

THE HERITAGE LECTURES

408

Congressional Misperceptions and the SDI Battle of the Budget

DISTRIBUTION STATEMENT A

Approved for public release;
Distribution Unlimited

By Ambassador Henry F. Cooper

PLEASE REPLY TO:

BMD TECHNICAL INFORMATION CENTER
BALLISTIC MISSILE DEFENSE ORGANIZATION
7100 DEFENSE PENNSYLVANIA AVE
WASHINGTON D.C. 20301-7000

19980309 273

U4032



The Heritage Foundation was established in 1973 as a non partisan, tax-exempt policy research institute dedicated to the principles of free competitive enterprise, limited government, individual liberty, and strong national defense. The Foundation's research and study programs are designed to make the voices of responsible conservatism heard in Washington, D.C., throughout the United States, and in the capitals of the world.

Heritage publishes its research in a variety of formats for the benefit of policy makers; the communications media; the academic, business, and financial communities; and the public at large. Over the past five years alone The Heritage Foundation has published some 1,500 books, monographs, and studies, ranging in size from the 927-page government blueprint, *Mandate for Leadership III: Policy Strategies for the 1990's*, to the more frequent "Critical Issues" monographs and the topical "Backgrounders," "Issue Bulletins," and "Talking Points" papers. Heritage's other regular publications include the *SDI Report*, *Business/Education Insider*, *Mexico Watch*, and *Policy Review*, a quarterly journal of analysis and opinion.

In addition to the printed word, Heritage regularly brings together national and international opinion leaders and policy makers to discuss issues and ideas in a continuing series of seminars, lectures, debated, briefings, and conferences.

Heritage is classified as a Section 501(c)(3) organization under the Internal Revenue Code of 1954, and is recognized as a publicly supported organization described in Section 509(a)(1) and 170(b)(1)(A)(vi) of the Code. Individuals, corporations, companies, associations, and foundations are eligible to support the work of The Heritage Foundation through tax-deductible gifts.

Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

The Heritage Foundation
214 Massachusetts Avenue, N.E.
Washington, D.C. 20002-4999
U.S.A.
202/546-4400

Accession Number: 4032

Publication Date: Sep 08, 1992

Title: Congressional Misperceptions and the SDI Battle of the Budget

Personal Author: Cooper, H.F.

Corporate Author Or Publisher: The Heritage Foundation, 214 Massachusetts Avenue, NE, Washington,
DC Report Number: 408

Descriptors, Keywords: Congress Budget FY93 Budget Missile Defense Act CBO Report Funding GPALS

Pages: 00004

Cataloged Date: Dec 07, 1992

Document Type: HC

Number of Copies In Library: 000001

Record ID: 25523

Congressional Misperceptions and the SDI Battle of the Budget

By Ambassador Henry F. Cooper

I welcome the opportunity to talk with you at this critical time in our program, in view of the upcoming continuation of the debate in the Congress, and in the Senate in particular, on the President's FY1993 budget request for the SDI program. This is a continuation of the many contentious debates in several quarters regarding SDI throughout its history.

Generally I have categorized our efforts to advance the SDI objectives in terms of three categories of negotiations: 1) with Congress, 2) within the Pentagon, and 3) with the Soviets, and now the Russians. It is hard to keep the progress in these three key areas uniform. It seems rather normal that we take two steps forward and one step back—and this is a very complicated process to manage since the three areas of activity are coupled, and yet they are not being conducted in any sort of a synchronous fashion.

Congressional Backsliding

Witness the performance of the Congress over the past year. Last year, the Missile Defense Act of 1991 was an enormously important step forward, and now the congressional debate is over how far to regress from that very positive step. The Bumpers-Sasser Amendment, which is the principal issue to be taken up if the Senate does move the Defense Authorization Bill back on the floor, is potentially lethal to our program. If it becomes law, it would scuttle any meaningful defense for the United States.

