DEPARTMENT OF THE AIR FORCE
WASHINGTON DC

Office Of The Assistant Secretary

MAR 4 2011

MEMORANDUM FOR SEE DISTRIBUTION

FROM: SAF/AQX
1060 Air Force Pentagon
Washington, DC 20330-1060

SUBJECT: Implementation of USAF Efficiencies in Acquisition

On 4 June 2010, Secretary Gates issued guidance that the Department of Defense must significantly improve the effectiveness and efficiency of our business operations, with the intent of redirecting savings for mission functions. Dr Carter, OSD/AT&L, followed this on 14 Sep 2010 with direction for the Acquisition Corps to implement 23 specific initiatives changing the way we accomplish our mission.

In response to this direction, the Air Force is taking action to realize and implement efficiencies in several areas impacting the acquisition community. Implementation may not include a reduction in procurement quantities and/or a decrease in capabilities unless there is a clear change in the requirement associated with the quantities or capabilities. Identification and implementation of acquisition efficiencies that do not delay or reduce required capabilities are a "must do" if we are to continue to provide our warfighters the best capabilities in the world. This memo provides specific guidance to aid that effort.

The attachment provides standard definitions that will be used when addressing efficiencies, general guidance on what can be considered an efficiency, when/how it should be reported, and specific direction in implementing efficiencies related to Program Management Administration (PMA). Additional direction will be provided and integrated into formal published guidance as appropriate.

Please direct questions on implementation of efficiencies to the SAF/ACPO workflow (SAF/ACPO workflow@pentagon.af.mil); questions will be forwarded to the appropriate POC for response.

BLAISE J. DURANTE
Deputy Assistant Secretary
(Acquisition Integration)
Assistant Secretary (Acquisition)

Attachment:
Direction for Implementing Efficiencies in Acquisition

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ATTACHMENT

Direction for Implementing Efficiencies in Acquisition

1. **Terms of Reference.**

    a. **Efficiency.** An efficiency is a savings/reduction generated by cutting costs that permit current year dollars to be refunded (i.e., reprogrammed) or programmed/budgeted funds to be reduced in the FYDP. Delaying procurement quantities or capability does not constitute an efficiency. An efficiency/savings should not be confused with "cost avoidance" which does not tangibly provide funds for either reprogramming or for use as an offset (e.g., an "unfunded" must-pay bill that is avoided as a result of a change in strategy or change in requirement is not a savings).

    b. **Corporate Efficiencies.** The AF has identified several corporate efficiencies, ten of which are the responsibility of the acquisition community, while preparing the President's Budget (PB) for FY2012. The savings from the foregoing "Corporate Efficiencies" have already been reprogrammed (i.e., these funds have already been pulled from the 2012 POM FYDP). These acquisition corporate efficiencies and related objectives are identified in paragraph 3 below.

    c. **PEO Efficiencies.** The AF is also seeking efficiencies in two other areas identified as "Better Business Deals" and Continuous Process Improvement (CPI), collectively known as PEO Efficiencies. PEO Efficiencies should be identified to SAF/ACPO, who will forward them to AQXR for validation. Funding associated with these efficiencies is still contained within the FY12 PB and will be identified for reprogramming, POM 13 reallocation, or reinvestment once validated. Do not assume reinvestment can be made without approval.

2. **Implementation Direction.**

    a. Implementing efficiencies in Program Management Administration. PMA (e.g., overhead, travel, supplies, IT, support contractors) will reduce program overhead costs while maintaining or improving program cost, schedule, and delivery. Note, 5% of the 15% PMA reductions are aimed at indirect PMA efficiencies, (i.e., administration outside the program office such as the PEO, Center, and/ or MAJCOM). Therefore, <u>no movement of funds from other activities within the program is permitted to replace reductions in PMA</u>. Delaying the purchase of quantities and/or capabilities to future years defeats the purpose these efficiencies seek. It is incumbent upon each Program Manager to avoid this situation and to identify it as a risk in their MAR and PoPS report when it becomes evident this eventuality will occur.

    b. Validating Efficiencies. SAF/AQX is responsible for validating efficiencies. For Corporate Efficiencies, validation will occur to ensure there is no impact to force structure or modernization (e.g., no reductions in the quantities intended to be procured before these efficiencies were laid in), and to ensure reductions are achieved in targeted areas. PEO Efficiencies will be validated to ensure no impact to force structure or modernization occurs, and to ensure it is an efficiency/savings and not cost avoidance. PEO efficiencies will also be booked as funds become available for reprogramming or as an offset. Validated FYDP efficiencies will be reported to the Air Force Corporate Structure and used as offsets to pay for disconnects or initiatives. SAF/ACPO is responsible for maintaining the complete record of acquisition efficiencies for Air Force Acquisition.

