

# An Acquisition Case Study:

## Cost Overruns and Schedule Slips

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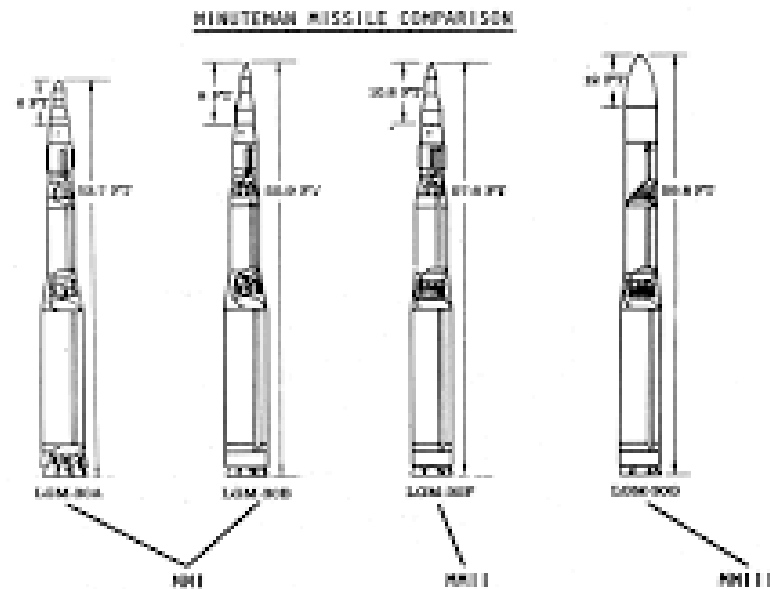
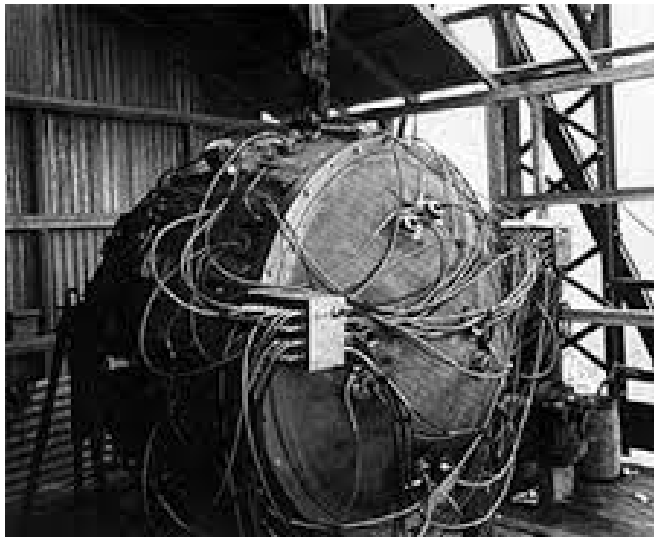
# Background

- The story you're about to hear is true
- Only certain details have been omitted to “stump the audience”
  - Names, dates, \$ values
- There will be a test



# Agenda

- Scenario And Acquisition Approach
- The Ugly Story
- “A Little Quiz”
- The Truth Revealed (if no one passes)



# The Scenario

- Terrorist attacks had occurred, American citizens held hostage
- President very concerned over national security, felt rapid long-range strike capability crucial
- Lobbied Congress, emergency appropriation pushed through with bi-partisan support and quickly signed by President
  - Some minority members grumbled about the cost
  - Vote somewhat close in the House



# The Acquisition Approach

- Work was awarded to as many viable sources in as many districts as possible, to broaden economic impact as much as possible
  - Economy was sluggish, and new defense work was hoped to be a stimulus
- System used advanced design with exotic materials, to leapfrog potential adversaries in capability



# The Story

- Problems quickly developed
  - The advanced materials were much harder to produce and work with than originally envisioned
  - Hard to get and keep qualified labor skilled at working with the advanced materials
  - Schedule slips began
- The Secretary informed the President that it was likely the contracts would over-run
  - In reality, the contracts were nearly at stop work due to funding



# The Saga Continues

- Cost estimates revised: program cost increased by 30%
- Secretary requests an emergency supplemental from Congress
  - Congress refuses to fully fund the request, only appropriates 85%; grumbling begins
- Cost estimates revised again, program cost increases by additional 22%
  - Congress only funds 55% of increased cost
  - Great furor when discovered this doesn't fully fund the program
  - LRIP quantity cut in half



# The Cost Growth Continues...

- Congress very unhappy when it's learned the revised estimates only fund R&D and ½ of LRIP
  - Costs have increased 58% at this point
- To fully fund LRIP and achieve IOC, will require an additional 55% increase in addition to the previous increases
  - Total cost is now about 245% of the original baseline
  - System is now largest item in the defense acquisition budget
- There are demonstrations at the contractor's facilities



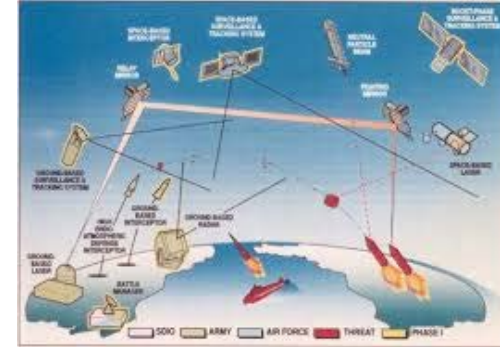
# Search For The Guilty

- Secretary informs Congress unable to field system without added funding
- Congressional hearings begin
  - Upset over increased cost
  - Bipartisan support has evaporated
  - Investigation mandated for fraud, waste, abuse
- Secretary submits required report on cost growth, citing materials and labor problems
- The Secretary is fired



# The Rest Of The Story

- Congress finally funds the system
  - Much partisan debate
  - Cost of system used for political purposes
  - Minority party says they were really against it all along
- System is eventually fielded
  - Operating cost is a sore point
- However, performs well in later conflicts
  - Users happy with performance
  - Adversaries hold it in awe



# So, What Are We Talking About?

## Can You Choose Wisely...?...

- Calvin Coolidge and the Lexington-class carriers
- Franklin Roosevelt and the B-29 Bomber
- Franklin Roosevelt and the Manhattan Project
- Dwight Eisenhower and the Minuteman Missile
- John F. Kennedy and the Polaris Submarine
- Carter/Reagan and the B-1 Bomber
- Ronald Reagan and the B-2 Bomber
- Ronald Reagan and Strategic Defense Initiative
- Bush/Clinton/Bush/Obama and the Joint Strike Fighter
- Bush/Obama and the Ford-class Supercarriers



