Enhancing Stewardship Over Weapon System Investments

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A Case for Change – Total Cumulative Expenditures on Current MDAP Portfolio

Source: GAO analysis of DOD data.
A Case for Change – Projected Annual Investment in Procurement and RDT&E

Source: GAO analysis of DOD data.
A Case for Change – Problems in Mega Systems Produce Much Greater Fiscal Impact

**Future Combat Systems**
New estimates--between $203 billion and $234 billion—place FCS significantly above the current estimate of $163.7 billion

**Missile Defense**
Costs for Block 2006 now at $20 billion, but scope of work has been reduced. More deferments expected to offset growing contractor costs.
A Case for Change – Cost Growth for 27 Weapon Systems

- First full estimate
- Latest estimate
- Total cost

- $440
- $460
- $480
- $500
- $520
- $540
- $560
- $580
- $600
- $620

- First full estimate
- Latest estimate
- RDT&E
A Case for Change – Schedule Growth for 27 Programs

- 23.5% change in weighted average cycle time.

Programs included in cost and schedule analysis: AEHF, MUOS, NPOESS, WGS, Patriot/MEADS, ARH, Excalibur, FCS, Warrior UAS, EA-18G, EFSS, V-22, AESA, E-2D, AHE, JTRS HMS, JTRS GMR, Land Warrior, WINT-T, ERM, CVN-21, C-5AMP, C-5 RERP, F-22A Mod, Global Hawk, JSF Reaper, P-8AMMA. We limited analysis to these because all data including cost, schedule, and quantities were available for comparison purposes.
## A Case for Change – Reduced Buying Power

<table>
<thead>
<tr>
<th>Program</th>
<th>Initial estimate</th>
<th>Initial quantity</th>
<th>Latest estimate</th>
<th>Latest quantity</th>
<th>Percentage of unit cost increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint Strike Fighter</td>
<td>$196.5 billion</td>
<td>2,866 aircraft</td>
<td>$223.3 billion</td>
<td>2,458 aircraft</td>
<td>32.8</td>
</tr>
<tr>
<td>Future Combat Systems</td>
<td>$85.5 billion</td>
<td>15 systems</td>
<td>$131.7 billion</td>
<td>15 systems</td>
<td>54.1</td>
</tr>
<tr>
<td>V-22 Joint Services Advanced Vertical Lift Aircraft</td>
<td>$36.9 billion</td>
<td>913 aircraft</td>
<td>$50.0 billion</td>
<td>458 aircraft</td>
<td>170.2</td>
</tr>
<tr>
<td>Evolved Expendable Launch Vehicle</td>
<td>$16.0 billion</td>
<td>181 vehicles</td>
<td>$28.6 billion</td>
<td>138 vehicles</td>
<td>134.7</td>
</tr>
<tr>
<td>Space Based Infrared System High</td>
<td>$4.2 billion</td>
<td>5 satellites</td>
<td>$10.4 billion</td>
<td>3 satellites</td>
<td>311.6</td>
</tr>
<tr>
<td>Expeditionary Fighting Vehicle</td>
<td>$8.4 billion</td>
<td>1,025 vehicles</td>
<td>$11.3 billion</td>
<td>1,025 vehicles</td>
<td>33.7</td>
</tr>
</tbody>
</table>

Source: GAO analysis of DOD data. Images sourced in their respective order: JSF Program Office; Program Manager, Future Combat Systems (BGT); V-22 Joint Program Office; (Left) © 2006 ILS/Lockheed Martin, (right) © 2003 The Boeing Company; Lockheed Martin Space Systems Company; General Dynamics Land Systems.
Federal Spending for Mandatory Programs Crowds Out Spending for Discretionary Programs

Sources: Office of Management and Budget and the Congressional Budget Office.
Discretionary Spending Grows with GDP After 2007 and All Expiring Tax Provisions Extended through 2017

Source: GAO’s January 2007 analysis.
What Needs to Change

- Decision-making
- Support
- Accountability
Decision-making: New Starts Based on Promises Well Beyond the Strike Zone

MARKETS
- New customer wants and needs
- Customers in new agreements
- New customer in existing agreements
- Current customers

OFFERINGS
- Current business
- Enhancement to current business
- New business
- New to industry

- Strike Zone
- Pushing the envelope
- White space opportunity

Traditional
Decision-making – Levels of Technology Knowledge Too Low at Key Junctures

Source: GAO analysis of DOD data.
Decision-making – Cost Increases for Programs That Did Not Obtain Knowledge

Source: GAO analysis of DOD data.
Decision-making – Other Knowledge Gaps

- Strategic relevance, alternatives, cost and feasibility not fully considered.
- Design and production knowledge below best practice standards
- Most programs skip milestone A decision process
- Independent cost estimates not used
Support – Definition of Success

Costs are underestimated and capability is over promised; approaches involving substantial leaps in desired capabilities are favored over incremental leaps.

Too many programs competing for funding.

Resulting problems require more money and time, increasing competition among programs; bad news is suppressed.

Sponsors become more vested as more money and time are spent; customers cannot walk away; few cancellations of problematic efforts.
Support – Program Managers Not Empowered to Execute

- Setting reqs
- Changing reqs
- Intraprogram Funding
- Developing tech
- Setting testing reqs
- Selecting contractor sources

Legend:
- I have formal authority
- I have informal authority
- No authority
Support - Increased Reliance on Service Contractors

Why the trend
- Depletion of technical and business skills
- Growth in complexity and interdependency of programs
- FTE ceilings
- Flexibility
- Perception of cost-effectiveness

What we don’t know
- Numbers
- Costs
- Trends in usage
- Impact/effects

Why we are concerned
- Contracting out of inherently government functions
- Loss of organic capability
- Conflicts of interest
- Cost inefficiencies
- Inadequate oversight and management
- Applicability of laws and regulations
Accountability – Who Is Accountable
Accountability: What role the contractor?

- Greater responsibility in defining requirements and setting acquisition strategy
- Contract types and duration that are not aligned with risk
- Loss of government ability to establish and monitor performance
- Fees paid that are not aligned with outcomes
- No remedies for consequences