



EC: The Wave of the Future

Two natural bedfellows in acquisition reform are Electronic Commerce (EC) and Paperless Contracting. EC provides an alternative means of communication when the paper goes away. Nevertheless, eliminating paper and setting up electronic systems are big, big jobs.

EC is one of the best business practices identified in the Defense Reform Initiative (DRI) and chartered under the Vice President's National Performance Review (NPR), announced by SecDef William Cohen last November to streamline the management and support structure of the Department of Defense.

In support of this objective, the Army recently opened the Army Electronic Commerce Center, within the Directorate of Information Systems for Command, Control, Communications and Computers (DISC4). The Army EC Center mission is to leverage technologies and streamline business processes to better support the warfighter by providing the right information to the right person in the right place at the right time.

With such an ambitious mission, it is important to understand EC and related terminology.

EC is the paperless exchange of business information using Electronic Data Interchange (EDI), e-mail, computer bulletin boards, fax, electronic funds transfer and other similar technologies.

EDI, then, is the exchange of business information using a generally accepted electronic standard. EDI is a central part of EC, because it enables businesses to exchange business information electronically and thus more efficiently than using paper-based systems.



The Army EC Center currently provides over 300 documents related to the implementation of EC in the Army, as well as links to numerous EC web sites, electronic forums for reviewing Army EC documents, and access to EC news and activities. The web address for the EC Center is <http://www.armyec.sra.com>

Another new development in the world of EC is the opening of the Joint Electronic Commerce Program Office (JECPO), formed in January 1998. Found on the web at <http://www.acq.osd.mil/ec>, JECPO is chartered to accelerate the use of EC within the entire Department of Defense (DoD). It brings together experts from DoD's business and technology arenas to jointly develop electronic commerce processes. The office specializes in computerized buying and selling and was created to help move DoD to Paperless Contracting.

JECPO is organized under both Defense Logistics Agency (DLA) and the Defense Information Systems Agency (DISA) and receives policy guidance from the DoD Chief Information Officer. LTG Henry T. Glisson, DLA director, and LTG David J. Kelley, DISA director, defined their agencies' roles in the program office. DLA has the lead for business developments. It will

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coordinate the full business cycle requirements and functional integration, identify best business practices, and work with private industry outreach, among other measures. DISA's role is to lead the technical architecture, coordinate standards, and develop enterprise licensing. It will also conduct tests, carry out technical integration, and handle systems engineering.

The office will have points of contact with each of the Services and agencies to help coordinate electronic commerce programs. The Defense Finance and Accounting Service will be represented at the JECPO owing to the importance of EC in the Department's

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Past Performance Makes News

Two recent developments in the field of Past Performance Information (PPI) are making news inside the Department of Defense. The Office of the Deputy Under Secretary of Defense (Acquisition Reform) just finished receiving government and industry comments on a draft guide for the collection and use of PPI. The guide is designed to make PPI easier for industry to understand. Also, the DoD Past Performance Integrated Product Team (IPT) is evaluating the status

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Past Performance

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of existing automation of PPI into a "centralized retrieval" system for DoD contractors.

What is past performance information? PPI is information on a contractor's performance on previous or ongoing contracts for similar goods or services. PPI is very useful in motivating contractors to improve their performance because of the use of that information by government buyers for future contracts. It is also useful as a means of communication, providing feedback and additional performance incentives for ongoing contracts.

A contractor who delivers what the contract requires without extensive follow-up effort on the part of the government is clearly delivering better value than a contractor who charges the same price, yet needs constant supervision by government personnel to ensure performance.

In fact, the objective of collecting and using PPI is to provide a consistent evaluation methodology to recognize excellent companies from among the vast array of DoD contractors.

The draft guide to the collection and use of PPI, circulated by the Office of the Secretary of Defense (OSD) to get comment from industry as well as government personnel, is designed as a desk-top tool for the use of PPI. The guide is

designed to address both collection and use of PPI in source selections.

