



OFFICE OF THE UNDER SECRETARY OF DEFENSE

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ACQUISITION,
TECHNOLOGY
AND LOGISTICS

INFO MEMO

May 10, 2012

OASD(A): _____

FOR: UNDER SECRETARY OF DEFENSE (AT&L)

FROM: DIRECTOR, PERFORMANCE ASSESSMENTS AND ROOT CAUSE ANALYSES
(PARCA) *LAG 11 May 2012*

SUBJECT: Results for PARCA's Root Cause Analysis of the Joint Land Attack Cruise Missile
Defense Elevated Netted Sensor System Program

- The December 2011 Selected Acquisition Report reported a critical Nunn-McCurdy breach on the Program Acquisition Unit Cost (PAUC) against the current baseline. A breach against the Average Procurement Unit Cost (APUC) was not reported, since the program no longer intends to enter into production.

BY05\$M	PAUC	Growth [%]	Significant	Critical
Baseline	365.6			
Current Estimate	1,154.4			
Delta	+788.7	+216%	≥15%	≥25%

- The increase in cost was attributed due to a 100 percent reduction in planned procurement quantities. The total program quantity was reduced from 16 to two orbits. The two Engineering and Manufacturing Development (EMD) orbits will be completed and delivered.
- Factors exogenous to the program account for the majority of the cost growth.
 - These factors include the decision to not procure production units, the Secretary of Defense's direction to participate in a Combatant Command Exercise, and an accident that destroyed an aerostat and its components in September 2010. Combined, these decisions and events increased the PAUC by approximately 170 percent.
 - In 2009, the Army decided to extend the JLENS EMD phase by 12 months to support the overall Army Integrated Air and Missile Defense program strategy. Although the decision appears wholly exogenous to the program, the program later extended EMD by an additional six months due to technical issues. Therefore it is reasonable to ascribe some, but not all, of the cost growth due to that decision as exogenous. The one-year extension accounts for approximately 25 percent additional PAUC growth.

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- Engineering challenges account for much of the remaining portion of the cost growth, around 15 percent. In particular, issues associated with the design and integration of the prime items.
- At this time, the contractor is only 67 percent complete with planned system integration and, therefore, it is reasonable to assume that not all of the problems have manifested themselves. Furthermore, if the Department decided to reinitiate production for the JLENS program, additional cost growth would be expected. The recurring costs have grown in the system demonstration and development contract which would have implications for future production, but flyaway costs reported in the SAR has not tracked that growth. In its statutorily required performance assessment reviews, PARCA will assess the progress of the system integration for emerging problems.

COORDINATION: NONE

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