



Terms of Reference Life Cycle Cost Reduction

Assess the impact of science and technology on life cycle cost initiatives of current Department of the Navy (DON) systems and projected DON acquisition programs.

TERMS OF REFERENCE

In February 1995, the NRAC was charged to "assess the impact of science and technology on life cycle cost initiatives of current DON systems and projected DON acquisition programs." It is perhaps significant that the Panel was unable to identify an official Department of Defense (DOD) or DON definition of life cycle costs. For the purpose of this study, the Panel defined life cycle costs as all costs incurred in the development, production, operation, support and disposal of a system. (See illustration on cover.)

The Terms of Reference for the NRAC Summer Study Panel on Life Cycle Cost Reduction are included here in their entirety.

TERMS OF REFERENCE
LIFE CYCLE COST REDUCTION

GENERAL OBJECTIVE: Assess the impact of science and technology on life cycle cost initiatives of current DON systems and projected DON acquisition programs.

BACKGROUND: With major changes in the defense budget and associated actions to maintain a smaller but equally effective military force, system affordability has become a major element in the decision-making process. Science and technology can have a major impact on life cycle costs, which is the biggest driver of system affordability. Although system affordability has become a major element in the decision-making process, each system must perform the mission it was procured to perform, including operational effectiveness and supportability. DON must be proactive in implementing processes to evaluate science and technology cost trade-offs and effects on downstream operational and support costs to ensure that total life cycle costs and system affordability are visible for timely decision-making.

SPECIFIC TASKING:

- a. Review existing life cycle cost models and current life cycle cost initiatives.
- b. Identify key areas that would benefit from total life cycle costs and affordability initiatives.
- c. Identify pilot projects to evaluate future life cycle cost tracking and analysis.
- d. Recommend specific areas where DON should invest to make systems more affordable by reducing life cycle costs and improving system performance through directed/focused science and technology efforts.

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