Because of the vast number of items that DoD purchases, from vehicles to food to services, and the DoD unique items, from uniforms to major weapon systems, PPI is unique for DoD. Because of this, and the fact that there are a number of systems collecting PPI within DoD, a reasonable degree of uniformity in assessments of contractor performance is essential to success.

The PPI IPT, started under the direction of Dr. Paul Kaminski, former Under Secretary of Defense (Acquisition and Technology), found that there was no one place in DoD to go to for PPI. The IPT saw the need for a web-based system of "distributed collection and centralized retrieval."

Their plan is to integrate the current PPI databases into a system allowing contracting officers to look up performance data department wide. OSD supports the goal of a central automated system for PPI. This will allow, for example, an Air Force contracting officer to look at data collected on a Navy contract.

Decisions regarding the proposed centralized system for DoD will be made by the Component Acquisition Executive's (CAE's) and USD (A&T). -AR-

Report Sums Up Executive Branch Purchases

One sentence on the web site of the Federal Procurement Data System (FPDS) speaks volumes about the attitude changes sweeping through the government:

"The Federal Procurement Report can serve as a guide for developing your request for a Special Report tailored to your specific marketing needs."

Marketing needs? Yes, indeed. The report is marketed to corporations, news media and researchers who need government information. It is also useful to acquisition professionals to identify procurement trends. As in the private sector, everyone has customers, and everyone needs target market information.

It happens that the FPDS (operated by the Federal Procurement Data Center, part of GSA) is celebrating a milestone of sorts. Its oldest information is turning 20. The data center was established in February 1978 in the Pentagon, where it stayed for two years. But because its role included monitoring spending and DoD accounted for such a large proportion of the federal budget, it moved to GSA in 1980.

The FPDS is a repository of data about executive branch procurement contract transactions awarded since October 1, 1978. Every year, the executive branch spends about \$200 billion to buy goods and services. The FPDS can tell you who, what, where and from whom for almost every agency.

The system contains about 50 data elements, including agency identification, category of procurement, dollar obligation, principal place of performance, and contractor identification, for about 500,000 annual transactions over \$25,000.

FPDS data is available in two forms:

- As a free 200-page book, *Federal*

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It's All About Performance

AR-Today likes to highlight government success stories. Performance Based Service Contracting (PBSC) is one of those successes. PBSC has been around for years, but now that a new report has been released, PBSC is about to get a whole lot more attention.



Published by the Office of Federal Procurement Policy (OFPP), under the auspices of the Office of Management and Budget (OMB), the report compiled evidence from a government-wide pilot project. The PBSC project began with anecdotal evidence and, after monitoring 26 contracts, turned that evidence into measurable, concrete results.

First, how does it work? PBSC is a contracting method that allows the contractor to arrive independently at the specified end result. The government gives the contractor the specifications for the desired output and the contractor can come up with the best way to get there. The contractor is free to innovate as long as they arrive at the contractually agreed upon result.

Performance specifications open up the possibility of many more design solutions, including commercial items that will meet the stated requirement.

To gather data for this report, agencies designated non-PBSC contracts that were due to expire and re-solicited them using PBSC methods. Included in the report are 26 contracts from 15 agencies with a combined award value of approximately \$585 million. The findings are based on a comparison of before-and-after mea-

surements on the following variables: contract price; agency satisfaction with contractor performance; type of work performed; type of contract; competition; procurement lead time; and audit workload.

What effect did PBSC have on price? On average, contract price decreased by 15 percent in nominal dollars after the introduction of PBSC. In fact, PBSC reduced contract prices at all price ranges.

As to performance, customer satisfaction improved over 18 percent. But, PBSC also significantly increased satisfaction with the contractors' work on all criteria. Competition increased as well.

The average number of offers increased from 5.3 to 7.3 when PBSC was introduced. The report speculated that "perhaps by better communicating the government's requirements and giving contractors more freedom to propose solutions, PBSC stimulated better proposals from firms better qualified to meet the government's needs at lower prices."

Although the number of contracts awarded to small businesses did not change, 15 of the 26 contracts were awarded to non-incumbent companies. This might indicate that while PBSC stimulated competition, it did not have an adverse effect on smaller companies.

