THE ASSISTANT SECRETARY OF THE NAVY
Research Development and Acquisition
1000 Navy Pentagon
Washington DC 20350-1000

MAY 05 1998

MEMORANDUM FOR THE DISTRIBUTION LIST

Subj: IMPLEMENTATION OF TOTAL OWNERSHIP COST (TOC) BASELINES IN THE DEPARTMENT OF THE NAVY

Ref: (a) Navy Acquisition Reform Senior Oversight Council meeting of 26 March 1998

The purpose of this correspondence is to direct the formulation and implementation of formal Total Ownership Cost (TOC) reduction efforts for all Department of the Navy programs regardless of Acquisition Category (ACAT) designation, program dollar value or life cycle stage. Each individual involved in the acquisition, deployment and operational support of all Navy systems has a responsibility to make decisions which consider Total Ownership Cost impacts. We have an obligation to seek out ways to reduce the cost of ownership of current and future systems in order to identify funds which can be used to support the recapitalization and modernization of the Navy.

During reference (a), I reviewed, approved and fully endorsed a top level concept for establishing formal Total Ownership Cost reduction plans. Formulation of these plans requires the establishment of a cost baseline, identification of cost drivers within the baseline, developing specific reduction initiatives and developing metrics which measure progress towards achieving stated goals. Each Navy ACAT program will revise their current approved Acquisition Program Baseline and establish a TOC objective and threshold. TOC reduction plans and Acquisition Program Baseline revisions shall be submitted to appropriate Milestone Decision Authority (MDA) for ACAT I/II programs by 31 December 1998, and for ACAT III/IV and Non-ACAT programs by 30 June 1999.

This is a complex effort which will take an integrated approach involving stakeholders from the fleet users, requirements community, acquisition commands, comptroller organizations and others. It is particularly important to have the involvement of the warfare sponsors and the comptroller community in this effort due to the significant impact that TOC reduction efforts will have on future budget planning efforts. Without the participation of the appropriate stakeholders and the active participation of senior leadership, our opportunities for success will be limited. Therefore, I request that you make this effort a priority within your organization. Each Systems Commander shall make reports on implementing TOC programs for efforts under their cognizance at regularly scheduled metrics briefings. This process should be continuous and institutionalized within the Department as a long term cost reduction initiative.

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I urge you all to review the information available on this initiative at the following website address and provide feedback to my focal points for TOC: Mr. Pat Tamburrino, Jr, Naval Sea Systems Command (703-602-1209) and Mr. Ron Rosenthal, Naval Air Systems Command (301-342-2454).

WEBSITE address - http://www.navsea.navy.mil/sea017/toc.htm

John W. Douglass

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