

Cost Estimating Methodology for
Operation Enduring Freedom
&
Post-September 11th
Counter-Terrorism/Force Protection
&
Homeland Security Initiatives

Briefing to Department of Defense
Cost Analysis Symposium (DODCAS)
January 30, 2002

Overview

- Reviewed Historical Costs of contingency operations.
- Applied lessons learned from Operations Desert Shield/Storm cost estimates.
- Evaluated existing cost models and determined that a more comprehensive Cost Breakdown Structure was required.
- Requested and received data from Services and Agencies required to develop the estimate.

Costing of Desert Shield/Desert Storm

Initial Cost estimates for Desert Shield/ Desert Storm omitted:

- Reconstitution costs of forces and weapon systems.
- Accelerated depreciation of equipment/platforms due to increased OPTEMPO.
- Increased long-term maintenance requirements.

Applied lessons learned from Desert Shield/Desert Storm.

Costing of Desert Shield/Desert Storm (cont'd)

Historical Background:

- Desert Shield/Desert Storm (DS/DS) incremental costs were \$61.1 B (\$74 B FY02 \$).
- U.S. received \$54 B from allies for DS/DS. This money was received and distributed through the Defense Cooperation Account (DCA).
- **Assumed no monetary contributions from allies.**

Operation Enduring Freedom Costing Concept

- Estimate the **incremental** cost of Operation Enduring Freedom.
- **Incremental** costs are “costs that would not have been incurred except for the operation.”
 - Source Omnibus Reconciliation Act of 1990.

- Are not:
 - Active duty pay.
 - Expected peacetime maintenance costs.
 - Expected peacetime fuel costs.
 - Expected depreciation of equipment.
- Are:
 - Reconstitution costs.
 - Reservists pay less normal drill pay.
 - Hostile fire/Imminent Danger pay.
 - Ordnance replacement costs.
 - Increased retirement/veteran benefits.
 - Increased depreciation of assets due to higher than expected OPTEMPO.

Cost Estimating Tools

- Why not use existing models?
 - The Contingency Operation Support Tool (COST) model JCS (J8) and DoD Comptroller utilize to cost Deployment Orders is an outstanding tool for conducting cost estimates for small scale contingencies. However, the COST model...
 - Ignores increased OPTEMPO's long-term effects on force-wide equipment and platforms.
 - Accounts only for the execution of Deployment Orders.
 - Excludes costs of reserve personnel that do not deploy.
 - These COST model limitations are especially relevant to the cost analysis of a large-scale operation.

Cost Estimate Background

- OSD PA&E developed a Cost Breakdown Structure (CBS) for developing the estimate.
- The CBS consisted of three levels of Cost Elements and sub-elements.
- The COST model normally used to estimate the cost of executing Deployment Orders was incorporated into the CBS.
- Assumptions concerning the nature and duration of the war were provided to form a baseline for the data submission.

Cost Estimate Background (cont'd)

- Services and Agencies submitted data identifying the incremental costs associated with OEF as well as incremental costs associated with post-September 11th CT/FP and HS initiatives.
- Information was collected at the Program Element (PE) level of detail with information on Resource Type (e.g., O&M, Procurement etc.) and Component (e.g., Active, Guard, Reserve) provided for each line item.

Cost Breakdown Structure

	Cost Element
Operation Enduring Freedom	
	Personnel *
	Personnel Support *
	Operating Support *
	Transportation *
	Procurement
	CONUS Support, Maintenance, Humanitarian Aid
Post September 11th Initiatives	Counter-Terrorism/Force Protection
	Homeland Security

*** These items are estimated utilizing the COST model normally used to estimate the cost of executing Deployment Orders.**

Cost Elements

Definition

- Personnel
 - Increased cost of personnel in direct support of Deployment Orders.
- Personnel Support
 - Increased cost of supporting personnel in direct support of Deployment Orders.
- Operating Support
 - Increased cost of operating units in direct support of Deployment Orders.

Examples

- Personnel
 - Reservist pay less drill pay
 - Imminent Danger/Hostile Fire pay
 - Family Separation Allowance
- Personnel Support
 - TDY for Op Planning/Support
 - Health Services/Medical Support
 - QOL/MWR activities
- Operating Support
 - Fuel Costs
 - Supplies and Equipment
 - Facilities/Base Support

Cost Elements (cont'd)

Definition

- **Transportation**
 - Increased transportation costs in direct support of Deployment Orders.
- **Procurement**
 - Replacement cost of ordnance & equipment expended or required for Enduring Freedom.
- **CONUS Support**
 - Increased costs to support Enduring Freedom not directly in support of Deployment Orders.

Examples

- **Transportation**
 - Airlift
 - Sealift
 - Port Handling/Inland Transportation
- **Procurement**
 - Ordnance (PGMs, Tomahawks)
 - C4I Procurement
 - UCAV/UAV
- **CONUS Support**
 - Non-deployed personnel costs
 - Long-term Maintenance
 - Humanitarian Assistance

Cost Elements (cont'd)

Definition

- Counter-Terrorism/
Force Protection
 - Costs associated with Offensive and Defensive initiatives to reduce terrorist attacks as well as for Consequence Management of a terrorist attack.
- Homeland Security
 - Includes support to domestic civilian agencies and initiatives to protect CONUS civilian assets.