You should understand that the Bumpers-Sasser amendment is not only premised on a \$3.3 billion budget this year—a cut of \$2.1 billion from the President's FY1993 budget request, but it is derived from a flawed plan put forward by the Congressional Budget Office (CBO) which would essentially cut the President's planned budget in half for the out years. In my judgment, that plan would leave us with no executable program for defending the United States against ballistic missile attack. We would have a viable program for theater defense, but everything else would be research only. There is some argument, I would suspect, as to whether the CBO-proposed level of funding for the non-theater defense program is sustainable—it is clearly sub-critical for a serious development activity, and it may not be sustainable as a research activity during the current time of severe budget pressures.

During the Senate debate in August, some Senators (particularly Senators Sasser and Levin) alleged that with these reduced funding levels one could proceed with a program aimed at deployment in the 2002 time frame. In fact, as I will discuss in some detail in a moment, that is just simply not the case.

If this major cut were approved, it would be particularly disappointing given the progress that we have made over the past year in the other two problem areas; i.e., in negotiating our way through the Pentagon acquisition process and in our discussions with the former Soviet Union, notably with Russia. Let me review our progress in those areas and then discuss in more detail

Ambassador Cooper is Director of the Strategic Defense Initiative Organization.

He spoke at The Heritage Foundation on September 8, 1992.

ISSN 0272-1155. ©1992 by The Heritage Foundation.

the flawed Congressional Budget Office analysis and assumptions, which I think are a major cause of misperception on Capitol Hill.

Progress in the Pentagon

Probably the most important thing that has happened in the Pentagon's battle over SDI since the advent of the program was the 180-day Report to Congress describing the Secretary's plan for implementing the Missile Defense Act of 1991. I want to emphasize that this plan, signed out by Secretary Cheney on July 2, was coordinated from the bottom up through the various staffs of the Pentagon. It was fully coordinated with all of the key acquisition officials, who signed on to that report. There were disagreements along the way. But at the end of the day, we had a Department report and not just simply the Secretary's report mandated from the top to be executed somehow later.

So, now we have a serious acquisition plan. It is an event - driven plan—and through the demonstration/validation phase over the next five years, we have thought through the specifics of the program to identify and schedule specific key events, in many cases test events, where successful performance is necessary to take the next programmatic step. If Congress doesn't provide the money to do the testing or to go through these events, obviously the program will be delayed.

Let me say just a word or two about our baseline acquisition plan, which I think is misunderstood. Assuming that the President's budget request is honored—and that is an important premise, our acquisition plan begins with five years of a highly intensive demonstration and validation (Dem/Val) testing program with heavy involvement of the user, followed by a three-year engineering and manufacturing development (EMD) phase, which leads to a normal production decision in the year 2000. This normal progression of the program, in turn, would lead to the initial site capability in around the year 2002, or 2003, and a fully operationally capable system, including both Brilliant Eyes and Brilliant Pebbles by the year 2006. That is the baseline plan.

These schedules were included in my testimony to Congress, and they are explicitly provided in the 180-day Report to Congress as well. The reason I'm making a point of these dates is that the CBO has misrepresented our planned schedule, as I will describe to you in a moment.

Now, under a normal program, the first site initial operational capability, or IOC, would be around the year 2002. However, in order to be responsive to the Missile Defense Act by providing an early fielding option for an initial site, we have pursued a plan to field prototype hardware developed in the demonstration and validation phase of the program as early as late 1997. This date, which coincides roughly with the end of the demonstration and validation phase, is as early as we believe is possible in conjunction with our event-driven strategy. I want to emphasize that this fielding activity does not result from production in any normal meaning of the term. We would field prototypical hardware, trying to plan from the outset of the acquisition program to do what we did with JSTARS in the Gulf War. If our program is fully funded, such an initial site capability could be achieved as early as 1997—as Deputy Secretary Atwood testified—but 1998 would be a more likely date for achieving such a contingency capability.

In any case, there would be no dollar implications associated with making such a decision before 1995. The program in 1993 and 1994, under the normal demonstration and validation program, is the same whether this option is exercised or not. If the option is exercised, there will be a dollar impact in the 1995 time frame to begin the necessary activities to field the prototypical hardware and have a contingency defense capability by the end of 1997.

