

Enhancing Stewardship Over Weapon System Investments

Presentation by
Katherine Schinasi
Managing Director, Acquisition and Sourcing Management
U.S. Government Accountability Office

NPS Acquisition Research Symposium
May 17, 2007

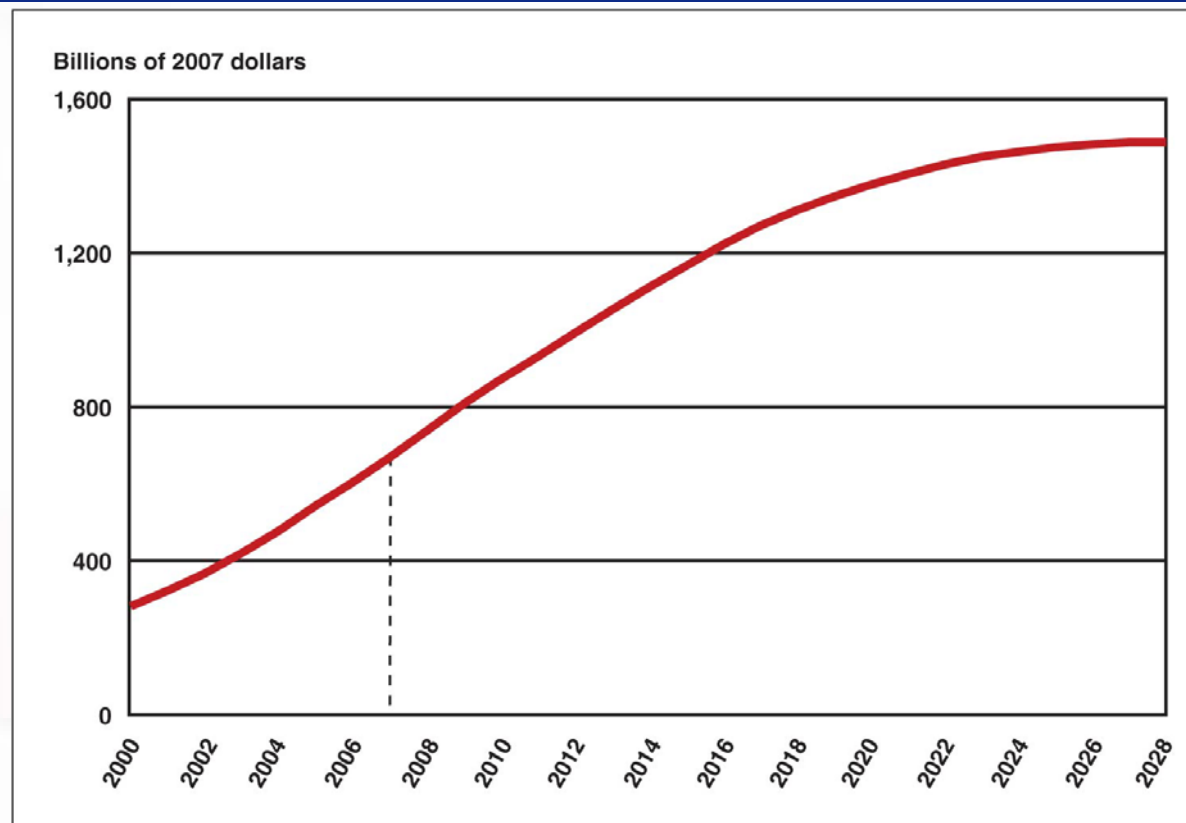
Report Documentation Page

Form Approved
OMB No. 0704-0188

Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

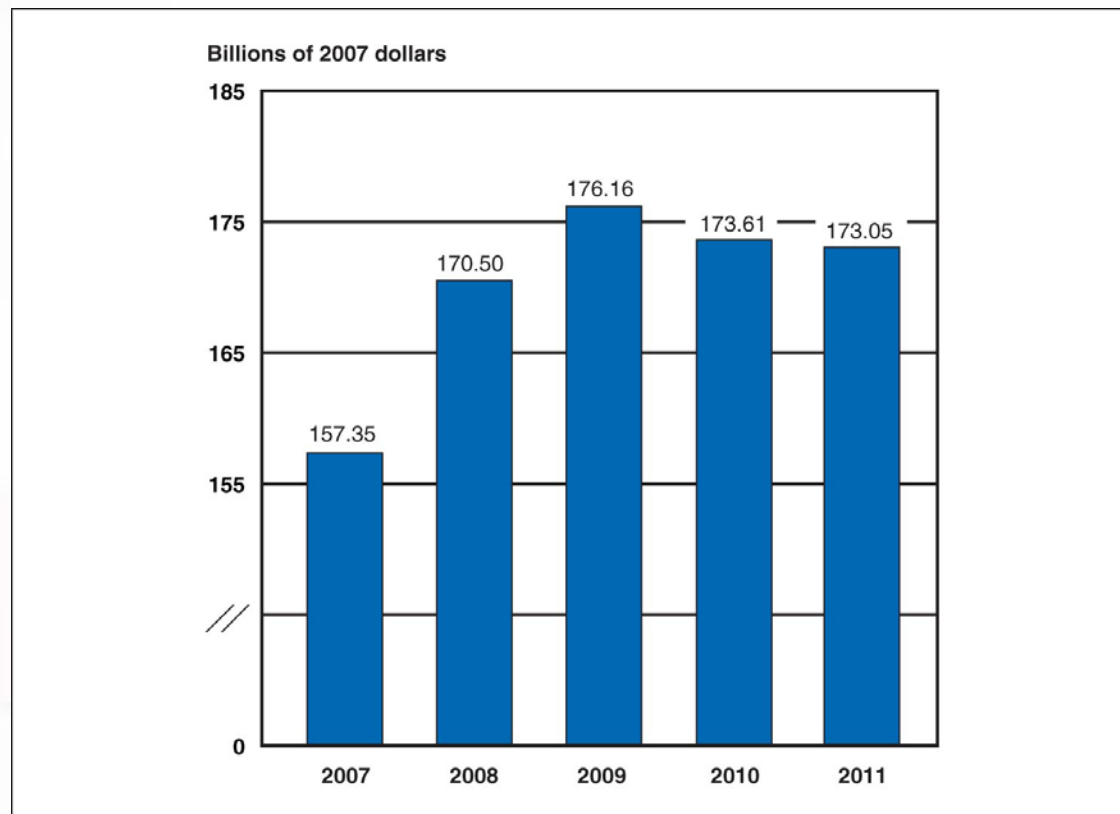
1. REPORT DATE 17 MAY 2007		2. REPORT TYPE		3. DATES COVERED 00-00-2007 to 00-00-2007	
4. TITLE AND SUBTITLE Enhancing Stewardship Over Weapon System Investments				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) U.S. Government Accountability Office, 441 G Street NW, Washington, DC, 20548				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES 4th Annual Acquisition Research Symposium: Creating Synergy for Informed Change, May 16-17, 2007 in Monterey, CA					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

