

# OSD Productivity & Cost Reduction Initiatives Discussion



Mr. James Shields  
Deputy, PEO Ammunition  
28 October 2010



# Background

- On 28 June USD(ATL) Dr. Carter announced mandate to “Do More Without More”
  - No future budget growth. Therefore, inflationary program growth must be recouped by becoming more efficient by ~3% per year
  - Target is contract costs. Goods and services contracts cost \$400B / Yr (3% goal is \$12B / Yr)
  - 5 Working Groups formed to Propose Initiatives in 5 Focus Areas
- 14 Sep. Memo Described The Initiatives Chosen
- Further “Implementation Guidance” Still Expected



# Focus Areas

1. Target Affordability and Cost Growth
2. Incentivize Productivity & Innovation in Industry
3. Promote Real Competition
4. Improve Tradecraft in Services Acquisition
5. Reduce Non-Productive Processes and Bureaucracy



# Target Affordability and Cost Growth

- Mandate affordability as a requirement
  - At MS A set affordability target as a KPP
  - At MS B establish engineering trades that show how each key design feature affects target cost
- Drive productivity growth through Will Cost / Should Cost management
- Eliminate redundancy in warfighter portfolios
- Make production rates economical and stable
- Set shorter program timelines and manage to them



# Incentivize Productivity & Innovation in Industry

- Reward contractors for successful supply chain and indirect expense management
- Increase use of FPIF contract type using 50/50 share line and 120% ceiling as the norm
- Adjust progress payments to incentivize performance
- Extend Navy's Preferred Supplier Program
- Reinvigorate IR&D and protect the Tech Base



# Promote Real Competition

- PM to present competitive strategy at each Milestone
- Remove obstacles to competition
  - Allow reasonable time to bid
  - Require non-certified cost and pricing data on single offers
  - Require open system architecture and set rules for acquisition of technical data rights
- Increase role of dynamic small business in defense marketplace competition



# Improve Tradecraft in Services Acquisition

- Create senior manager for services acquisition
- Address causes of poor services acquisition
  - Assist users of services to define requirements and prevent creep via requirements templates
  - Assist users of services conduct market research
  - Enhance competition by requiring more frequent re-compete of knowledge-based services
  - Limit use of time and materials and award fee type contracts for services
  - Require cost efficiency objectives for service contracts exceeding \$1B



# Reduce Non-Productive Processes and Bureaucracy

- Reduce the number of OSD-level reviews
- Eliminate low-value-added statutory processes
- Reduce by half the volume of reports
- Reduce non-value-added overhead imposed on industry
- Align DCMA and DCAA processes better
- Increase use of Forward Pricing Rate Recommendations (FPRRs) to reduce costs