This idea of fielding early prototypical hardware is a new acquisition approach that we have injected through the SDI program. Most notably, I consider our successful advocacy for THAAD, or Theater High-Altitude Area Defense, to be a major victory in our battles to overcome business-

as-usual attitudes. After some considerable debate in the acquisition community, the Pentagon powers-that-be agreed to buy on to this idea, and the THAAD contract was let, as you probably know, last Friday. The Lockheed team that won the THAAD contract is now working on a program that will give us an early fielding option in the 1996 time period using prototypical hardware.

My point here is that our efforts with THAAD represent real progress in the way SDI programs are being done in a fully coordinated way in the Pentagon. When the truth is all out on THAAD sometime in the future, you'll find just about everybody got into the act before that contract was awarded. So SDI is not a loose cannon in the Pentagon. We are, in fact, executing a coordinated acquisition program.

I might say that the THAAD contract award was the culmination of a 24-month effort. Some of you may recall the early days when I started talking about THAAD and the idea of using prototypical hardware as a part of our acquisition strategy. While I never met resistance in this audience, I can tell you I met considerable resistance in the Pentagon. So THAAD is a major victory, in my judgment.

My main point though is, as I said earlier, that the key Pentagon officials agreed on our plan to implement the Missile Defense Act. Secretary Cheney's July 2 cover letter to the Congress indicated that he had given instructions to the Pentagon to execute the plan as a top national priority. So in the Missile Defense Act, the Congress in effect said, "This is what we want you to do; these are the priorities we want you to take," and the Department's plan was fully responsive to execute the program that Congress had laid out.

And, as I said earlier, to satisfy the acquisition process of the Pentagon, our plan calls for an event-driven program. If Congress cuts out events, or we fail events, or we delay events, because of budget cuts or whatever, then the whole program slips—and I'll come back to the importance of that point in a moment.

Progress with the Russians

I think we can also point to a great deal of progress in our discussion with Russia and the other republics of the former Soviet Union, and with our allies. This progress has been steady over the last eighteen months. I consider that there was a real watershed when President Yeltsin, at the end of January, spoke at the U.N., calling for cooperation on a joint global defense system—and it was absolutely clear to me that he was talking about the kinds of things that we wanted to do. He said he wanted to redirect the SDI program to take advantage of Russian technology—and we are sympathetic to his proposal. Since then, I think we have made a great deal of progress in moving in the direction advocated by President Yeltsin—which was entirely consistent with President Bush's redirection of the SDI program a year earlier.

In June, at the Washington Summit, President Bush and President Yeltsin gave impetus to the discussions by agreeing to establish a very high level group to agree on how to create such a Global Protection System. Dennis Ross, now Assistant to the President for Policy Planning, is leading the group on our side, and Deputy Foreign Minister Georgi Mamedov is leading on the Russian side.

There was a High Level Group meeting in Moscow in July at which time three working groups were established: one to thrash out the specifics of what is meant by the concept of a Global Protection System, one to deal with the area of technology cooperation, and one to deal with the agreed problem area involving the proliferation of missile technology and weapons of mass destruction. The High Level Group will also deal with any new agreements or changes to existing agreements as necessary to bring a Global Protection System into existence. We are an-

icipating a follow-up meeting here in Washington very shortly, and I am counting on there being progress at this coming meeting.

I can't help but note a meeting I attended in Erice, Sicily, a couple of weeks ago when Academician Yevgeni Velikhov came in wearing an SDI tie. Now Dr. Velikhov is Chairman of the Russian Academy of Science, as he was of the Soviet Academy of Science. In the early days of SDI, he co-authored papers with a number of people that were very, very negative on what were trying to do. That was their Party line in a different era, an era of confrontation; whereas today we are seeking to reflect an underlying principle of cooperation. Accordingly, he has changed his position considerably. He is a member of the Mamedov group, I might add.

