

# Defence Cost Analysis

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*LEVERAGING INFORMATION & PEOPLE TO SUCCEED*

## Presenter:



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## Background:

- Over 15 years experience in Defence:
  - RAAF
  - DMO/CASG Public Servant
  - Program Manager Defence Supplier
  - Senior Management Consultant
  
- Education:
  - BEng (Micro-electronic)
  - BBus (Supply Chain & Logistics Management)
  - MSc (PM)
  - MBA (Leadership)
  
- Major Projects:
  - AIR7000 1B/2B-D
  - LAND200
  - LAND400
  - AIR6500
  - Collins Submarine



# Purpose

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- Building high quality cost estimates quickly
- Leveraging key project artefacts to build estimates
- Important stakeholders to engage early
- Not an estimating 101 but using the right information to implement your estimating expertise.

# Why we are here..

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- Increasing pace of strategic decision making and capability implementation
- Late engagement of cost analysts:
  - Cost Analysts are crucial in early stages of a project
  - Cost analysis should occur in parallel with technical and project decision making
  - Earlier engagement alleviates the need to trade off critical capability much later in the project life cycle
  - Poor cost planning and management is a consistently recognised cause of project failure
  - In the Defence context, better project cost management improves budget performance at the Portfolio level
  - I implore you to consider engaging cost analysts earlier!!

# Key project documents for cost analysis

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- Joint Capability Needs Summary:
  - Sets out strategic requirements and capability effect
  - Describes key mission system elements
  - Sets out interoperability requirements and potential cost impacts
  - High level pieces of the cost puzzle obtained from JCNS
  - Bring inconsistencies to the attention of project leadership

# Key project documents for cost analysis

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- Operational Concept Document:
  - Describes key capability elements and how they deliver strategy
  - Will set out key product/capability priorities and potential solutions
  - We can now start to consider specific aspects of our cost model (products/systems etc)

# Key project documents for cost analysis

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- Project Execution Strategy:
  - Defines the what/when/how/who/where of mission and support systems
  - Considers the current phase requirements in detail and future implementation requirements
  - Considers the FIC elements and enables us to develop our next level of cost breakdown
  - Allows analysts to consider what costed risks should be included
  
- Integrated Master Schedule:
  - At a minimum, provides high level phasing of key project milestones
  - Enables analysts to develop a phased view of cost and consider economic aspects of affordability (e.g. out-turning)

# Key project documents for cost analysis

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- Integrated Logistics Support Plan:
  - May be in the form of ILS Concept/Strategy/Plan
  - Covers key support system elements:
    - Maintenance
    - Supply
    - Engineering
    - Operations
    - Training
  - Covers the supportability aspects of both the mission system and support system
  - Support is a key project cost driver so careful consideration of the ILS Plans is crucial!
  - Additional information contained in subordinate plans in larger projects.



# Leveraging Project SMEs

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- Project SMEs provide a wealth of information to cost analysts on key requirements
- Their knowledge helps confirm your understanding obtained and respond accordingly
- Start at the top and work your way down to the line level managers and below
- This process is as important as understanding the key project documents
- Be visible and keep asking the right questions – SME support is crucial to turning reliable estimates around quickly!

# Questions?

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