



Capitalization on Investment OSD Concerns

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Outline

✗ Capitalization on Investment

✓ OSD Concerns

- regarding needed behavioral adjustments to the business of defense acquisition



Administration & Congressional Focus

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?