At the Erice meeting, Velikhov said that we should replace Mutual Assured Destruction with Mutual Assured Protection as the underlying principle upon which we design our national security interest. It was clear from his discussion that he was thinking in terms of cooperation on a Global Protection System under a new arms control regime which would be multi-national in its basic framework—such a defense system could provide protection on a global basis for the entire world community, and we might operate it more as partners than as adversaries in some kind of an arrangement involving a joint command center, perhaps patterned after the model used in NATO or in NORAD where our Canadian friends participate directly with us in various command and control activities.

It was made clear that he was thinking in terms of space elements in the Global Protection System—both sensors and interceptors, and that this Global Protection System would be accomplished in consultation with our allies, as I said earlier, in a multi-national framework.

This development was very hopeful. This Erice conference was an informal meeting in an informal setting, of course. When Deputy Foreign Minister Mamedov comes to Washington, I'm not sure exactly what he will have to say. But, that will be when Russian statements will really count because the High Level Group is the official government to government forum for such discussions; and I look forward to the outcome of those sessions with hopeful anticipation.

I think that it is somewhat sad that Congress is threatening to pull the rug out from under us at just the time when the negotiations show the most promise that they have shown in nine years for moving toward a negotiated outcome and a settlement to many very contentious issues that have to do with the political perceptions surrounding the ABM Treaty and other related matters. And I know something about the hard times in the past negotiations—I spent five years in Geneva, and before then I was worked these issues at the Arms Control and Disarmament Agency, in backstopping all of our negotiations with the former Soviet Union. I can say with authority that we have the first real opportunity of ending up with agreements on how we will proceed together to build and to operate a Global Protection System.

This does not mean we're going to give away the family jewels; that's not going to happen—and need not happen in order to work cooperatively to mutually benefit from a Global Protection System. I believe that, toward this end, we could agree on doing joint experiments, joint simulations to understand and work through solutions for the conceptual issues, modifications to the ABM Treaty regime that will be satisfactory to both sides—and I think such an agreement may be relatively close at hand.

Why the Congressional Backsliding?

So I have to ask myself, in coming back to the original point of my talk, "Why is Congress now attacking our program? Why are they backing away from the Missile Defense Act at this juncture?"

I think there are two sources of the reason why. There may be an ideological reason that underlies the entire problem for some in Congress—but there are two logical reasons whose merits can be debated.

A Reduced Sense of Urgency

First, there is a reduced sense of urgency this year, that's clear. We are no longer on the heels of the Gulf War. And Bob Gates, the Director of Central Intelligence, in his testimony indicated that it was unlikely that there would be any new threat to the Continental United States within ten years. He said it two ways: within this decade and within ten years. But if you take ten years, 2002 becomes a magic target—and that is a piece of the litany in the current congressional debate.

From my own personal perspective, I don't believe the analyses that underpin Director Gates' testimony take into account what the situation would be like if the proliferation issues become different over the next ten years than they were in the past ten years. And I refer not only to the proliferation of technology, but also of the technical know-how as citizens of the former Soviet Union deal with their rather severe economic pressures and where they have such a highly marketable skill.

I don't mean to throw rocks at our new friendly colleagues and potential collaborators in a Global Protection System in bringing this up. In fact, it is a problem that they willingly acknowledge and are concerned about themselves.

So I think that many in the Congress have developed a false sense of security—perhaps like the sense of security that many had before the Gulf War based on the rather commonly held judgment that Saddam Hussein could not develop nuclear weapons any time soon. And we found out how wrong we were. Speaking personally, I am very uncomfortable with taking a relaxed attitude in this regard when considering the proliferation problem.

But I would point out, as I said earlier, that the year 2002, or 2003, is a sound estimate for the IOC for the first site under the President's baseline plan anyway, assuming that we don't exercise the option to deploy prototypical hardware. Budget cuts will delay this IOC for the baseline program.

I pointed out earlier that there are no budget requirements for at least two years to provide early fielding options, so there is no FY1993 budget impact if this option is decided upon now—either way. Our strategy fundamentally defers that decision to a time, at least two years hence, when we can see how the threat develops, and how the testing progresses. Budget cuts now delay all options, including especially these early fielding options.