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



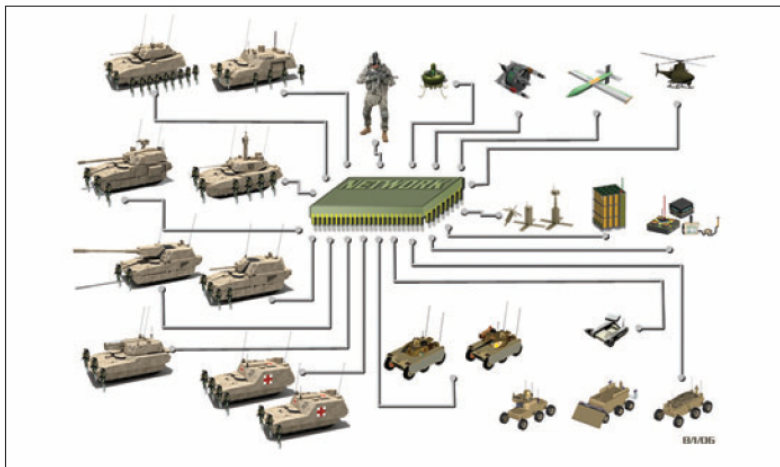
Source: GAO analysis of DOD data.

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



Source: Program Manager, Future Combat Systems (BCT).

Future Combat Systems

New estimates--between \$203 billion and \$234 billion—place FCS significantly above the current estimate of \$163.7 billion

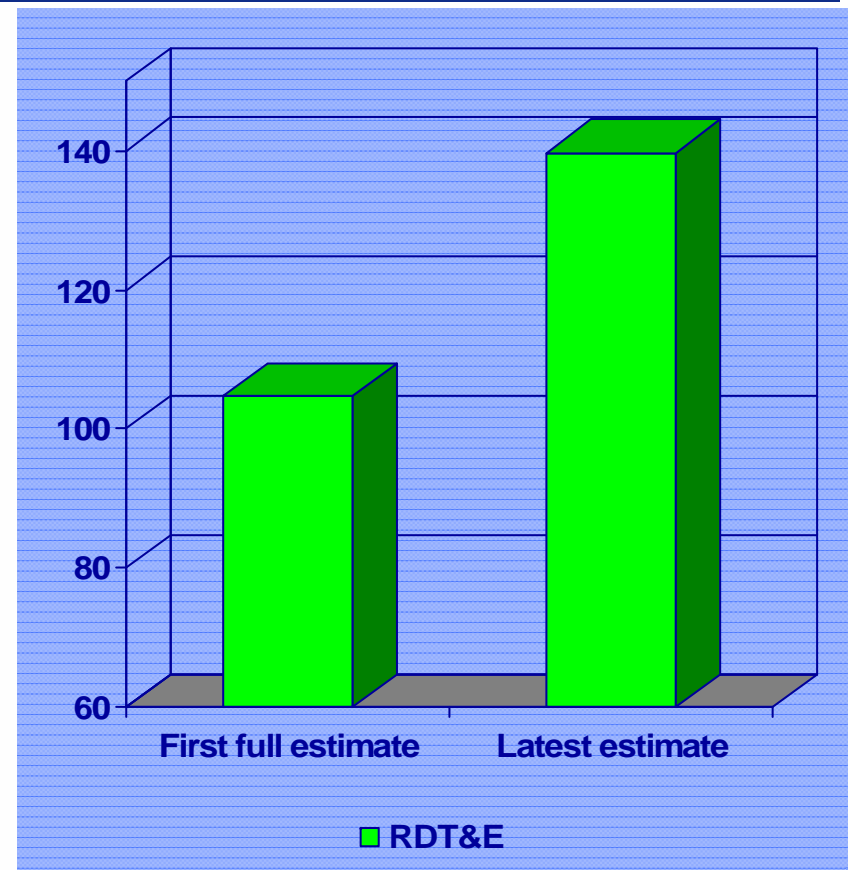


Source: THAAD Project Office.