Most interesting was the effect on audit workload. The total number of contract audits decreased an astounding 93 percent. While this was expected by OFPP, most of the contracts converted from cost reimbursement to fixed price.

PBSC is appropriate for professional, technical and non-technical services, as well as for large, complex contracts and small contracts. Moreover, PBSC's benefits are amplified when using fixed price contracts.

PBSC opportunities include:

- Non-technical (security, laundry, grounds maintenance, or equipment repair)
- Operation and maintenance of facilities

- Administrative and clerical support
- Computer maintenance
- Information technology
- Aircraft maintenance and test range support
- Transportation, travel and relocation
- Medical

The largest and most important target of opportunity is that of Information Technology. PBSC has been used in the past for contracts that were primarily non-technical. The Office of the Secretary of Defense (OSD) encourages expanding performance-based contracting to other areas, especially high technology. With systems getting more and more complex, it is important for the government to get as much innovation as possible from industry.

Jacob Leu, OMB Director, has made PBSC one of his Priority Management

Under PBSC, the government pays for results, not effort or process, and contractors are free to determine the best and most cost-effective ways to fulfill the government's needs.

Objectives and requested Departments and agencies to develop plans to convert service contracts to PBSC as they come up for renewal. PBSC compliments the government's overall approach to managing the results, not the process. Under PBSC, the government pays for results, not effort or process, and contractors are free to determine the best and most cost effective ways to fulfill the government's needs. PBSC also reduces unnecessary contract administration costs by moving agencies away from audit-oriented, cost reimbursement and level-of-effort contracts to fixed price completion contracts.

-AR-

Army Reform Efforts Bear Fruit

By Victor Ferlise,
Deputy to the Commanding General, CECOM

Aging weapons systems, declining defense budgets, and the current technology revolution demand that the Army develop innovative approaches to improving its standards for reliability, maintainability, and supportability. Acknowledging that there will not be sufficient funds to adequately modernize all of its weapons systems, the Army has developed a total systems-engineering approach for use during acquisition.

This prudent move has larger companies regrouping to accommodate our new acquisition practices. This approach helps to optimize total system performance and minimize the cost of overall ownership. Through acquisition reform, the Army has reduced cost by using more efficient business practices, modern technologies and process innovations. Now, we must reduce sustainment costs for our already deployed systems (a.k.a. legacy systems).

Acquisition and Logistics Changes

Many acquisition and logistics reform initiatives are directed toward reducing Operation and Support (O&S) costs. For example, Modernization Through Spares (MTS) is a spares/component breakout strategy applied throughout the materiel acquisition life cycle. It is based on technology insertion and the use of commercial products, processes, and practices to extend a system's useful life and reduce O&S costs.

The long-held, common belief is that the biggest savings can be achieved through an aggressive approach during initial design. However, the Army has learned that when selecting contract types, incentives (such as award/fee) can be applied in nearly every contract phase to reduce O&S costs. At the time of contract award, modeling or some other type of forecasting of the O&S sustainment baseline is accomplished.

These O&S cost projections are forecast across as many as 25 cost categories, including sustainment. Integrated Product Teams, (IPTs) that include industry/government partnerships now have a means to share top level accountability

data from many sources in an attempt to track the actual costs (where known) against the baseline. This intelligent logistics data analysis provides the IPT with information on trends, achieved thresholds, and triggers for MTS candidates, while providing the O&S cost metrics desired.

C4IEWS Targets O&S Costs

Team C4IEWS includes HQ Communications-Electronics Command, Program Executive Office (PEO) Intelligence, Electronic Warfare and Sensors (IEW&S) and PEO Command, Control, and Communications Systems (C3S), all located at Fort Monmouth, NJ.

Team C4IEWS, in partnership with the Society of Logistics Engineers (SOLE), has focused on improving the methods and processes used to support and maintain our developmental as well as our legacy systems. Legacy systems are a good source of historical information. However, technology is changing so rapidly that the O&S cost drivers of existing systems may be different from those of the next generation.