Flawed CBO Analysis

Now I want to come to the second cause for congressional backsliding: the CBO Report. I think the August 7 report, which draws from an earlier May report, is the root cause of many of our problems. The CBO alleges that with \$3.3 billion in FY 1993 (that is, a cut of \$2.1 billion from the President's request) and cutting our out-year budget in half (and I think it is important that you understand that is part of their proposal), we can still deploy the initial site in the year 2002—the same as is planned under the Administration's plan. And not only do they allege that we can deploy at the same time frame as under the Administration's plan for half the funding, but that we can do so with less risk and less concurrency.

It is incredible to me that such a naive and misleading masquerade for serious analysis could be given the weight that this report is being given. And I'm more than a little suspicious that it was published on the 7th of August just in time for its use in the floor debate on that date as the Bumpers-Sasser Amendment was tabled.

Attached is a copy of a letter I sent to Senator Warner and Senator Nunn at Senator Warner's request evaluating the flawed analysis in the August 7 CBO Report. But let me go through here, in perhaps more detail even in some cases than is in that letter, some of my problems with that badly flawed analysis.

Fundamentally, if you believe you can cut over \$2 billion from our FY 1993 budget and cut a half, some \$20 billion, out of the FY 1993 through 1997 five-year budget and deliver on the same schedule, and with less concurrency and less risk than the Administration's program, then after the meeting I want to talk to you over on the side; I have this bridge and I would like to solicit your investment in purchasing it as a group venture.

The CBO Report falsely represents the Administration program. It claims, for example, that the budget called for in the out years would lead to deployment of the *full* GPALS program in the year 2000. And, as I told you earlier, we anticipate that year would be 2006 with the Administration plan and budget. That was presented in my congressional testimony which the CBO had before they wrote their report—I checked it this morning. They have no excuse for this misrepresentation. They cannot justify this gross error by saying they didn't know because our Report to Congress was not published until early July.

So they falsely claimed we planned a fully deployed system by the year 2000—that way, you see, they could allege to stretch the program to “after 2005” while cutting our budget.

They also pursued a contorted analysis implying that we planned to deploy the initial site in 1997 based on an earlier “production” decision, whereas, as I described it earlier, we planned options to fabricate and field prototypical hardware that could be exercised if the threat develops, and if our testing shows it's warranted. As discussed in our 180-Day Report to Congress, we could field prototypical hardware in 1997, 1998, or 1999 under the President's budget depending on decisions to be made at least two years hence. But, such decisions to field prototypical hardware for a contingency capability would not involve a production decision or process. We would make a production decision in the year 2000 in any case, and could have an IOC in the year 2002, or 2003, if none of those options was exercised. I emphasize that we clearly stated our plan to make a production decision in the year 2000—that was in our Report to Congress.

But they mis-characterized our plan. They called the Administration's possible decision to exercise the earliest of these options to fabricate prototypical hardware a “production decision” and used that in a very trumped up definition to achieve a high concurrency estimate. They totally ignored the fact that in our report we explicitly stated that the production decision would be made in the year 2000. Of course, if they had accepted the Administration's clearly defined production decision, then their definition of concurrency would lead to zero concurrency in the Administration's program—and they apparently sought to characterize the Administration's plan as involving a lot of concurrency so they could justify stretching the program and to allege to be reducing concurrency.

This is particularly intriguing when you learn from their fine print in a footnote that they defined as “production” a decision at Milestone II to build low-rate initial production, or LRIP, equipment for testing in full-scale development or engineering and manufacturing development. This is most curious, because we are directed by law and Administration directives to use LRIP equipment in Initial Operational Test and Evaluation (IOT&E) *prior to* making a production decision. And IOT&E normally occurs during the engineering and manufacturing development

phase after Milestone II. With their definition, one always gets 100 percent concurrency for a normal acquisition program. Our innovation of including a Phase I of IOT&E in our demonstration and validation program, meant that they only could come up with 64 percent concurrency for us even with this trumped up analysis. So they resorted to backing up further into the Dem/Val phase of the program, referring to the possible fabrication of prototypes as a production decision to suggest an even higher level of concurrency.

