

Assurance of Defence Project Cost Estimates

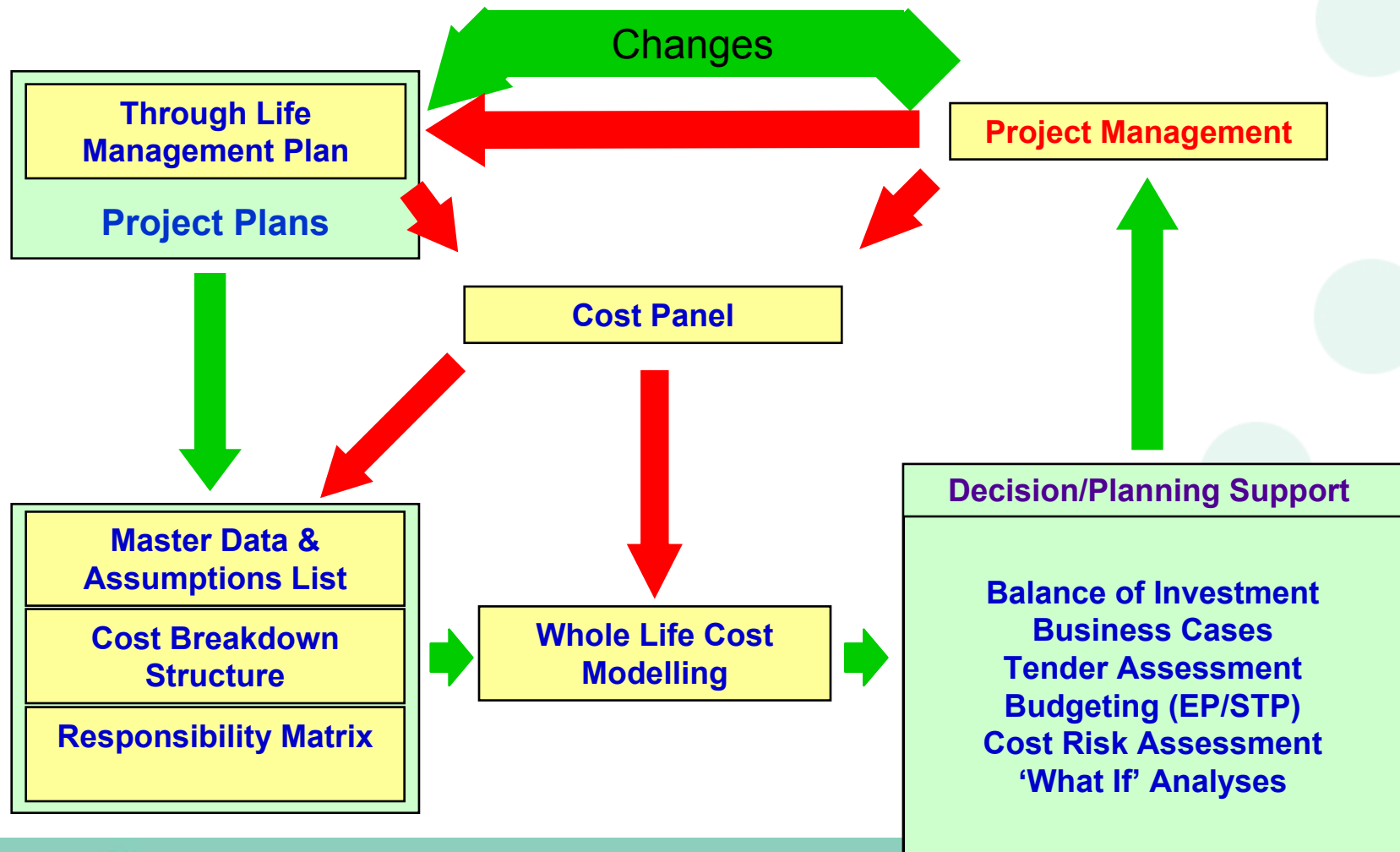
Arthur Griffiths
Chairman, SCAF
20th September 2007