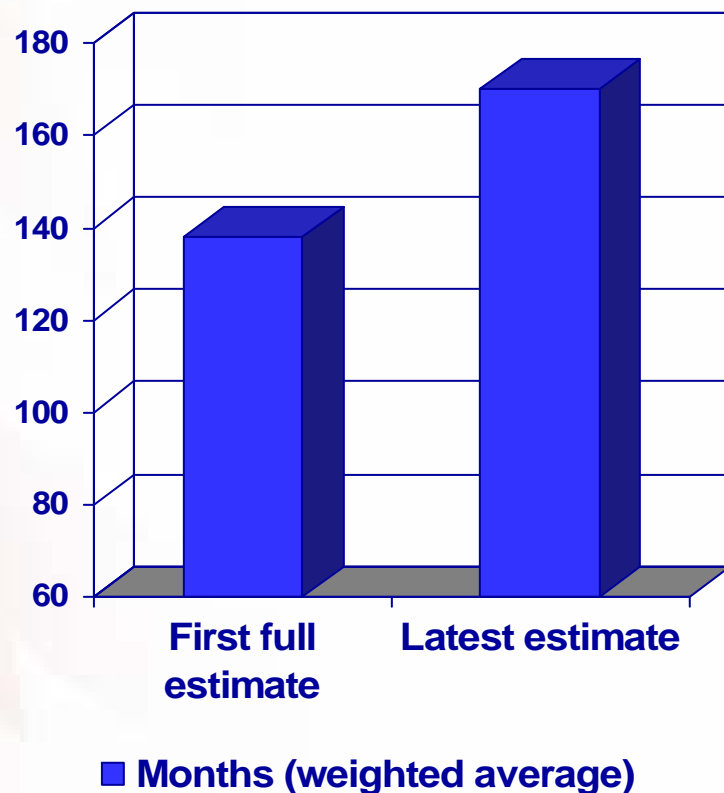
Missile Defense

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




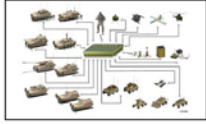




A Case for Change – Schedule Growth for 27 Programs



- 23.5% change in weighted average cycle time.

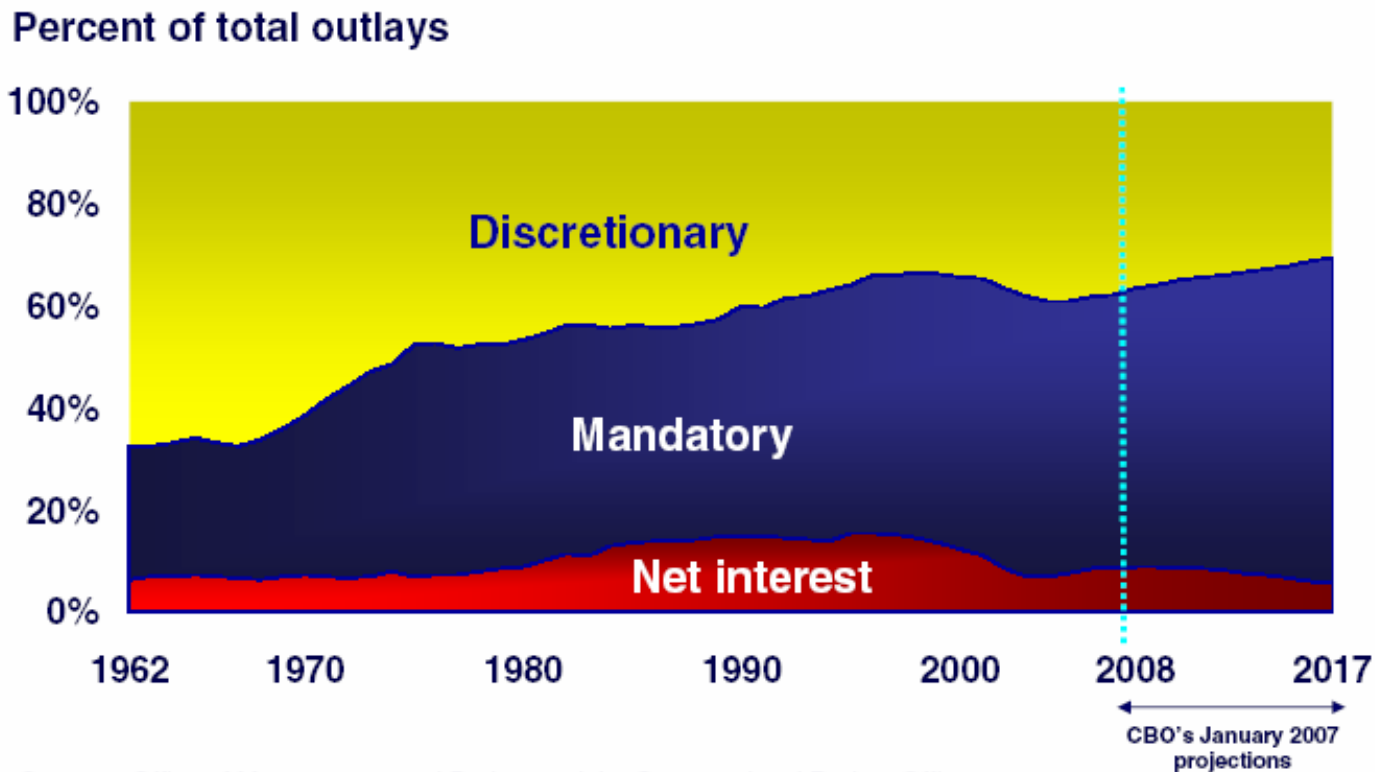
Programs included in cost and schedule analysis: AEHF, MUOS, NPOESS, WGS, Patriot/MEADS, ARH, Excalibur, FCS, Warrior UAS, EA-18G, EFSS, V-22, AESA, E-2D, AHE, JTRS HMS, JTRS GMR, Land Warriior, WINT-T, ERM, CVN-21, C-5AMP, C-5 RERP, F-22A Mod, Global Hawk, JSF Reaper, P-8AMMA. We limited analysis to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