Now this is more than a little curious way to define concurrency. But it goes beyond that. They are basically dishonest in claiming that their definition for production is the DoD definition. And it is absolutely outrageous to characterize the fabrication of prototypical hardware as a production decision when it was made explicitly clear in our Report to Congress that the production decision is the year 2000, and that we could decide earlier to fabricate prototypes if we think we need them on the basis of demonstrated capability and the developing threat. Of course, if they had admitted that our production decision was in the year 2000, their false suggestion that our full system would be deployed in the year 2000 would have been apparent.

Now they went further with more nonsense to justify their arbitrary budget cuts. For example, they falsely rationalized the deep cuts in such activities as system engineering and integration, test and evaluation, and risk mitigation by alleging that such critical activities are unessential, or as they said, and I quote, "... relate only indirectly to the system to be deployed." Give me a break! This really is utter nonsense.

Since when does anyone build a system without system engineering and integration? And since when does one cut out the funds for the risk mitigation and create a less risky program?

Finally, I should let David Chu speak for himself, but I think to suggest, as the CBO does, that their \$3.3 billion plan would support his preferred option is grossly unprofessional. I'd love to have David and his staff subject the CBO plan to the same scrutiny that they gave SDIO's plan. I can guarantee you it would not survive one day's serious look in the Pentagon.

This all leads me to make a half-serious suggestion that some of our friends in Congress ask for a GAO review of the CBO's Report. They should have some fun with that, especially if such a review were done honestly.

The only good thing I can say about this CBO report is that it included some fine print disclaiming responsibility for what I think is a pretty foul portion of magic elixir befitting the snake oil salesmen of another era. It basically says, "Let the buyer beware." So if you read the report, look long and hard, you'll eventually find disclaimers about their schedules; that their plan might, in fact, not cost less, but more, after all is said and done; that concurrency may not be all that important anyway; and so on.

The fact is that the CBO option touted by the Bumpers-Sasser Amendment and masqueraded as Dr. Chu's low concurrency option is fundamentally a product of unprofessional analysis. It is not Chu's option. In fact, it is no serious acquisition program at all. It is a guaranteed recipe for failure—and would provide no effective defense for the American people.

There is a Viable Plan, But Will Congress Support It?

The President's request of \$5.4 billion supports a low-concurrency, moderate risk program—and we judged moderate risk because we are dealing with a complex system of systems—not because the program for any of the system elements themselves, taken singly, is risky. Otherwise it would be a low risk program on an item-by-item basis.

The President's plan is to reach an IOC, if conducted in the normal way, in the year 2002 or 2003. It provides options for fielding prototypical hardware earlier, as early as 1997 and more likely in 1998, but decisions to exercise these options are to be made at least 2 years hence.

Our acquisition strategy is event driven. And I'll repeat again, if Congress cuts our budget, they will delay key events, and that will delay the schedule—and probably increase overall costs. The \$1.1 billion cut, as suggested by the Senate Armed Services Committee or by the House Armed Services Committee, would end up causing delays in the dates I've just given you. Certainly, it would cause a year's delay in our ability to exercise a prototypical hardware option, and the 2002 date would also be at risk.

The \$2.1 billion cut called for by the Bumpers-Sasser Amendment would leave no viable acquisition program beyond Theater Missile Defense. Senator Nunn, during the August 7 floor debate, referred to the \$3.3 billion plan and said, that this budget "would stretch out the program to such a degree it would render implausible any claim by the Congress that we are on a steady course toward deployment...." I can only say "Hear, hear!" Indeed, the \$3.3 billion would support only Theater Defense and R&D; we could have defense for allies but not for Americans.

Closure

Finally, let me just say that in 1988 George Bush, campaigning for the Presidency at that time, stated that the technology is here to support strategic defenses; the issue is political will to take things out of the laboratory and to move them to deployment. He promised that he would pick the architecture in his first term, and that he ultimately would not leave America defenseless.