The MoD has made investment decisions based upon inaccurate forecasts

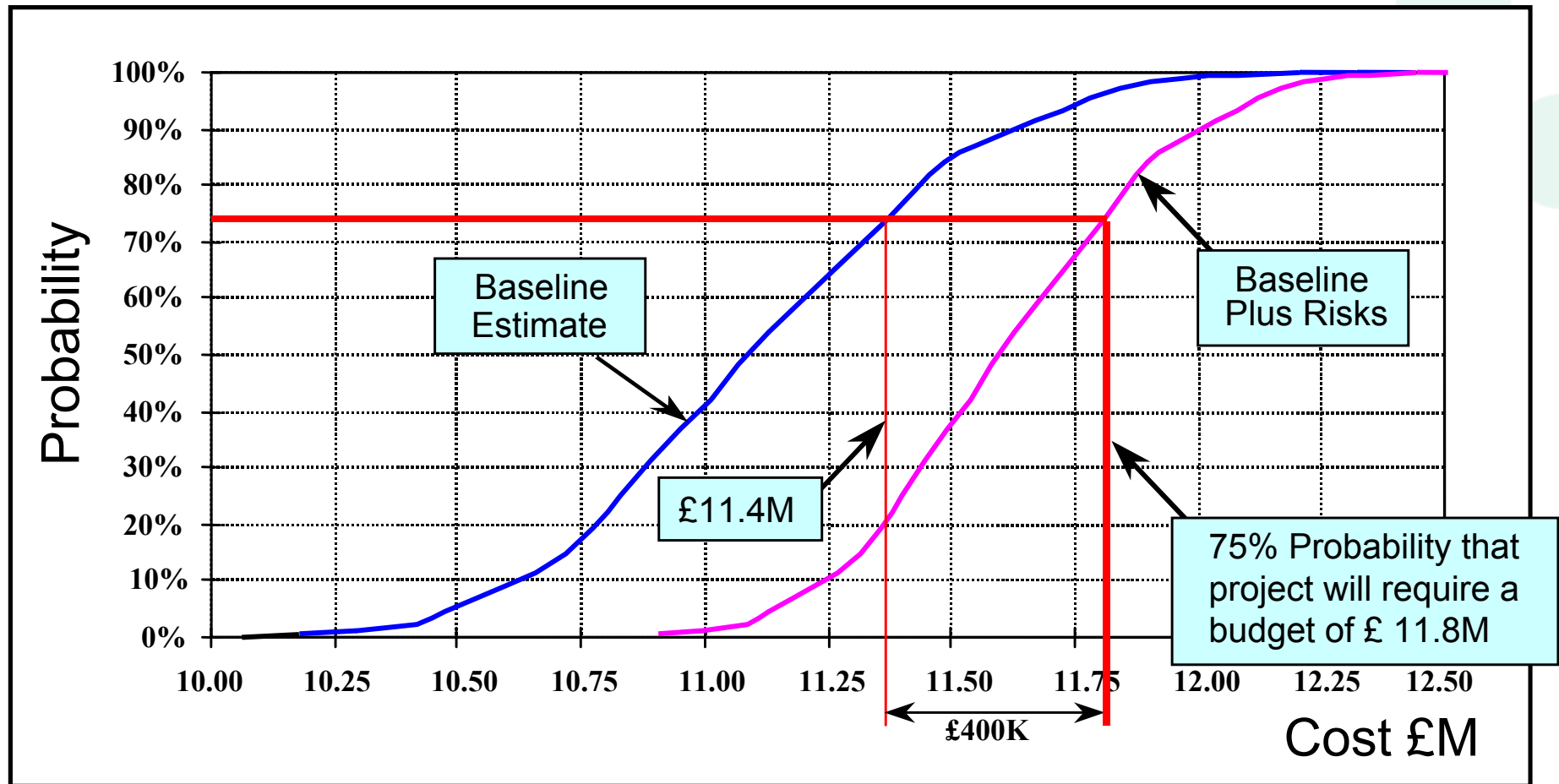
Such decisions should be contingent on the outcome of an expert independent assessor's examination of the technical, financial and commercial maturity of the major projects and the likelihood they will deliver the military benefits anticipated.

Source: House of Commons Public Accounts Committee (HC 295) 11th September 2007

Everyone has a process



Everyone has a view on cost output



However – how reliable is it ?

- Good estimate – Bad estimate
- Does the MoD create a rod for its own back ? – new technology, stop/start procurement, unrealistic budget
- Better understanding of cost estimating

Comparators



Spinnaker Tower

- Huge press criticism during construction
- Over budget and late
- An icon or a burden ?
- Now costing local authority £20m more than expected
- One off development

Some Comparisons.... La Grande Arch



Press Comments

- No representative of area
- Does not give presence

However:

Finished in marble and glass cladding to retain its “Shimmer” effect

Emphasises the straight line between La Defence – Champs Elysee – Arc D’Triomphe

Best seen at night when illuminated

What’s the significance with defence programmes ?

