



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
RESEARCH DEVELOPMENT AND ACQUISITION
103 ARMY PENTAGON
WASHINGTON DC 20310-0103

22 OCT 1998

REPLY TO
ATTENTION OF

SARD-PR

Jack
MEMORANDUM FOR THE UNDER SECRETARY OF DEFENSE
(ACQUISITION AND TECHNOLOGY)

SUBJECT: National Performance Review (NPR) Year 2000 Acquisition
Goal #12--Minimize Cost Growth--INFORMATION
MEMORANDUM

The NPR DoD Acquisition Goal # 12 states "minimize cost growth in major defense acquisition programs (MDAPs) to be no greater than 1% annually." Goal #12 focuses on the net cost impact on MDAPs of all Services, and encourages steps be taken to control cost growth to include cost control initiatives and process changes.

Each year the MDAP total cost change is calculated by summing the total cost change of common programs between the prior year and the current year (adjusting for quantity and economic changes) and dividing by the total current estimate of the common programs for the prior year. The assumption is that this metric will accurately track MDAPs and provide a sound measure of program efficiency and cost improvements.

This methodology does not capture rationale for program changes. Some normalization has been allowed for this metric, but no adjustments are currently authorized for changes in scope or capability, which improve system performance, or for external directives. Our analysis indicates applying these corrections provides a clear picture of true cost growth.

We recommend that the goal include a correction for changes in scope, capability, and external expenditures. This will make the goal a more appropriate measure of acquisition efficiency. Program balance needs to remain focused on requirements, within the limitations of total obligation authority (TOA) funding constraints.

Page

Paul J. Hoepfer
Assistant Secretary of the Army
(Research, Development and Acquisition)



TO: ASA(RDA) OR DASA(P) THRU: MILDEP XO: CofS:	ACTION OFFICER: DONNA SMITH OFFICE SYMBOL: SARD-PR PHONE NO: (703) 681-9141 DATE/TIME: 10/07/98 12:42 PM	SUSPENSE DATE: 29 Sep 98 CONTROL NO. 80900092
---	---	--

SUBJECT: NATIONAL PERFORMANCE REVIEW (NPR) YEAR 2000 ACQUISITION GOAL#12--MINIMIZE COST GROWTH--INFORMATION MEMORANDUM

RECOMMENDATION: That the ASA(RDA) sign the memorandum to USD(A&T).

SUMMARY OF ACTION:

- The Under Secretary of Defense (Aquisition and Technology) informed Secretary of the Army that our MDAPs were breaching the NPR goal of (less than) 1 percent annual cost growth.
- Based on the FY 00 Program Objective Memorandum (POM) submission Army MDAPs reflected a 4.6 percent cost growth. Relief was granted for this current budget cycle, but program realignments will occur if steps are not taken to resolve the cost growth.
- The model used in the NPR goal #12 evaluation process provides some useful data, however we are concerned with its inability to capture rationale for program changes.
- We recommend that this metric be used as a measure of acquisition efficiency, not program balance issues.

Forward w/o MILDEP review POR

<input type="checkbox"/> [Approved] <input checked="" type="checkbox"/> [Recommend Approval] <input type="checkbox"/> [Disapproved] <input type="checkbox"/> [Recommended Disapproval] <input type="checkbox"/> PSM <input type="checkbox"/> Noted Comments:	<input checked="" type="checkbox"/> Approved <i>BYH 22 OCT 98</i> <input type="checkbox"/> Disapproved <input type="checkbox"/> PSM <input type="checkbox"/> Noted Comments: <i>KD:mas</i>
---	---

COORDINATION						APPROVALS				
CC	NCC	OFFICE	NAME	PHONE	DATE		APPR	DISAPPR	INITIAL	DATE
✓		SARD-DE	Lonny Flaherty by email	604-7002	10/07/98	DIR, SARD-PR	✓		By email	10/6/98
✓		SARD-ZA	LTC Bruce Gwilliam by email	693-2685	10/07/98	DIR FOR CONTRACTING	✓		By email	10/6/98
		SARD- ZAS				DASA(P) XO	✓			10/7
						DASA(P)	✓			