Therefore, Training and Doctrine Command requirements must include market research for new supportability techniques with emphasis on affordability. Using a total systems approach, technical requirements are merged with supportability, affordability, and data environment performance parameters and constraints. These performance-based requirements provide industry with measurable parameters (thresholds and objectives) in system specifications and in draft statements of work and statements of objectives.

Value Engineering (VE) Improves Supportability

VE Proposals and VE Change Proposals provide numerous opportunities to address supportability that ultimately influence O&S costs, reliability, and ease of maintenance. VE identifies new or improved requirements, then seeks to justify expense through projected savings

when the funds are already allocated.

One example is Cost as an Independent Variable (CAIV), an acquisition philosophy that fixes cost. The emphasis is on choosing among alternatives given a fixed cost. CAIV allows an affordability evaluation to be made of the various supportability approaches and choices among reliability, maintainability and supportability options to reflect program objectives and thresholds. The CAIV analysis is performed to identify, trade-off, evaluate and elect the most affordable features proposed among the contractor's separately priced options. Under the CAIV philosophy, performance and schedule are dependent on the funds available for the program. During early development, CAIV is included in the systems engineering process. The basic concept is that each acquisition program must satisfy three key elements: operational requirements, affordable life cycle cost, and delivery according to the established schedule. This methodology is backed up with a more open source selection that encourages unique contractor solutions, increases flexibility, rewards initiatives, and reduces O&S costs while on contract.

Reducing O&S Costs

The Army has successfully used acquisition and logistics reform initiatives to leverage the billions of dollars spent annually on the procurement of systems and replenishment of spare parts. This is helping to accomplish the continuous modernization of legacy systems.

One way of meeting the challenges we face is through education. However, the real challenge is more than just updating our acquisition and logistics procedures. It is changing how we think and interact with our contractors, from how we write our contracts to how we solve our problems.

Through it all, we must remember that the purpose of all this is not just to allow the Army to reduce its infrastructure. It is to encourage innovation, reduce oversight, and give our warfighters the best equipment while giving the taxpayers the best for every dollar spent.

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EC: The Wave

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financial reforms.

RADM William P. Houley (Ret.), the new manager of the DRI, aims to adopt private-sector best business practices and consolidate and streamline organizations.

Houley said the JECPO exemplifies private industry's best practices in real time without the complicated layers and separate offices so common in government business processes.

"We have a lot of processes where we march contracts from Office A to Office B, fill out a procurement request, then we go through a long process that nobody wants to hear about," he said. "We should be able to do it from a keyboard, with a lot fewer steps and in a lot less time."

DoD aims to implement paperless contracting for all major weapons acquisitions by Jan. 1, 2000. Accordingly, about 17 months ago the Department hired a contractor to implement its Procurement Desktop-Defense, or PD2, program. PD2 is a comprehensive, commercial software package designed to meet the government's procurement needs. It is based on systems used in other federal agencies and the private sector.

DoD is implementing PD2 for 46,000 contract workers at nearly 1,000 sites worldwide. This five-year effort has been dubbed the Standard Procurement System (SPS).

Tailoring the PD2 software to fit each site's needs, SPS will replace dozens of existing interfaces to financial, logistics, and other DoD systems. The SPS effort will form the cornerstone of DoD's vision for paperless acquisition.

"I'm very happy with what we're doing with electronic commerce," DepSecDef John Hamre said. "That really is starting to take off. We are now, in lots of areas, able to do the entire process without it ever turning into paper." An additional advantage, he said, is that "getting rid of paper forces people to rethink their business practices."

For more information on paperless contracting, check out the DoD web site <http://www.defenselink.mil/dodreform/>

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The Heart of Reinvention

This article is reprinted with permission from "News from AFAR," the SAF/AQ newsletter, July/August 1998 edition.

