

equipment, in the hope of luring private industry customers to their doors. Basically, the premise of this philosophy makes sense, because without expanding their customer base, depots face increasing costs. But unless this expansion is justified by increased profitability, the new facilities will have the undesired effect of making the depots less competitive, since these additional expenses add to the overhead of depot operations.

As such, it is important that decisions to expand depot facilities be based upon “real” improvements in business profitability and not “wishful thinking.” This is where ABC management decisions

would come into play – to gauge what activities are candidates for increased workload. Likewise, these analyses can aid in determining which buildings and product lines are candidates to either be closed or outsourced.

**Editor’s Note:** The author welcomes questions and comments on this article. Contact him at **William.Washington2@mail1.monmouth.army.mil**

#### E N D N O T E S

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2. GAO Report, DoD Financial Management: More Reliable Information Key to Assuring Accountability and Managing Defense Operations More Efficiently, T-AIMD/NSIAD, 99-145, April 1999.

3. GAO Report, Financial Management: Better Controls Essential to Improve the Reliability of DoD’s Depot Inventory Records, AIMD-99-132, June 1999.

4. Gansler, Dr. Jacques S., Memorandum, “Defense-wide Implementation of Activity Based Management,” (OUSD [A&T]), July 3, 1999).

## Selected Acquisition Reports As of June 30, 2000

**T**he Department of Defense has released details on major defense acquisition program cost and schedule changes since the December 1999 reporting period. This information is based on the Selected Acquisition Reports (SAR) submitted to the Congress for the June 30, 2000, 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 rebaselined 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. Total program costs reflect actual costs to date as well as anticipated costs for future efforts. All estimates include allowances for anticipated inflation.

The current estimate of program acquisition costs for programs covered by SARs for the prior reporting period (December 1999) was \$742,344.9 million. After subtracting the costs for final reports and adding the costs [of] new programs from December 1999, the adjusted current estimate of program acquisition costs was \$731,503.8 million. There was a net cost change of +\$850.9 million during the current reporting period (June 2000).

**Editor’s Note:** This information was released by the Office of the Assistant Secretary of Defense for Public Affairs. To download the *Selected Acquisition Reports* summary from June 2000 and the SAR Program Acquisition cost summary table detailing dollar amounts, visit [www.defenselink.mil/news/Aug2000/b0818200\\_bt512-00.html](http://www.defenselink.mil/news/Aug2000/b0818200_bt512-00.html) on the Internet.