I would submit that he has fulfilled his part of the bargain. The GPALS, or Global Protection Against Limited Strikes, idea, which is his architecture, folds directly into the Global Protection System subsequently proposed by President Yeltsin and now being advocated by our new friends in Russia as well as ourselves. The Missile Defense Act of 1991 adopts all of the key elements of the President's program with a shift in priorities, which was acceptable to the President last year—that is, to move ahead with deploying the ground-based defense so long as there is robust funding for developing space-based interceptors. Unfortunately, Congress is now apparently playing around with welshing on this aspect of the deal this year.

In the final analysis, Congress now holds the fate of the program in its hands. They provide the funds—that's the way our system works. I have no reason to suggest changing our system, and I only hope that for the good of all Americans that Congress does the right thing this time around.

♦ ♦ ♦



DEPARTMENT OF DEFENSE
STRATEGIC DEFENSE INITIATIVE ORGANIZATION
WASHINGTON, DC 20301-7100

August 10, 1992

Honorable John Warner
Ranking Minority Member
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Senator Warner:

Thank you for the opportunity to comment on the August 7 CBO report regarding issues of concurrency and cost estimates for the SDI program--particularly those estimates that allege to support a 2003 deployment of an initial ground-based interceptor site. Let me discuss these two issues in turn.

Concurrency.

I must say that I am surprised by the lack of understanding in the CBO's discussion on concurrency and characterization of our program as presented in our June 1992 Report to Congress on our Plan for Deployment of Theater and National Ballistic Missile Defenses. For example, the CBO report states that its definition of concurrency depends on the date at which production begins--and then alleges that this date is not clearly defined by the Administration's plan. Yet our report clearly states that production begins at Milestone III (as in every standard acquisition program), which occurs in our plan in the year 2000--as shown on Figures 5 and 7 and as explicitly stated on page 23. Here, in discussing our acquisition strategy as illustrated by Figure 5, the report indicates that the Administration plan employs

"a normal acquisition strategy involving a robust five-year Dem/Val program with heavy user involvement, followed by a three year EMD phase and concluding with a production decision in the year 2000 for items produced in quantity."

Thus in our baseline program, a production decision for the "1000" interceptor missiles of the CBO report would be made after completion of IOT&E Phase 1 and Phase 2, as shown in Figure 7 of our 180-day Report to Congress. The Administration's baseline plan is, therefore, a "low concurrency" program by the CBO's own definition.

It is hard to imagine how the CBO could misunderstand our acquisition strategy--or why they would choose to characterize our plan solely in terms of an option to field contingency capability in 1997 using Dem/Val hardware as a 1997 production decision, which it certainly is not. In fact, our plan considered three contingency fielding options, none of which involve production hardware--they all involve 60 Dem/Val interceptor missiles, with fabrication of those Dem/Val missiles beginning at some future time (as early as 1996), pending evaluation of progress in our baseline program and our perception then of the evolving threat. "Concurrency" for the 60 Dem/Val missiles would vary depending on which of the three options, if any, is selected in conjunction with IOT&E Phase 1:

- Option 1 (High Concurrency) leading to an initial contingency capability as early as 1997 would initiate fabrication of the initial 12 Dem/Val missiles after 2 tests; the next 24 Dem/Val missiles after 6 tests; and the final 24 Dem/Val missiles after 8 tests.
- Option 2 (Moderate Concurrency) leading to an initial contingency capability as early as 1998 would initiate fabrication of the initial 12 Dem/Val missiles after 6 tests; the next 24 Dem/Val missiles after 8 tests; and the final 24 Dem/Val missiles after all 11 tests.
- Option 3 (Low Concurrency) leading to an initial contingency capability as early as 1999 would initiate fabrication of the initial 12 Dem/Val missiles after 8 tests; and the remaining 48 Dem/Val missiles after all 11 tests.