A Case for Change – Reduced Buying Power

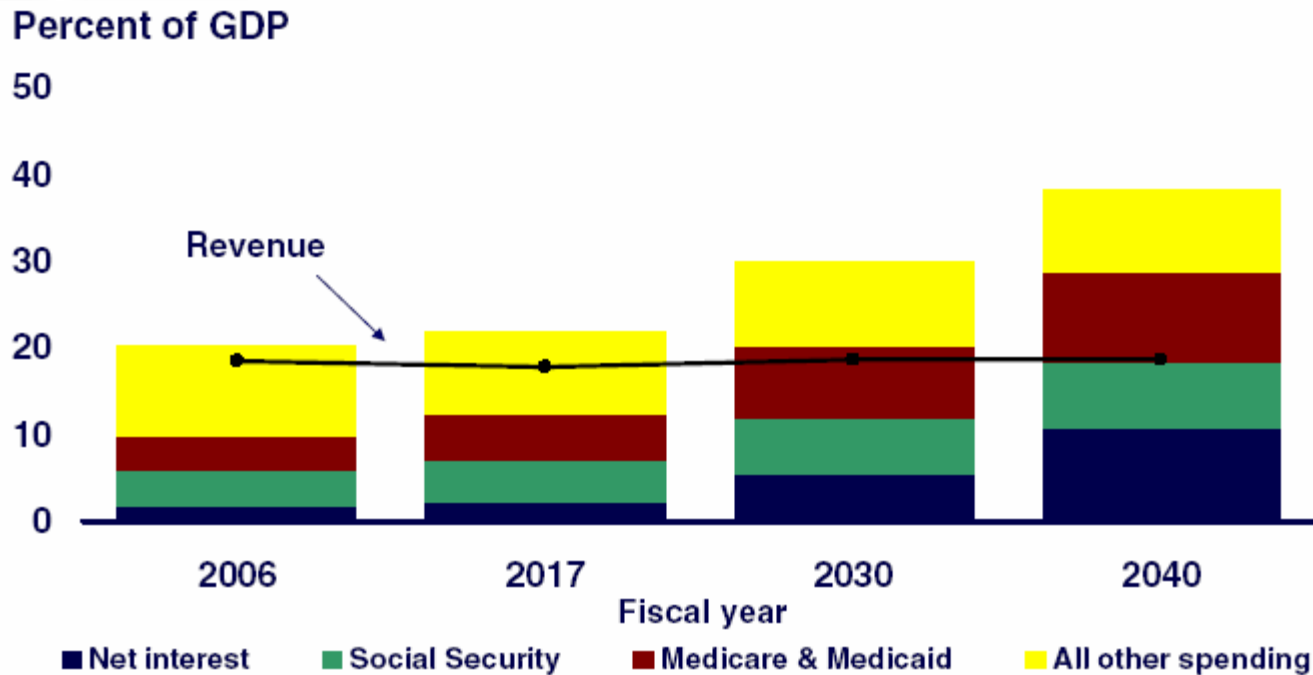
Program		Initial estimate	➔	Initial quantity	Latest estimate	➔	Latest quantity	Percentage of unit cost increase
Joint Strike Fighter		\$196.5 billion		2,866 aircraft	\$223.3 billion		2,458 aircraft	32.8
Future Combat Systems		\$85.5 billion		15 systems	\$131.7 billion		15 systems	54.1
V-22 Joint Services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

