



NORTH AMERICAN  
PUBLIC SECTOR

# Achieving Efficiencies for Better Affordability

## A Government Consultant's Observations



# Overhead: Components & Drivers

## Buyer's View

- Always too high and must be reduced
- Viewed as a negative

## Seller's View

- Component of business
- Competes with profit

## Consultant's View

- Production Overhead driven by production process
- General & Administrative Overhead driven by Government and corporate specific factors
  - Contracting process
  - Auditing process compliance (CAS, DCAA, DCMA)
  - Corporate functions (accounting, IT, finance, R&D)
- General Plant Overhead driven by plant footprint, regulations, and mobilization

## DIRECT COSTS

- Labor
- Materials

## PRODUCTION OVERHEAD

- Maintenance
- Production process
- Depreciation
- Mobilization

## GENERAL & ADMINISTRATIVE OVERHEAD

- Contracting
- R&D
- Cost Accounting Standards
- Corporate requirements

## GENERAL PLANT OVERHEAD

- Facility age
- Facility footprint
- Maintenance standards
- Regulations
- Mobilization

Indiscriminately cutting overhead may have unintended consequences.

# Successes in Reducing Munitions Costs

## ELIMINATE & SHRINK

Reduce ammunition costs by:  
Reorganizing, modernizing, leaning, and consolidating

### IOWA & MILAN AAPs

- Consolidated operations at Iowa
- Consolidated, leaned, and modernized a production line

### GD- GARLAND

- Significantly reduced plant footprint
- Reorganized and leaned the facility



## SHARE

Reduce munitions cost by:  
Adding additional business base

### IOWA & MILAN AAPs

- Leased out rail lines and locomotives
- Leased out facilities

### LAKE CITY & RADFORD AAPs

- Shared facility costs with commercial entity
- Integrated production of components

### SCRANTON AAP

- Commercial production

### HOLSTON AAP

- Leased out rail lines and locomotives
- Leased out facilities

### ST MARKS

- Commercial production

### MCALESTER AAP

- Leased out facilities to a commercial entity

Eliminating, Shrinking, and Sharing costs result in reducing the cost of munitions.



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# Experience. Results.

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