



ACQUISITION

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MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
TECHNOLOGY AND LOGISTICS

SUBJECT: PARCA Root Cause Analysis for the Remote Minehunting System (RMS)
Program

This memorandum summarizes PARCA's root cause analysis of the cost growth which triggered the critical Nunn-McCurdy breach described by the Remote Minehunting System (RMS) program in its December 2009 SAR. The Navy reported that the Program Average Unit Cost (PAUC) and Average Program Unit Cost (APUC) had increased by 80% and 55% respectively as compared with the 2006 Approved Program Baseline (APB). The SAR attributed these increases to a reduction in production quantities, the use of an incorrect average unit cost as a basis of estimate in the 2006 APB, and an increase in RDT&E costs from the reliability growth program. The causes of the increase in APUC are a subset of the causes of the increase in PAUC and so this memorandum will focus on the growth of PAUC.

The decrease in quantity and an unrealistic cost estimate for the 2006 APB are two of the root causes for the increase in PAUC. The change in quantity was due to the Navy decisions to use the RMS to support only the Littoral Combat Ship's minehunting mission but not its anti-submarine warfare mission. The cost estimate supporting the 2006 APB was incorrect since the program assumed a first unit cost lower than the contracted cost of units being built at the time.

Additionally, we find that a third root cause was poor performance of the government program management and governance. Most significantly, the program failed to deal effectively with RMS reliability issues apparent since 2005. Despite several years of activity, improvements in reliability have been very modest and have yet to reach even the reduced requirements the Navy has now stipulated. The consequences of this failure are a need for a formal design review, a belated investment in a formal reliability growth program which includes reliability as a contractual deliverable, the purchase of 8 units which do not satisfy ORD reliability requirements, and a delay in production. The failure to deal effectively with the reliability issues was mainly due to an insistence on contracting for the hardware and engineering services based on built-to-print terms where the government accepted responsibility for the RMS design. The program office exacerbated the situation by approving the technical data package submitted by Lockheed Martin although they had individually reviewed less than 10% of the drawings.

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