WASHINGTON—At the heart of the Air Force's new "Acquisition and Sustainment Reinvention Process" is the concept of Reinvention Teams. Each team, headed by a hand-selected leader and made up of field personnel from multiple disciplines, will "study and develop" selected ideas in specific high payoff areas. Their charter directs them to look beyond tasks, jobs and organizational structures, and to focus on processes and process improvement.

They will redesign key processes and package the change to become part of the acquisition culture.

Reinvention team results will take the form of executable actions, whether allowing for the future test of concepts the team has developed or paving the way for deployment across the Air Force Acquisition and Sustainment community.

Planning for deployment will include creation of the tools, education, and supporting policies needed for successful implementation in the field.

The initial set of four reinvention teams is dispersed throughout AF Ma-

teriel Command. The *Contract Award Cycle Time Team* is headed by Col Timothy Callahan at Warner Robins Air Logistics Center, Robins AFB, GA.

The *Evolutionary Acquisition Reinvention Team*, headed by Mr. Tom Graves, is located at Aeronautical Systems Center (ASC), Wright-Patterson AFB, OH.

The *Program Element Consolidation Team* is led by Mr. Dave Carstairs at Electronic Systems Center (ESC), Hanscom AFB, MA.

The *CAIV/Sustainment Emphasis in the Requirements Process Team* headed by Col Michael Kaye is run out of the Space and Missile Systems Center (SMC), Los Angeles AFB, CA.

Each team will supplement their local center membership with the expertise of advisors from other field offices, AFMC Headquarters, and the Air Staff.

Future reinvention teams will be selected in large part based on input from the field and industry, so don't forget to check out the SAF/AQ Web Site Innovation Network, where you can get your ideas into the process through the Internet at <http://www.safaq.hq.af.mil/innovation> We also accept ideas by e-mail at: arideas@af.pentagon.mil

So, no more excuses—be a part of improving tomorrow's Air Force. Give us your ideas today and look for future reinvention teams in the months to come!

-AR-



Mr. Blaise Durante, SAF/AQX, on left, pictured with the Reinvention Team Leaders. 2nd from left to right: Mr. Dave Carstairs, ESC; Col Tim Callahan, WR-ALC; Col Steve Reznick, WPAFB; Mr. Tom Graves, ASC, and Col Mike Kaye, SMC.

AR News Roundup

Reducing Purchase Card Fees

Army and DoD efforts to reduce merchant fees associated with acceptance of the Government Purchase Card for large payments are finally paying off.

Both Master Card and Visa approved new merchant interchange rates for the transactions with the Government in the \$4,000 - \$5,000 range. The new interchange rate reduces the average 2 percent fee merchants pay on each card purchase and will pave the way for increasing the use of the card without additional

costs being passed on to the government.

The Boeing Company was asked to evaluate the feasibility of accepting the Purchase Card for payments. At the time, Boeing was quoted a fee (interchange rate) from merchants of 2 percent or more when they accepted the card for payment, and therefore, would have to increase the cost of their contract items to cover the fee.

Boeing also found they could save as much as \$100 per transaction if they did not have to process the DoD invoice (DD250) through the Defense Finance Accounting Service. This saved as much as 75 percent of the value of the purchase.

SCE Update

An article in the January-February 1998 issue of *AR-Today* said that completed Software Capability Evaluations (SCE) in source selections would reside at the Air Force Electronic Systems Center at Hanscom AFB, MA.

Operation and maintenance of the repository has been moved to the Software Center operated by the Defense Contract Management Command (DCMC) in Boston, MA. The DCMC was actively involved in the Office of the Secretary of Defense (OSD)-sponsored SCE Reuse Group that was responsible for the plans for

UPCOMING EVENTS

The Performance Management Association's **10th Annual International Integrated Program Management Conference** is planned for **18-22 October 1998**, in Tysons Corner, VA. For more information, visit <http://www.erols.com/pmafirst/#events>

The **PEO SYSCOM Conference** is scheduled for **19-20 October**, in Ft. Belvoir, VA. Look for details at <http://www.acq.osd.mil/dsac/confern.htm>

Payment Days: Roadmap to Success for the Future Conference is scheduled for **22 and 23 October** at the DLA Headquarters complex in Ft. Belvoir. DCMC and DFAS are hosting. The purpose of the conference is to identify opportunities for payment process improvements and plot a course for 1999. For more information contact Ms. Susan Weart at 703-767-2446.

