

The Application of Life Cycle Costing in Evaluating Military Investments: An Empirical Study at an International Scale

Abstract

Although life cycle costing (LCC) is internationally considered the best instrument for evaluating investments in military equipment, its practical application remains insufficiently studied. This paper presents an international panorama of systems used for evaluating military investments, identifying the procedures and instruments most commonly employed, and identifying their strengths and weaknesses. The LCC methodology is then systematically applied, revealing opportunities for improvements. The research methodology is based on a questionnaire sent to 64 countries, inquiring into their standard practice regarding decision taking, cost estimation, risk management and performance indicators. The results obtained show that the main limitations facing these countries in employing LCC methodology concern weaknesses in their organizational structures and in their technical regulations, with particular respect to cost breakdown structures. Also significant are the scant number of cost estimation models available, the absence of up-to-date, reliable databases and the limited use made of appropriate techniques for risk and uncertainty estimation.

Keywords

Life cycle costing, Military investment, Project assessment

JEL Codes

H43, H56, M41

Results