

## **Top 5 Air Force Life Cycle Management Center Should Cost Initiative Contributors to AFMC's Fiscal Year 2017 Realized Savings**

*Should cost* refers to the tool used to manage all costs throughout the life cycle of a program. It focuses on controlling the cost of the work being executed and also the cost of forecasted work.

Air Force Materiel Command's top five highest dollar should cost initiative contributors to last fiscal year's realized savings originated within its Air Force Life Cycle Management Center, and include the following:

**1. Battlefield Airborne Communications Node Program**

**Should Cost Initiative: *BACN E-11A Platform Maintenance Contract***

The BACN effort is funded annually with Overseas Contingency Operations, or OCO, funding. These funds are approved on a yearly basis. Due to the high-priority need of the effort, the initial E-11A Platform Maintenance contract began with an Undefined Contract Action. A UCA is any contract action for which the contract terms, specifications, or price are not agreed upon before performance is begun under the action.

It was determined in 2012 that this platform maintenance could be performed by other contractors, and the BACN team was able to compete the contract. This enabled the BACN team to realize significant savings based off its previous projected five-year cost estimate.

**Savings:** \$498 million

**2. HC/MC-130 Recapitalization Program**

**SCI: *C-130J Multiyear Procurement II***

The C-130J Multiyear Procurement, or MYP II, contract uses a combination of Economic Order Quantity and Advance Procurement funding to provide the U.S. government maximum savings in price and delivery schedule. EOQ refers to the order quantity that minimizes the total holding costs and ordering costs. AP makes an exception to the full funding policy that allows early acquisition of long lead time items that must be funded in advance to maintain a planned future production schedule.

The MYP II resulted in savings for bulk purchases of materials and components to reduce materials costs, and for investments in productivity enhancements which reduce labor costs. This cost initiative is associated with 25 MC-130J, 13 HC-130J, and five AC-130J aircraft.

**Savings:** \$135 million

**3. Joint Direct Attack Munitions Program**

**SCI: *JDAM Learning Curve for Lot 21***

After the contract negotiation team completed negotiations for quantities up to 15,000 JDAMs, operational needs made it necessary to add scope and quantity to the contract. This opened up the opportunity to negotiate even further savings for the price of tail kits. Based on the negotiated pricing of the first five price bands, target prices for bands 6 to 12 with quantities up to 36,500 were able to be determined.

**Savings:** \$68 million

**4. KC-46A Tanker Modernization Program**

**SCI: *Production – Aircrew Training Systems Contract Competitive Source Selection***

The KC-46 Program completed a competitive source selection for the Aircrew Training Systems. A contract was signed on May 1, 2013, resulting in significant savings to the KC-46 Program as compared to the Air Force's official cost estimate that resulted in a recommendation to return more than \$100 million dollars through the fiscal year 2015 budget process.

**Savings:** \$67 million

**5. Joint Direct Attack Munitions Program**

**SCI: *JDAM Certified Cost and Pricing Data for Lot 21***

The acquisition strategy shifted to require Certified Cost or Pricing, or CCP, data, which put downward pressure on contractor pricing. The Defense Contract Audit Agency will audit the submitted CCP data. The prediction is that the CCP data and associated audits will result in lower unit prices.

**Savings:** \$55 million

**Source:** AFLCMC Acquisition Excellence Directorate & AFMC Financial Management Directorate