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



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

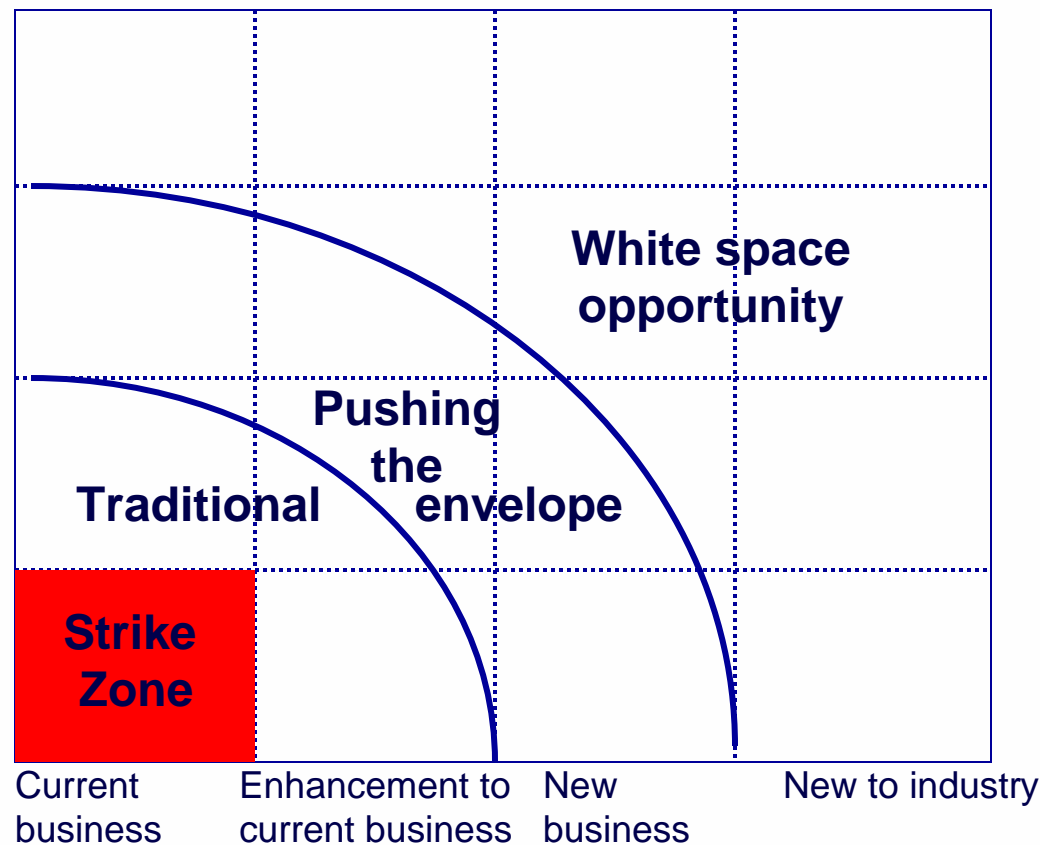
MARKETS

New customer wants and needs

Customers in new agreements

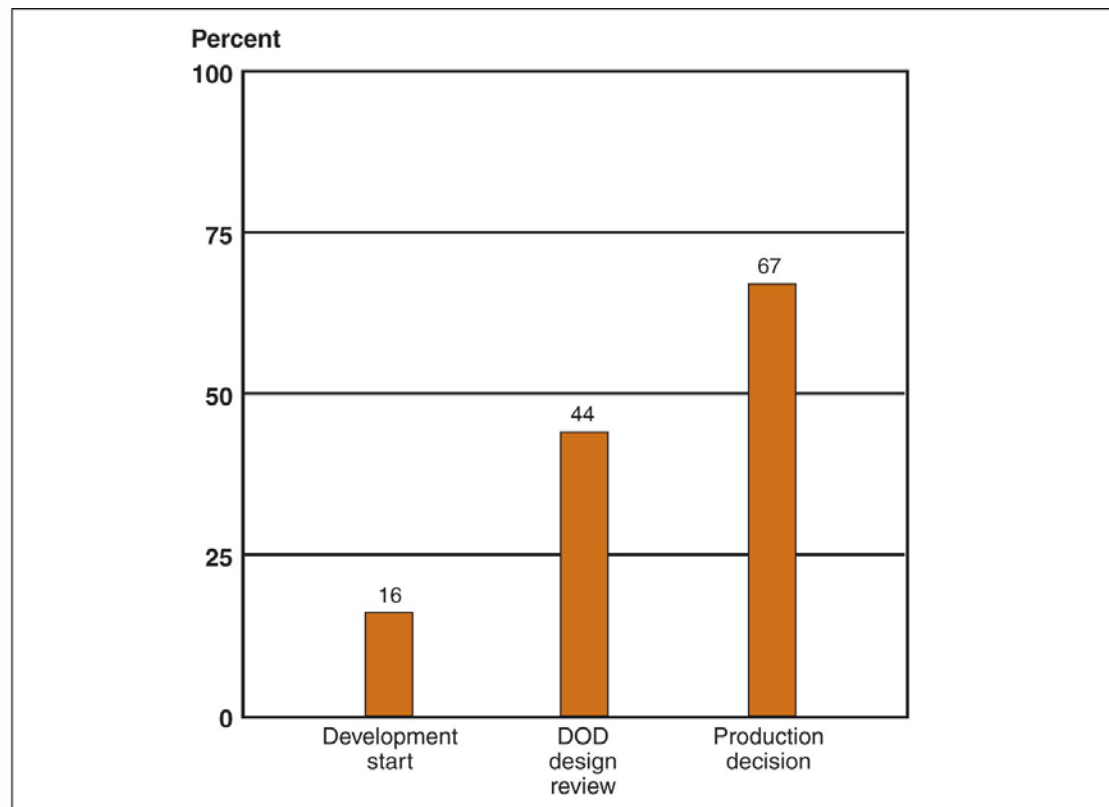
New customer in existing agreements

