Capitalization on Investment
OSD Concerns

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× Capitalization on Investment

✓ OSD Concerns
  - regarding needed behavioral adjustments to the business of defense acquisition
Weapons System Acquisition Reform Act of 2009

- “to address unreasonable cost and schedule estimates, performance expectations, immature technologies and repeated program changes that have led to explosive cost growth and costly schedule delays” …. Senator McCain

- “limit cost overruns before they spiral out of control
- strengthen oversight and accountability by appointing officials who will ... closely monitor the weapons systems we are purchasing to ensure costs are controlled
- end conflicts of interest in the weapons acquisition process
- enhance competition…” …. President Obama

Limit cost growth of individual programs
Significant Changes

Weapons System Acquisition Reform Act

• Creates new positions with independent reporting authority
  – Director, Cost Assessment & Program Evaluation
    • Higher confidence in cost estimates
  – Director, DT&E and Director, Systems Engineering positions
    • Added discipline to understand risks and mature products in E&MD

• Revises Milestone certification requirements (10 USC 2366a and 2366b)
  – All major programs beyond Milestone B, regardless of maturity
Significant Changes (cont’d)

Department Business Practices

• Renewed emphasis on Fixed Price Type contracts
• Peer Reviews for major source selections
• Independent reviewers to judge readiness for OT
• Increased emphasis on technical maturity within a program phase
  – Risk mitigation
  – Reliability and maintainability
The Means to an End

• Government
  – Better defined requirements and acquisition plans
  – Better defined decision criteria
  – Better cost estimates and program funding

• Industry
  – Proposals with provisions for risks
    • Scope
    • Schedule
    • Cost
The Big Assumptions

- Companies will act responsibly, with expert understanding of the challenges, and propose programs whose schedule and cost anticipate all the appropriate, avoidable risks.

- Companies will execute their contracts efficiently and effectively.

- Government will act responsibly.
The Alternatives?

• Proposals deemed unrealistic

• Source Selection recommendations reversed

• Source Selections reopened

• Programs in limbo awaiting a Milestone decision due to perceived risks, or inability to certify
OSD Concerns

- How long will it take for government and industry behaviors to adjust?

- How do we handle those programs that are already in the midst of source selection but operating with out-of-date expectations?

- How hard will those in denial fall given the scarcity of new program contracting opportunities?
Questions?

Comments?

Rebuttals?