The **21st Century Commerce Convention & CALS Expo International** is scheduled for **26-29 October 1998**, in Long Beach, CA. The theme is Global Business Solutions for the New Millennium. For more information, visit <http://www.ndia.org/21stcentury/default.htm>

The **Society of Cost Estimating and Analysis (SCEA)** will host its **Second Cost as an Independent Variable (CAIV) Conference, 28-29 October, 1998** in El Segundo, California. For more information, visit <http://www.caiv.com/events1.htm>

The **Defense Technical Information Center (DTIC)** is presenting its **Annual Users Meeting and Training Conference, 2-5 November 1998**, at the DoubleTree Hotel, National Airport, Arlington, VA. The conference theme is "Maintaining the Information Edge." Check out the conference information on the web at <http://www.dtic.mil/dtic/annualconf> Please contact Ms. Julia Foscue, at 703-767-8236 or e-mail jfoscue@dtic.mil for more information.

Several high-level Army & DoD officials will participate in the **Modernization Through Spares Conference, 16-18 November 1998**, at the Marriott Wardman Park, Washington DC. The conference will serve as a forum for the Army and industry partners to address "Acquisition & Logistics Initiatives: The Journey to Reduce Operations and Support Costs." Call Latonya Jackson at 732-532-8339, e-mail jacksola@doim6.monmouth.army.mil or visit <http://www.mtsconf.sytexinc.com>

The **AIAA Conference** is scheduled for **28-29 January 1999**. Look for details at <http://www.aiaa.org>



SCE

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reusing SCEs when possible and was already the designated registration point for reusing SCEs.

"There are two parts to the SCE reuse program—the repository itself and the registration point," said David Zentner, program manager for Early Contract Administration Services at the DCMC Software Center. "We have an index of SCEs known to have been conducted, and we are also responsible for maintaining the repository of SCE results that are released to the Software Center for reuse. We will share the information in the registration point index with inquiring acquisition offices and provide the results for SCEs in the repository, in accordance with the SCE reuse process."

The process is described in three documents:

- Reuse of SCEs in Source Selection Volume I: Concept of Operations
- Reuse of SCEs in Source Selection Volume II: Procedures
- Registration Point for Access to Government SCEs.

These documents may be accessed in both the Acquisition Deskbook (<http://www.deskbook.osd.mil>) and on the DCMC web site at <http://www.dcmc.hq.dla.mil/Teaminfo/Aqof/swctr/swctr.htm> in the Software Center.

The SCE reuse documents were approved by the OSD-sponsored Systems Engineering Steering Group, Zentner said, adding: "All government acquisition offices are encouraged to participate in the SCE reuse program." Acquisition offices should take advantage of the significant cost and schedule savings that are possible through reusing SCE results. The program provides for reusing results if they are current and also augmenting them with new evaluations, to support the new source selection. The SCE reuse program is an effective way to share existing information throughout the acquisition community, while continuing to support acquisition reform requirements to evaluate contractors' capability in the software selection process.

Gore Views Army Business Opportunities On-line

In a recent visit to Insight Technologies, on Wednesday, July 29, 1998, Vice President Al Gore spoke about the importance for American companies to educate their workers on technology and the necessity to prepare for the challenges of the next century. One of those challenges will be utilizing a paperfree contracting process, as the Deputy Secretary of Defense has challenged all of the Department of Defense to do by the turn of the century. The Army, committed to meeting the goal of this Defense Reform Initiative, has already begun to develop the tools necessary for paperless contracting. Among these is a World Wide Web interface for industry to search for and respond to all new business opportunities within the Army, known as the Army's Single Face to Industry: <http://www.army-acquisition.net>

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Report

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Procurement Data System, Federal Procurement Report, published annually. It provides the statistics in "snapshot" form and includes charts, graphs, and tables for easy comparison of agencies and identification of trends. It lists the top 100 federal contractors and amounts awarded to small and women-owned businesses.

