# PROJECT NAME

**ECONOMIC ANALYSIS (EA) NARRATIVE**

COMMAND: USA AMCOM

POC NAME & TITLE:

OFFICE SYMBOL:

PHONE: DSN: ###-###-#### ; Commercial: (256) ###-####

1. **PROJECT TITLE:** *(Extract from project proposal submittal)*
2. **FUNCTIONAL PROCESS/PROJECT DESCRIPTION** *(Extract from project proposal submittal)*

What is the current situation? What are the NSN(s)being targeted? affected? Current costs? What is the proposal?

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1. **NEED/REQUIREMENT/OBJECTIVE STATEMENT:** *(If required detailed information is mentioned in the project submittal, copy and paste here)*

Why is the project necessary? What is the objective of the project**?**

1. **USAGE/OPTEMPO** *(If required detailed information is mentioned in the project submittal, copy and paste here)*
2. How many aircrafts/missile systems will be covered by this analysis?
3. How much longer will the platform(s) be in operation?
4. Describe the workload and/or demands of the targeted part(s). May have to say things like “According to LMP data, there are X annual demands, Y% of which are attributed to given system because…”.
5. ***ALTERNATIVES*** *(Show analysis of alternatives)*
6. Describe the current situation (status quo), the alternative proposed and the alternatives excluded. Status quo must be included for comparison (except for a situation where there is a new requirement and therefore no status quo exists). Proposal should note that status quo will be in operation until the new parts are fielded/solution is implemented.
7. Regarding alternatives, identify the rationale for excluding those alternatives not chosen for the proposal.
8. For obsolescence projects, identify the operational and readiness risks involved in doing nothing.
9. In comparing and contrasting status quo and alternatives, include information about the schedules: when the engineering work (if any) starts and ends, when new parts can be first ordered, when they can start being fielded.
10. **COST & SAVINGS / COST & BENEFITS DISPLAYS**
    1. **Cost and Savings Display Example: Standard EA** *(Copy and paste from workbook)*



**COST & SAVINGS / COST & BENEFITS DISPLAYS (Cont’d)**

1. **Cost and Benefits Display Example: Standard EA** *(Copy and paste from workbook)*



1. **SUMMARY OF INFORMATION FOR ALL ALTERNATIVES**

**Standard Economic Indicators:** These indicators must be calculated with investment defined as start-up cost only. In this calculation, all parts purchases should be treated as operational costs.



1. **SOURCE AND DERIVATION OF COSTS**

Thorough description of the methodology used to derive costs and any factors that had to be used in the methodology. (See some considerations below)

1. Labor rates should be fully loaded rates, that include all benefits, not just soldier take-home pay. It is normally best to pull them from Army Military-Civilian Cost System (AMCOS), <https://www.asafm.army.mil/Cost-Materials/Cost-Tools/#amcos>
2. Regarding status quo costs for obsolescence projects, identify the cost impact of obsolete parts not being available.
3. For projects that involve items that are a part of a platform or missile system managed by PBL, identify the PBL cost, in status quo calculations, showing how much is spent on the current item.
4. **ASSUMPTIONS AND CONSTRAINTS:**
5. Explain the ground rules and the conditions under which the analysis is being made.
6. *Assumptions:*
   1. Identify assumptions made due to unavailable or imperfect data. Indicate the basis of the assumption when possible. FYI: cost analysis assumptions about base year, discount factors and inflation factors using standardization guidance to be provided by HQAMC.
7. *Constraints*: Example: statutory, regulatory (contractual) or policy requirements that dictate conditions.
   1. The period of comparison is FY2X-FYXX.
   2. Density of aircrafts/missile systems is constant/not constant throughout the period of comparison.
   3. Base year of the analysis is FY2X. Base year is first year the cash flows for status quo and alternative differ and usually means the year that investment funds are first obligated to cover the engineering effort.
   4. If the targeted part(s) are on a platform or missile system managed by an OEM using a Performance-based /Contractor Logistics Support contract, explain why a resolution using the OEM is not feasible.
8. **SENSITIVITY ANALYSIS**
9. Identify the inputs to the analysis (e.g. Unit cost) that have the biggest effect on the outcome of the analysis.
10. For each input examined, vary it while holding everything else constant.
11. Find the value of the input that would change the preferred outcome. If using the cost-benefit index to find the preferred alternative, look for the value of an input that makes the cost-benefit indices of the status quo and alternative equal. At that point, we are indifferent to whether the status quo or the alternative is chosen.
12. **OTHER QUANTIFIABLE OR NON-QUANTIFIABLE BENEFITS**
13. If reliability improvement is expected, identify the metrics involved.
14. If obsolescence mitigation is the outcome, identify the possible, if any, improvements to operational availability and/or system readiness i.e. Ao, if the proposed solution is implemented.
15. **CONCLUSIONS AND RECOMMENDATIONS**

Jane Doe

Project Submitter

Office Symbol

Command

Enclosures:

Economic Analysis *(including Data and Sources, Discounting and Inflation Factors, Parts Mix)*