



DEPARTMENT OF THE AIR FORCE  
WASHINGTON DC

OFFICE OF THE ASSISTANT SECRETARY

OCT 28 2013

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Implementation of Should-Cost Management

- References:
- (a) USD (AT&L) Memorandum, *Should Cost Management in Defense Acquisition*, 06 August, 2013.
  - (b) USD (AT&L) Memorandum, *Implementing Directive for Better Buying Power 2.0 – Achieving Greater Efficiency and Productivity in Defense Spending*, April 24, 2013.
  - (c) USD (AT&L) and USD(C), *Joint Memorandum on Savings Related to “Should Cost”*, April 22, 2011.
  - (d) Air Force Instruction 65-508, *Cost Analysis Guidance and Procedures*, June 6, 2012.
  - (c) Air Force Policy Directive 65-5, *Cost and Economics*, August 5, 2008.
  - (d) Air Force Instruction 63-101, *Acquisition/Logistics*, March 7, 2013.
  - (e) SAF/AQ Memorandum, *Expectations Regarding Should-Cost (SC) Management of Acquisition Programs*, March 11, 2013.

In order to gain greater efficiency and productivity in Defense spending, the Under Secretary of Defense for Acquisition, Technology & Logistics (USD(AT&L)) has directed the Military Departments and Directors of Defense Agencies to implement Should-Cost Management for all Acquisition Category (ACAT) programs. SAF/AQ and SAF/FM fully support the implementation of Will-Cost and Should-Cost management and expect the Air Force acquisition community to embrace the concepts and adjust the management processes immediately.

The Should-Cost estimate defined in this implementation memorandum does not require the in-depth review process of the FAR/DFARS Should-Cost review, but is broader and covers all government and contract program life-cycle costs. Will-Cost estimates are: Program Office Estimates, Non-Advocate Cost Assessments, Service Cost Positions and Independent Cost Estimates, IAW AFI 65-508 and AFPD 65-5.

Program Managers (PM) working with their Chief Financial Officers will document and track Should-Cost targets in Comprehensive Cost and Requirements System (CCaRS). PMs are responsible for establishing and managing Should-Cost initiatives on each program and can seek assistance from outside organizations (e.g., SAF/AQX, the Air Force Cost Analysis Agency, SAF/AQC, and the Defense Contract Management Agency) throughout the process. Should-Cost applies to all acquisition activities including product and service acquisition. At a minimum, PMs are expected to identify specific discrete measurable items or initiatives to achieve savings against the Will-Cost estimate. PMs should scrutinize each element of cost under their span of control and assess how it can be reduced without unacceptable reductions in value received. PMs should also apprise their leadership of

opportunities for life cycle cost savings outside their span of control. Raters of all acquisition managers may consider effective cost control, including use of Should-Cost management, when evaluating performance.

The PM may request a Should-Cost initiative waiver for their program IAW Should-Cost Guidance and Business Rules. All Pre-MS A programs will be exempt until such time as they become a MS A program.

All ACAT programs identified on the Acquisition Master List IAW AFI 63-101 will update their Will-Cost estimates and present Should-Cost initiatives at milestone decisions. PMs and PEOs of Major Defense Acquisition Programs and Major Automated Information System programs will report Should-Cost targets and progress in achieving them at Defense Acquisition Executive Summary (DAES) and Defense Acquisition Board (DAB) reviews. PMs will include in their presentations Plans of Action and Milestones for major Should-Cost initiatives, along with annual savings projected and realized. As part of the DAES briefings, PEOs will provide quantitative metrics addressing how Should-Cost initiatives are implemented within their portfolios, identify incentive and recognition mechanisms, and lessons learned. PEOs are also responsible to develop and deliver detailed case studies of successful initiatives and lessons learned to SAF/AQX. SAF/AQX will provide the information to the Defense Acquisition University for inclusion into the repository.

Realized cost savings generated from successful Should-Cost initiatives will be applied to the most pressing unfunded requirements within the Air Force. SAF/AQX will advocate disposition of investment savings through existing programming/reprogramming processes and will strongly consider recommendations from the PEOs. Guidance for O&M – WSS and for Services Acquisitions will follow.

The attachments provide additional guidance for definition of terms, procedures, and reporting requirements associated with this initiative. The POC is Mr. Raymond Flores 571-256-0408, [saf.aqxrrworkflow@pentagon.af.mil](mailto:saf.aqxrrworkflow@pentagon.af.mil).



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of the Air Force (Acquisition)

Attachments:

1. Should-Cost Guidance & Business Rules
2. Should-Cost Waiver Request
3. Should-Cost Position Paper for Waiver
4. eSSS for Should-Cost Waiver

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