c. **Reporting Efficiencies.** Programs will need to provide updates on planned or implemented efficiencies in the following reports/reviews:

- DAES – chart template:

[Program Name] Better Buying Power Initiatives (Chart 11)

- **Provide a summary of how the program is implementing "Better Buying Power"**
- **Of particular interest : implementing "should cost", creating a competitive environment, and productivity improvements.**

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- DAB – template has been updated to include planned efficiencies
- AFRB – template has been updated to include planned efficiencies

3. **Acquisition Corporate Efficiencies. (Note: these are subject to change.)**

a. **Program Management Administration (PMA) (E-1).**

- Achieve 15% PMA efficiency while improving or maintaining program cost, schedule, and delivery by reducing funding for acquisition program-level contracted admin support. (E-1)

b. **Knowledge Based Services (E-2).**

- Achieve reduced knowledge based contract services cost (i.e., engineering, management, and oversight functions) by 4% (FY12) to 10% (FY16) while delivering the same or higher level of capability by reducing funding for applicable contract services personnel.

c. **F-35 Unit Cost (E-3).**

- Achieve F-35 unit production cost savings by using the F-35 LRIP 4 negotiations (projected across the FYDP) as the basis for unit recurring flyaway (URF) cost. This is subject to change based on subsequent RMD and AF Corporate disposition.

d. **Science and Technology (S&T) (E-4).**

- Achieve reduced cost of S&T overhead and support contractors/contracts starting in FY13. Review program content to improve S&T program productivity by implementing key elements of "Technology Horizons" study on prioritization of S&T investment and increasing investments associated with "Technology Horizons" and S&T Flagship Capability Concepts.

e. **Test and Evaluation Range Efficiencies (E-5).**

- Achieve streamlined range operations and consolidate services starting in FY14 while maintaining or improving range capabilities and capitalizing on opportunities for streamlining overhead costs, consolidating intra-service and inter-service ranges and facilities, and reviewing opportunities for synergy between each services T&E activities.

f. **Acquisition Excellence (i.e., Reduce acquisition unit cost of major end items through Better Buying Power Initiatives) (E-6).**

- Achieve acquisition excellence by restoring affordability to acquisition programs while maintaining or improving operational capabilities and ability to support the warfighter by scrutinizing contract terms (how costs are paid; level/type of overhead, indirect charges, and fees; excessive costs; incentives for affordability), making Government process/regulations support productivity/stability, and driving to improve outcomes of new contracts in near years resulting in efficiency savings starting in FY15-16. Initial programs identified and targets are subject to change in FY13 deliberations.

g. **Acquisition Programmatics (e.g., being able to buy less because the estimated service life is greater than expected) (E-7).**

- Implement programmatic savings in the FY12 POM baseline to include (1) divest E-2 TS-3, (2) restructure LRSO, (3) re-phase wide area surveillance procurement, (4) reduce HARM battery procurement, (5) reduce C-17 RDT&E and accelerate BLK 13-17, (6) reduce Edwards T&E support, (7) reduce QF-16 aerial target procurement, (8) reduce ATP-SE ICS in FY13-16, (9) terminate ATP-SE procurement in FY12; and (10) re-phase WRM stockpile and munitions procurements.

h. **Mandate Use of AF T&E Facilities (INVEST) (E-9).**

- Incentivizing the user of AF T&E facilities through a small reduction in available RDT&E funding for F-35, F-22 (x2), KC-X, RQ-4, B-2, SDB II, C-17, MQ-9, F-15.

i. **Evolved Expendable Launch Vehicle Procurement efficiencies through a stabilized production profile (G-1).**

- Achieve a 10% reduction in EELV procurement costs without degrading launch capability by: Contracting for a stabilized production profile of 8 vehicles/yr (5 AF, 3 NRO) which will allow ULA to economically forecast supply chain and production level of effort and achieve additional savings by reducing overhead charges, reduction in excess capacity, identification and reduction in non-value added USG SOW requirements, and leveraging potential commercial sales.

j. **Other Space Programmatics (e.g., restructure/adjust funding profile to improve program execution) (G-2),**

- Restructuring NPOESS (DWSS) Program and adjust GPS Enterprise to achieve programmed efficiencies. This is subject to change based on subsequent RMD and AF Corporate disposition.