Current customers



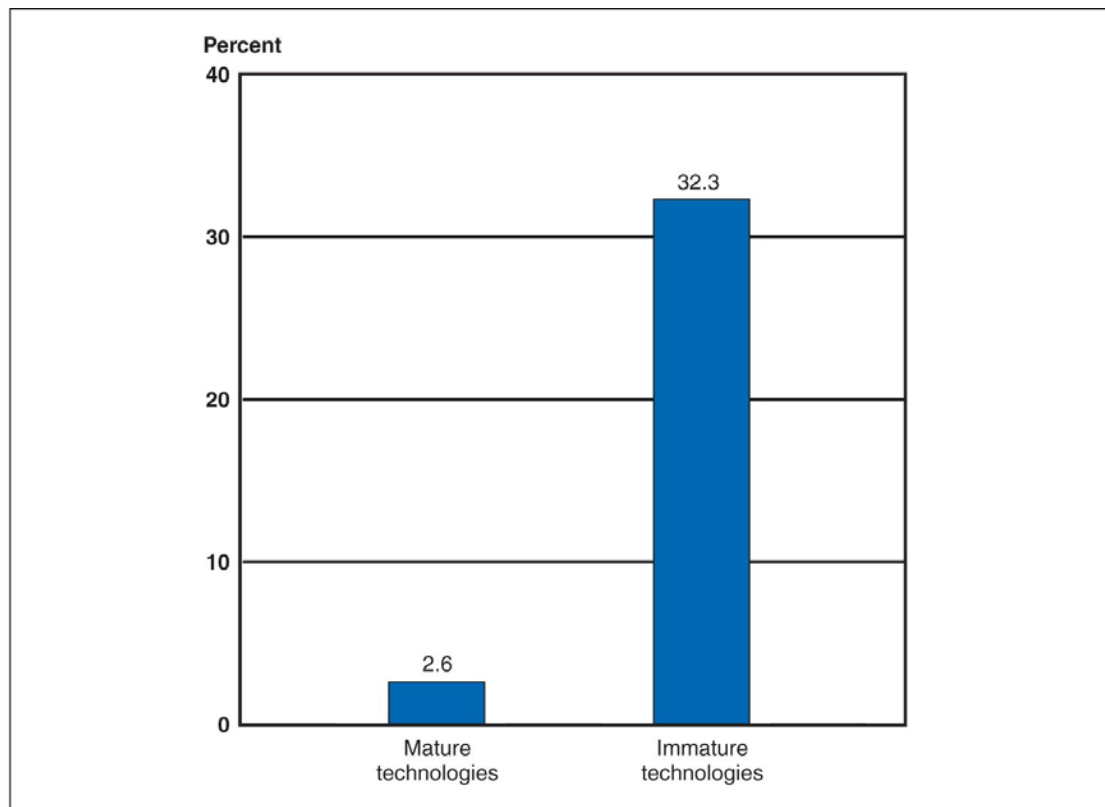
OFFERINGS

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



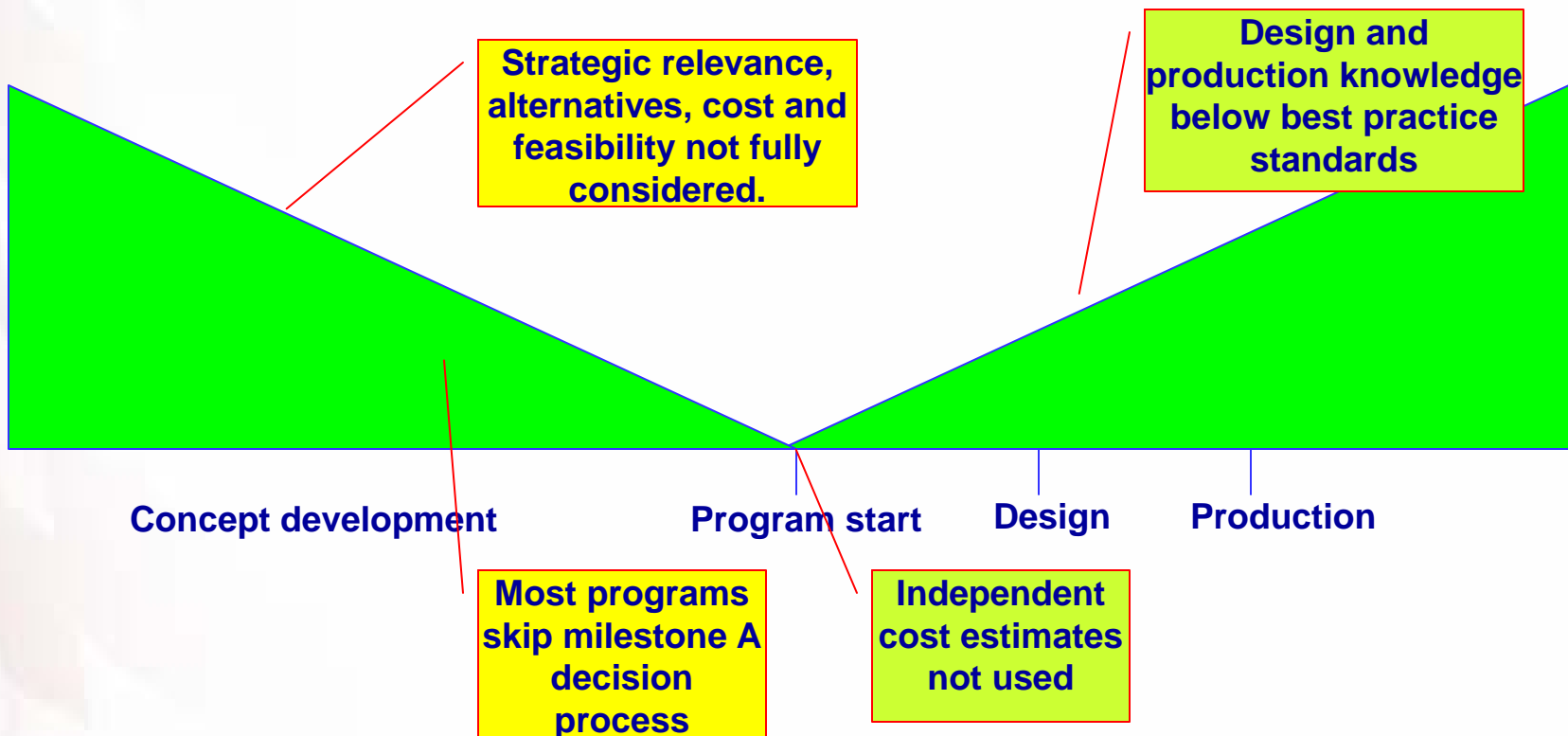
Source: GAO analysis of DOD data.

Decision-making – Cost Increases for Programs That Did Not Obtain Knowledge



Source: GAO analysis of DOD data.

