense for Acquisition, Technology and Logistics approved full rate production of the shipboard systems (AN/USG-2) and authorized continued low rate initial production of airborne systems (AN/USG-3) in fiscal 2002 and fiscal 2003. Program costs decreased \$9.5 million (-0.2 percent) from \$4,238.4 million to \$4,228.9 million, to correct the costs reported in the December 2001 SAR that did not accurately reflect the fiscal 2003 President's Budget Submission.

Air Force

B-1 CMUP (Conventional Mission Upgrade Program)—The SAR was submitted to report schedule slips of up to 20 months to the Defensive System Upgrade Program (DSUP). These schedule delays are anticipated due to a lack of maturity of the Fiber Optic Towed Decoy (FOTD), provided as government furnished equipment to DSUP from the Navy. The fourth and fifth flight test sorties on March 27, 2002, and April

10, 2002, were unsuccessful. The sixth flight test sortie on June 25, 2002, demonstrated the best performance to date with the FOTD maintaining continuous signal continuity. A program restructure is proposed because of the test failures. It includes the development of an alternative FOTD as a risk reduction effort. The cost impact of these delays is under review and will be updated in the next SAR submission. Program costs increased \$+17.5 million (+1.1 percent) from \$1,563.9 million to \$1,581.4 million, due primarily to a refinement in the program office cost estimate.

GBS (Global Broadcast Service)—The SAR was submitted to report schedule slips of up to 13 months or more to the Initial Operational Capability 1 (IOC 1) and system available for operational use milestones. IOC 1 slipped from March 2002 to October 2002, because not all of the IOC 1 requirements had been verified by Development Test/Operational Test (DT/OT) #3. The ability of the Satellite Broadcast Manager (SBM) to provide continuous control of the steerable satellite antennas still remains to be verified. This capability requires that an Extremely High Frequency (EHF) terminal be installed at one of the SBM locations, and the first EHF terminal is not scheduled to be installed until the first quarter of fiscal 2003. System available for operational use slipped from March 2002 to April 2003 due to increased focus on stabilizing and maturing the fielded software builds to ensure greater reliability to ongoing operations. No cost changes were reported.

SBIRS (Space Based Infrared System) High—The SAR was submitted to report a Nunn-McCurdy breach of the Average Procurement Unit Cost (APUC). This breach was identified when the Office of the Secretary of Defense (OSD) Cost Analysis Improvement Group (CAIG) developed an independent cost estimate of the program, in conjunction with the Nunn-McCurdy program acquisition unit cost (PAUC) breach that was reported in the December 2001 SAR. The Secretary of the Air Force notified Congress of the APUC breach on April 26, 2002. The Under Secretary of Defense for Acquisition, Technology, and Logistics certification letter to Congress, dated May 2, 2002, addressed both the PAUC breach and the APUC breach. Program costs increased \$1,677.4 million (+24.9 percent) from \$6,743.5 million to \$8,420.9 million, due primarily to the more realistic OSD CAIG cost estimate, which was the basis for the certification.

More information on SARs included in the June 30, 2002 reporting period can be found at www.defenselink.mil/news/Aug2002/d20020820sar.pdf.

Editor's Note: This information is in the public domain at www.defenselink.mil/news.