Examples

- Counter-Terrorism/
Force Protection
 - New MILCON for Physical Barriers
 - Physical Security Equipment
 - RDT&E to defeat terrorism.
- Homeland Security
 - CONUS CAP
 - Ground and Airport Security
 - Olympic Security Assistance

Historical Comparisons of Incremental Costs

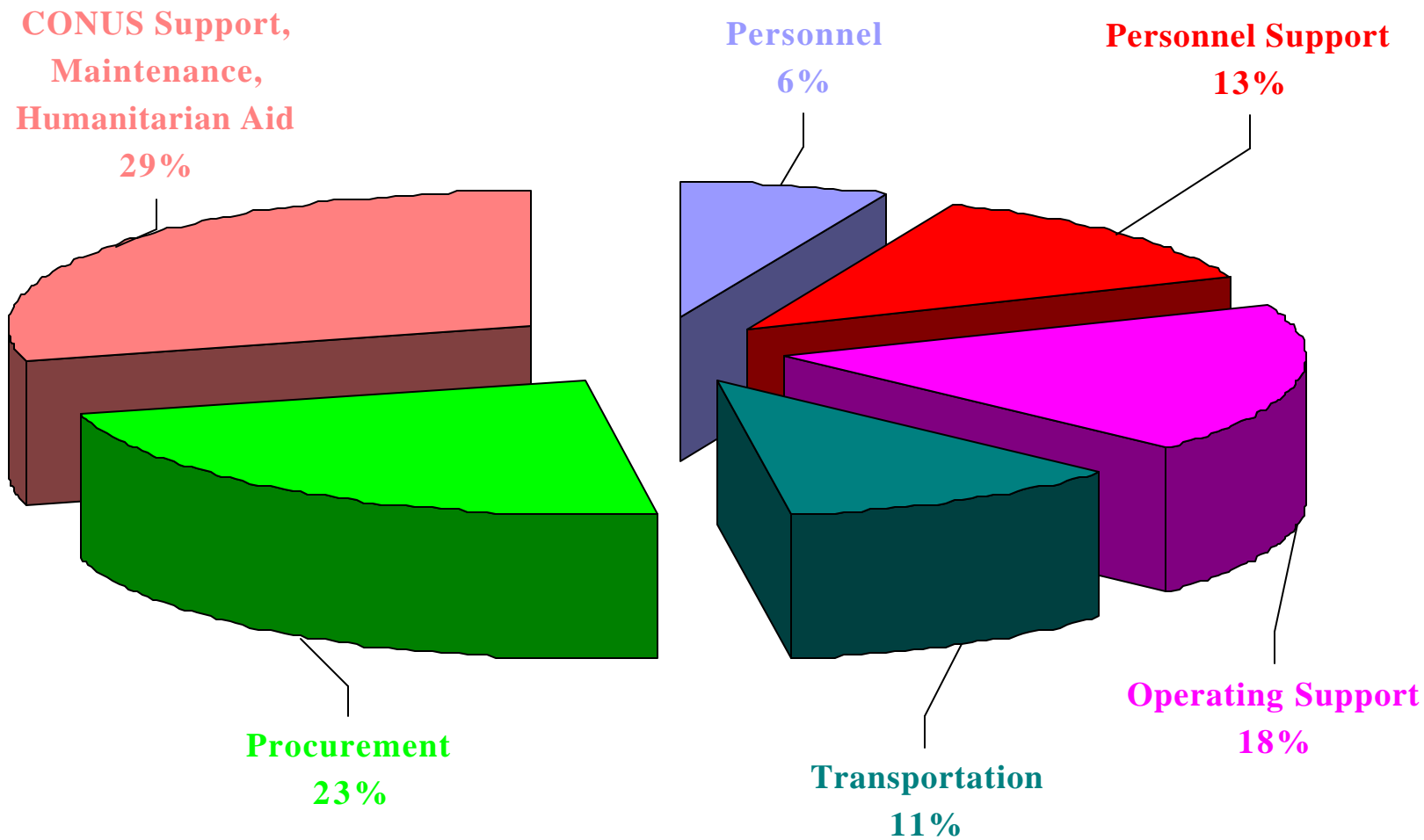
- Discussion. Operation Enduring Freedom is a relatively inexpensive operation compared to historical war efforts.
 - Incremental costs of other wars:

<u>War</u>	<u>Total (FY02 B\$)</u>	<u>Cost/Month (FY02 B\$)</u>
• WWI	\$577	\$29
• WWII	\$4,710	\$105
• Korea	\$400	\$11
• Vietnam	\$572	\$4

Emergency Supplemental Funding

- Doesn't Emergency Supplemental (ES) funding cover OEF, CT/FP and HS costs?
 - Estimated incremental costs exceed those currently provided for by Emergency Supplemental funding.
 - As of 17 January, DoD has received or requested \$16.58 billion in Emergency Supplemental funds.
- Emergency Supplemental information from OSD Comptroller was categorized into the same cost elements used to construct the estimate.
 - This was done to ensure the Department could explain where Emergency Supplemental funds had already been received or requested.

Operation Enduring Freedom Incremental Cost by Cost Element FY02-07



Cost Estimate Methodology

Lessons Learned

- Initial Construct of the CBS was crucial to the usefulness of the estimate.
- Constructing the estimate utilizing Cost Elements and sub-elements, with PE level line items and with associated Resource Type allowed for rollups at many levels (i.e., Service, Resource Type, Cost Element and Sub-elements).
- The data collection method also allowed for easy assignment of Budget Activity codes required by the Comptroller's automated budget system.