Comparison - Defence

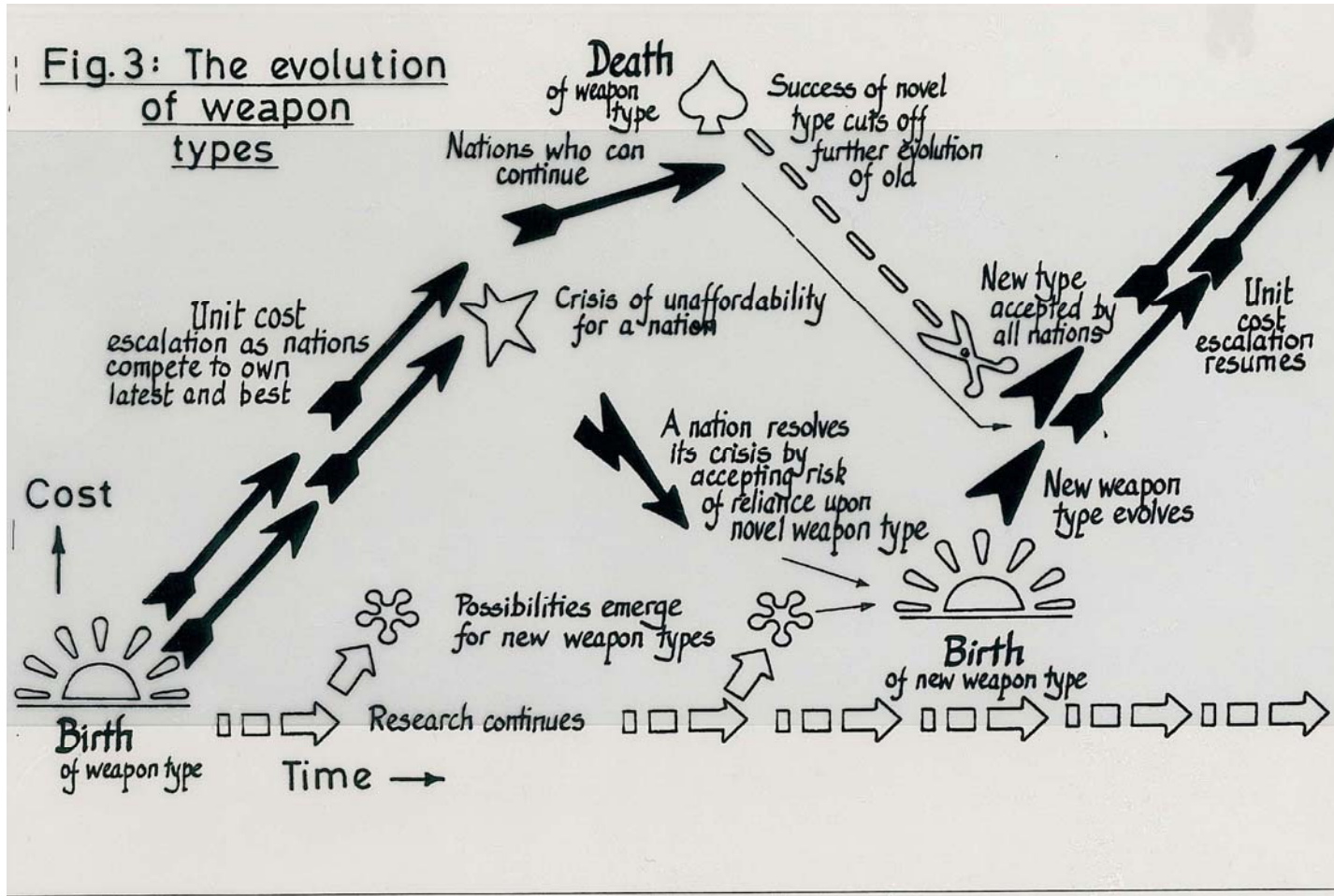
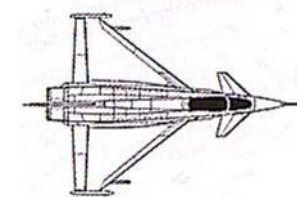
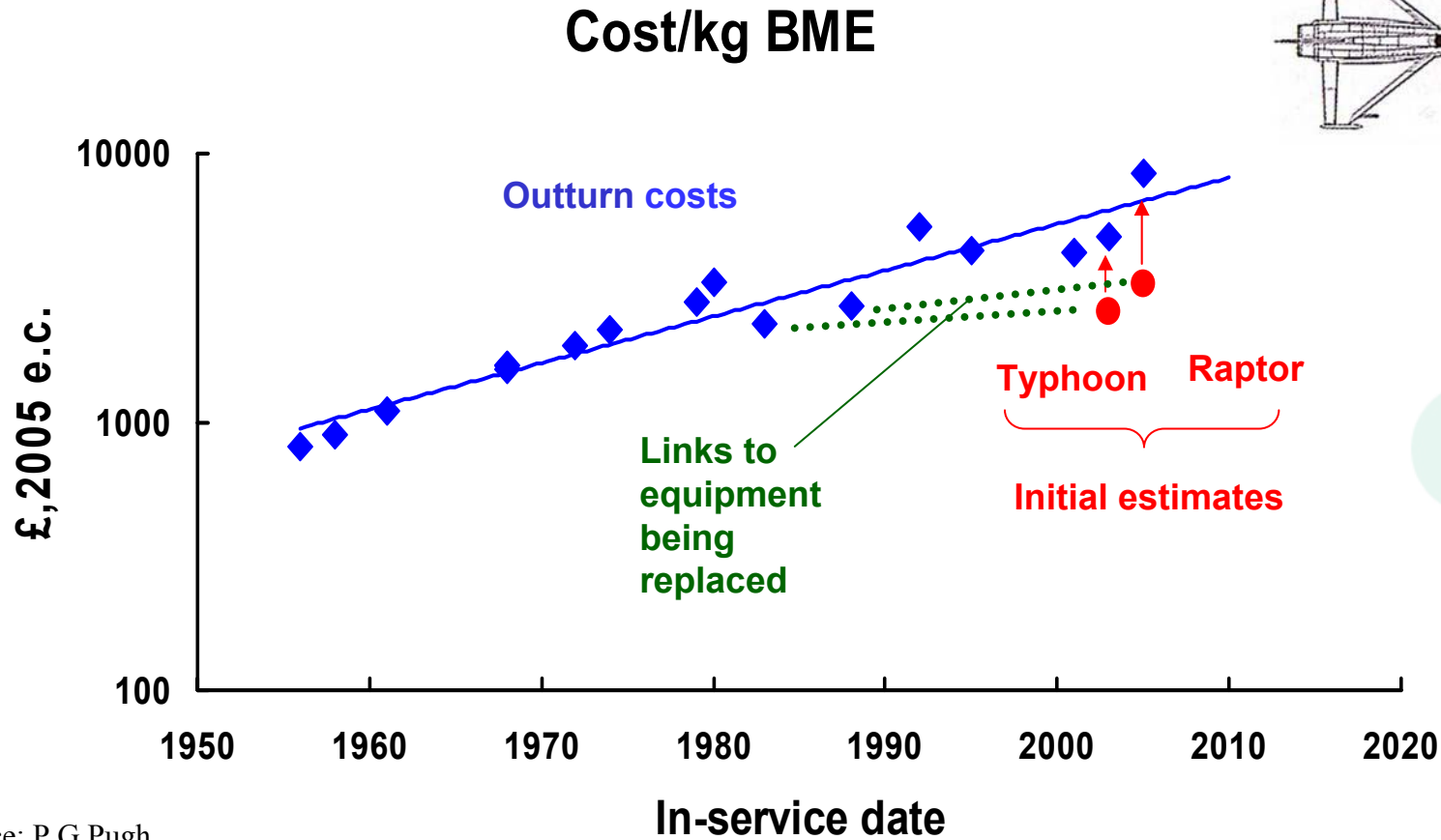


Chart provides a holistic view of evolutionary capability growth

Source: P G Pugh

The use of Historical trends – why don't we listen ?



Source: P G Pugh

Training

- Training in Defence estimating within the Directorate of Technical Cost used to take 12 months.
- This has now been reduced to a few modules covering a couple of weeks.
- Reduction in the skill base increasing.

My view of Assurance

1. **Obtain detailed briefing from IPT** – *where they are, what they have done, what they have*
2. **Review cost related documentation** – *URD, TLMP, Strategies, MDAL, PRR, Cost Model*
3. **Check correctness** - *inputs and outputs*
4. **Conduct your own analysis** – *historical, independent*
5. **Stand up and present your findings** – *verbally and written*

Some Closing Thoughts



Wow !!!

That's a fantastic construction - I bet it will look great when its finished

The Orestund bridge that becomes a tunnel



Never believe what you see unless you know the basis of what you see !!!!

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