



DEPARTMENT OF THE AIR FORCE  
WASHINGTON, DC

Office of the Assistant Secretary

12 March 1997

MEMORANDUM FOR SEE DISTRIBUTION

FROM: SAF/AQ

SUBJECT: Implementing Cost as An Independent Variable

In December 1995, OUSD(A&T) designated the Evolved Expendable Launch Vehicle (EELV), Space-Based Infrared System (SBIRS), Joint Air-to-Surface Standoff Missile (JASSM), and Joint Strike Fighter (JSF) as flagship programs for the implementation of Cost as An Independent Variable (CAIV). Their efforts have been highly instructive; however, we must now begin to apply CAIV to all of our programs, at all ACAT levels.

The idea behind CAIV is actually quite simple: *Place cost on an equal footing with performance and schedule, and search for 'best value' solutions, not 'greatest performance' or 'lowest cost.'* CAIV is a philosophy intended to integrate the warfighter, developer, acquirer, and sustainer into a life-cycle focused team, capable of constructing the complete program picture, from cradle to grave.

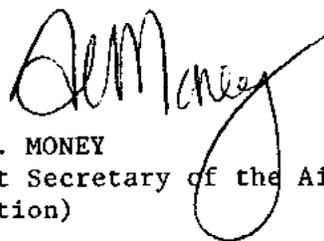
Unfortunately, misconceptions abound. CAIV is *not* simply setting an arbitrary cost objective and "sticking to it." CAIV requires an intelligent series of cost-performance trades that permit the user and acquirer to jointly understand where performance 'cliffs' exist and which performance parameters can be adjusted to suit cost concerns. CAIV necessitates flexibility; the user *must* seek to minimize the number of key performance parameters in order to maximize the 'trade space' for cost-performance analysis.

SAF/AQ is presently developing a strategic business plan with strong emphasis on CAIV across the life-cycle; this document will be made available before July 1997. Furthermore, we are working with our partners in AF/XO to produce a collaborative plan for applying CAIV to top-level requirements definition and acquisition planning. In addition, I am taking two steps to ensure that CAIV becomes an integral part of the Air Force's acquisition culture.

First, I am asking the AFMC developmental planning directorates (ASC/XR, SMC/XR, ESC/XR, and HSC/XR) to formulate a single CAIV implementation plan and report back to me by July 1997 on how to educate the acquisition community on effectively applying CAIV principles to our programs. The developmental planners, as stewards of the Technical Planning IPTs, sit at the junction of warfighter requirements and acquisition program development and are in the best position to refine existing CAIV practices and produce innovative tools.

Second, I am convening a AF CAIV Conference, planned for July 1997, to bring together the Air Force's acquisition community and share best practices and processes, to understand the status of current CAIV activities, and to create a consistent, coherent definition of CAIV that can be understood and used, across all ACAT levels, by the diverse organizations that define, design, build, fly, and sustain our systems. Please disseminate this letter to individuals in your organization that you would like to have attend.

I am fully committed to applying the philosophy of Cost as An Independent Variable to our acquisition processes and I look forward to working with all of you on this important issue. If you have questions or concerns, please contact my CAIV focal point at SAF/AQXA, Capt Fred Kennedy, DSN 223-3222.



ARTHUR L. MONEY  
Assistant Secretary of the Air Force  
(Acquisition)

Attachment:  
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