



# Nunn-McCurdy Unit Cost Reporting

NDIA PMSC Meeting

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# Nunn-McCurdy Unit Cost Reporting

## *Purpose*

- To provide Congressional unit cost reporting for Major Defense Acquisition Programs (MDAPs), i.e., ACAT IC/IDs
- Pursuant to Title 10, United States Code, Section 2433 (Unit Cost Reports) and Section 2435 (Baseline Description)

# Nunn-McCurdy Unit Cost Reporting

## *Unit Cost Measurements*

- Two UCR criteria:
  - Program Acquisition Unit Cost (PAUC)
  - Average Procurement Unit Cost (APUC)
- Definitions (in base-year \$) :
  - $PAUC = [Total\ Development\ \$ + Procurement\ \$ + Construction\ \$] / Total\ program\ quantity$
  - $APUC = Total\ Procurement\ \$ / Procurement\ quantity$

# Nunn-McCurdy Unit Cost Reporting

## *Unit Cost Tracking*

- Internal – Quarterly unit cost reporting required from PM to Service Acquisition Executive  
*(Compare Current Estimate to Current Baseline Estimate and to Original Baseline Estimate)*
- External – Breach reporting via SAR (see below)

	“Significant” Breach	“Critical” Breach
Current Baseline Estimate	+15%	+25%
Original Baseline Estimate	+30%	+50%

# Nunn-McCurdy Unit Cost Reporting

## *Reporting Requirements*

- For “Significant” breaches:
  - Service Secretary must notify Congress within 45 days after the report (normally program deviation report) upon which the determination is based
  - Submit a Selected Acquisition Report (SAR) with the required additional unit cost breach information

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## *Reporting Requirements*

- For “Critical” breaches,
  - In addition to notification and SAR, the USD(AT&L) must certify to Congress within 60 days of SAR that:
    1. *the program is essential to the national security*
    2. *there is no alternative which will provide equal or greater capability at less cost*
    3. *the new estimates of the PAUC and APUC are reasonable*
    4. *the management structure is adequate to control PAUC and APUC*

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## *Certification Process*

- Working groups established for each criteria
- Periodic meetings held:
  - USD(AT&L)
  - Executive Review Team (DUSD(A&T))
  - OIPT Chair (PSA/NII)
  - Joint Requirements Oversight Council (JROC)
- Site visits to contractor and PM locations
- Process outputs:
  - Certification package to Congress (Letters with supporting explanation)
  - Acquisition Decision Memorandum (ADM)

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## *Penalties*

- Suspension of Obligations
  - If either SAR or certification are not submitted on time, obligational authority suspended on all major contracts
  - Suspension shall cease to apply after 30 days of continuous session of Congress (starting from the date of receipt of SAR/certification)

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## *Current Baseline Status*

Service	≥ 10% < 15% (Near Breach)	≥ 15% and < 25% ("Significant")	≥ 25% ("Critical")
Army		Previously Reported: ARH (+20%)	GMLRS (certified Apr 07) WIN-T (certified Jun 07) LAND WARRIOR (program cancelled, no certification)
Navy	VH-71 (>25% ???)		EFV (certified Jun 07)
Air Force	AEHF (>15% ???) B-2 RMP (>25% ???) MPS (>25% ???) GBS (+13%)	Previously Reported: JASSM (+20%)	C-5 RERP (certification deferred) C-130 AMP (certified Jun 07) NPOESS (certified Jun 06)
DoD		JTRS GMR (>15%)	

# Nunn-McCurdy Unit Cost Reporting

## *Original Baseline Status*

Service	≥ 20% < 30% (Near Breach)	≥ 30% and < 50% ("Significant")	≥ 50% ("Critical")
Army	PAC-3 (+24%) STRYKER (+29%)	<u>Previously Reported:</u> ATIRCM/CMWS (+49%) CHEM DEMIL CMA (+34%) CMA NEWPORT (+42%) FBCB2 (+38%)	GMLRS (certified Apr 07) LAND WARRIOR (program cancelled, no certification)
Navy	E-2C REPRO (+20%) VH-71 (>50% ???)	<u>Previously Reported:</u> F/A-18 (+33%) MH-60S (+47%) VA CLASS (+42%)	EFV (certified Jun 07)
Air Force	C-130J (+27%)		C-5 RERP (certification deferred) C-130 AMP (certified Jun 07) JASSM (certification deferred) JPATS (certified Jun 07) NPOESS (certified Jun 06)
DoD		<u>Previously Reported:</u> JSF (+38%)	