Decision-making – Other Knowledge Gaps



Support – Definition of Success



Source: Office of Management and Enterprise Services



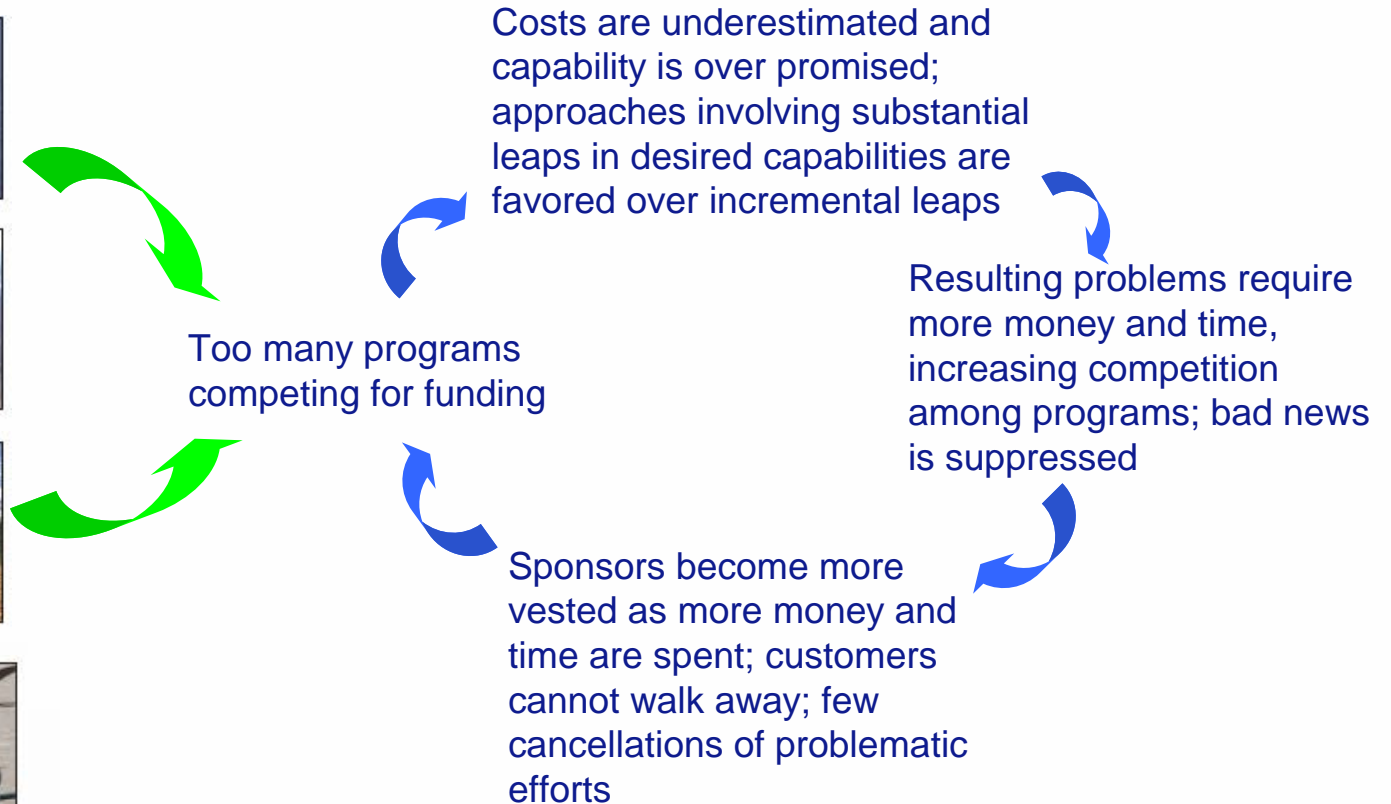
Source: Office of Management and Enterprise Services



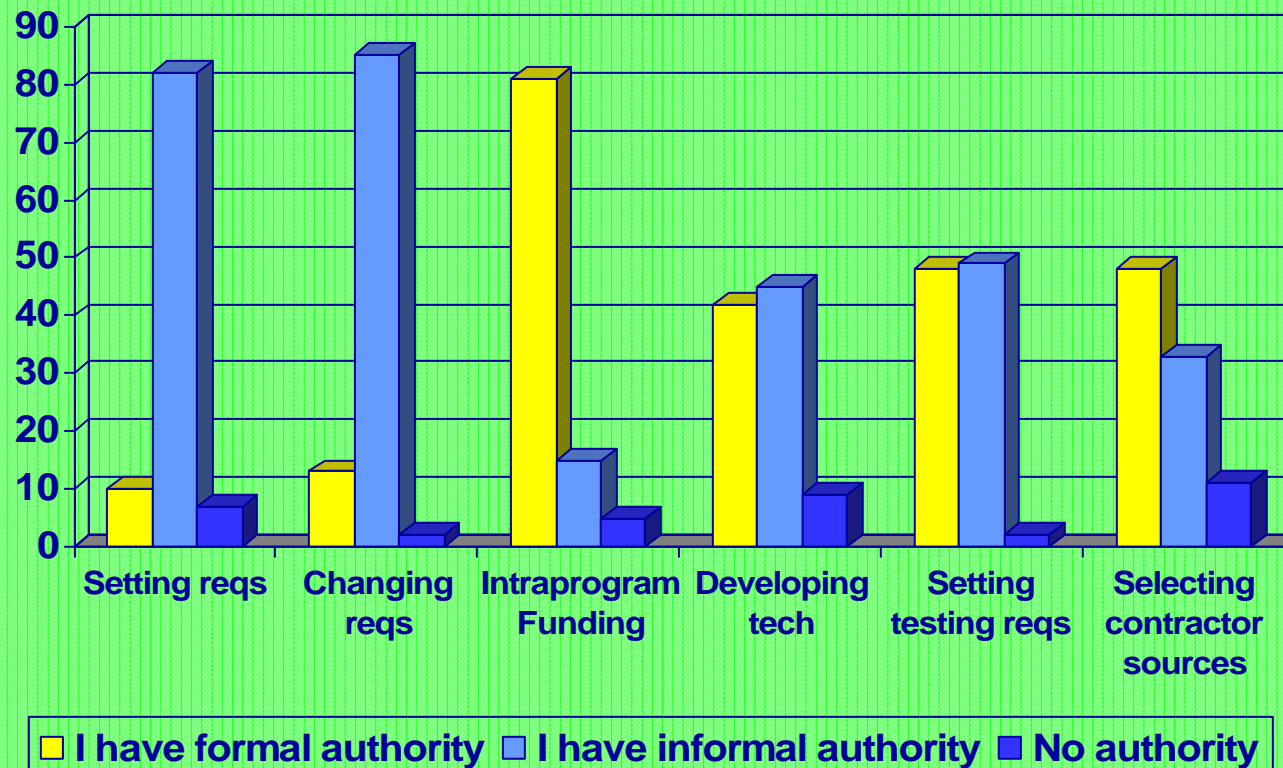
Source: Office of Management and Enterprise Services