- Special, customized reports require a written request and can include any of the information in the data base arranged or summarized in any manner. Customers can order special reports. The cost for a search of one year's data is \$350; each additional year is \$80. The Federal Procurement Report for fiscal year 1997 is now available. For more information, visit the FPDS web site at <http://fpds.gsa.gov/fpds/fpds.htm>

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AR ON-LINE

What's new in the A&T community?

The new **Joint Electronic Commerce Program Office** web site at <http://www.acq.osd.mil/ec> is up and running! Learn about EC training, read about the latest projects, or register on-line for the Central Contractor Registration (CCR).

Stop by the new **A&T Video Center** at <http://www.acq.osd.mil/vsc> to learn more about video conferencing or participate in an event.

Don't recognize the **ACQWeb**? It has a new look! They've created an easy to navigate web site that's quick to load and easy on the eyes. Check it out at <http://www.acq.osd.mil>

Other AR sites

These and all web sites spotlighted in this column can be directly linked from our "Other Sites" page on the DUSD(AR) web site (<http://www.acq.osd.mil/ar/ar.htm>). It's the most comprehensive listing of AR-related sites anywhere on the web...

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DSMC Press ACQ,
Defense Systems Mgmt College
9820 Belvoir Rd. Ste. 3,
Ft. Belvoir VA 22060-5565
DSN 655-805-4290
(703) 805-4290
gonzalesd@dsmc.dsm.mil
Fax (703) 805-2917

Defense Systems Affordability Council: TOC is Major Issue

America's greatest defense challenge in the post-Cold War era is to retain the overall superiority of our military forces to ensure our national security, and to do this within available resources. To do all this will require a Revolution in Military Affairs and a Revolution in Business Affairs — the latter to pay for the former. One of the principal elements of the Revolution in Business Affairs is the concept of Total Cost of Ownership — a seamless architecture which links concept, design, manufacture, testing and evaluation, maintenance, repair, and environmental impact — the entire life cycle of our acquisition process.

Currently OSD and DoD Services/Components have initiated a variety of initiatives to reduce Total Ownership Cost (TOC). Dr. Spiros G. Pallas, Principal Deputy Director of Strategic & Tactical Systems, has been assigned to oversee the synchronization and integration of Total Ownership Cost (TOC) reduction goals and to be DoD's focal point for the TOC reduction initiative.

In a June 30 memo appointing Pallas, Dr. Jacques S. Gansler, Under Secretary of Defense (Acquisition & Technology), singled out the Defense Systems Affordability Council (DSAC) activities for Pallas' attention.

The Reduction of Total Ownership Cost (R-TOC) working group headed by Dr. Pallas is working to present a proposed plan to the DSAC for approval. The Services and OSD working group has identified, and prioritized, near-term goals that are expected to have significant impacts on R-TOC. Among

these are: develop a common definition, capitalize on the results of on-going pilot programs, harmonize TOC initiatives with other DoD cost reduction activity, and draft roadmaps to reach these goals which are being developed for recommendation to the DSAC in September.

At Dr. Gansler's behest, the Service Acquisition Executives (SAEs) initiated TOC pilot programs in every Service. Those programs are underway; they reflect a mix of R&D, production and fielded systems.

TOC includes all costs associated with the research, development, procurement, operation, logistical support and disposal of a weapon system, including the total supporting infrastructure that plans, manages and executes the program over its full life.

TOC includes the cost of requirements for common support items and systems that are incurred because of the introduction of the weapon system but "excludes indirect non-linked" infrastructure costs that are not affected by individual weapon systems' development, introduction, deployment or operations.

Once all costs have been identified, acquisition professionals can: determine where waste exists, develop new processes to capture and analyze these costs, and make smart decisions to eliminate the waste and recapture these dollars.

Program Managers may not have direct control over all costs linked to their program but can influence these costs and are in the best position to gather and present information to show the history, current status and trends of their program's posture.



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