Source: Office of Management and Enterprise Services



Support – Program Managers Not Empowered to Execute



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

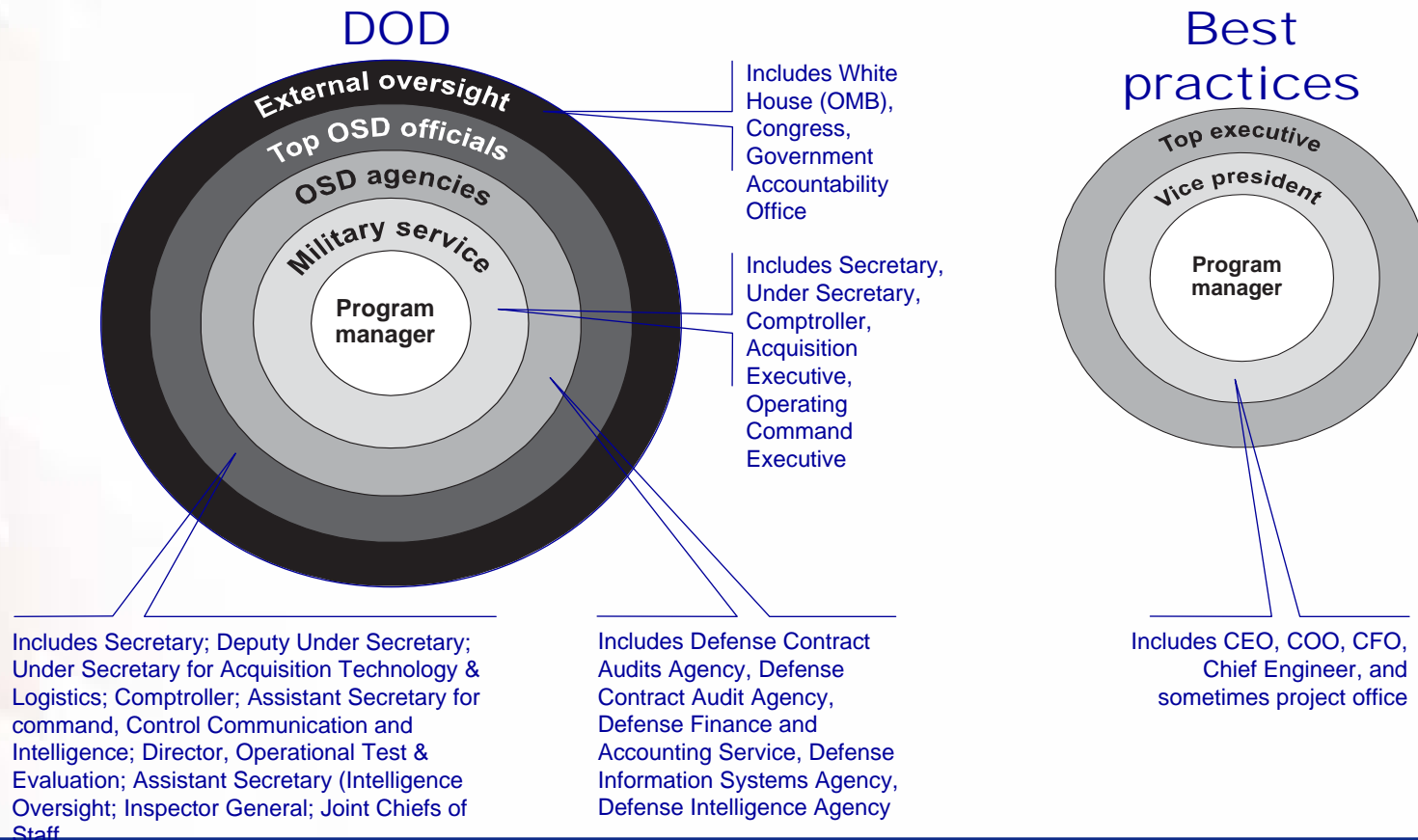


**Proliferation
of contractors**

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
-