In this analysis, I have used the CBO estimate of 11 IOT&E Phase 1 tests. We may actually conduct more (or less) testing, but the basic point will be the same. Meeting the dates above depends on funding and technical progress, but our overall strategy is "event driven", and the conclusions regarding concurrency would not be affected by schedule slips. I would also observe that, if one of the above options is exercised, the 60 Dem/Val interceptor missiles composing an interim contingency capability will be replaced later by normal production missiles, produced after Milestone III, which is planned for the year 2000.

In any case, it should also be kept in mind that the Committee Bill pending action on the floor makes no decision to proceed with any of the above options to field an early initial contingency capability. In fact, no such decision is called for even under the Administration's plan for several years. The central issue of concern is the Administration's and the Committee's baseline plan leading to a production decision in the year 2000. That baseline program involves low concurrency by the CBO's own definition.

I would note, with some humor, that in their discussion on concurrency, which builds upon a premise that low concurrency is better, the CBO notes that in a 1988 study, they found "no strong relationship between concurrency and the two measures associated with the success or failure of weapon programs: cost and schedule delay". This obscure comment suggests that too much is being made of the risks associated with concurrency.

The more important variable, I would suggest has to do with the robustness of the baseline development program, including sound risk mitigation efforts. It is therefore ironic that the CBO report couples its allegations of high concurrency in our Dem/Val program, which is, by any reasonable measure, a robust testing effort to mitigate risk, with suggestions that cutting severely the support for those very risk mitigation activities would achieve lower concurrency and lower risk in our baseline program aimed at an initial operational capability in 2002-3. This is an absurd proposition on its face.

Costs.

In fact, the CBO cost estimates, which adopt the analysis in their May 1992 report on Costs of Alternative Approaches to SDI are simply fallacious. In the first place that report states that the CBO reflects the Administration's current estimates of cost--but I simply cannot reconcile the gross discrepancies between our cost estimates, as presented in our June 1992 180-day Report to Congress, and the CBO estimates. For example, there is a difference of almost \$900 million in FY1993 for the Limited Defense System line item alone--not to mention discrepancies of over \$400 million for work in the Other Follow-On and Research and Support line items that support the Limited Defense System and Theater Missile Defense line items--as I discussed in my hearings before the SASC and as discussed in our June 180-day Report to Congress.

Secondly, the CBO report is factually very wrong in stating that \$3.3 billion in FY1993 would support "Dr. Chu's preferred approach". Dr. Chu supports the baseline event-driven strategy described in the June 1992 DoD 180-day Report to Congress, which leads to a Milestone III decision in FY2000 and an initial capability with production interceptors in the 2002-2003 time frame--provided the technical progress stays on schedule. Less near-term funding than in the DoD plan will slow progress, delay the key events and stretch the schedule beyond that alleged to be achievable with the CBO's Alternative III.

Thus, the CBO makes a gross understatement in qualifying that the CBO cost estimates for "Alternative III" (which CBO characterizes as Dr. Chu's option) makes assumptions "not discussed in Dr. Chu's memo". I would like to have Dr. Chu and his staff subject the CBO's Alternative III to the same scrutiny applied to the SDIO plans before he concurred in them, as

reflected by our June Report to Congress. There is no chance that the CBO option would survive any serious scrutiny by the DoD acquisition community.

The fact is that Alternative III of the May 1992 CBO report has nothing to do with the baseline program presented in the Secretary's 180-day Report to Congress to which Dr. Chu (and every other senior DoD official with acquisition responsibilities) concurred and which called for \$5.4 billion in FY1993. In fact, the \$1.1 billion cut by the SASC jeopardizes the schedule for meeting a 2002 initial operating capability--regardless of whether an early contingency capability using Dem/Val hardware is sought in the future. An additional \$1 billion cut would be devastating--leaving no viable SDI development program beyond Theater Missile Defenses.

I would note that on page 36 of our June Report to Congress, this baseline program is judged by the DoD acquisition community to be "moderate risk", primarily because of the complexity of integrating a system of systems. The CBO suggested cuts would clearly turn it into a high risk program. In my judgement, it would destroy our ability to mitigate risk in meeting any pre-assigned schedule.

In short, the CBO Alternative III, which the CBO most recently masquerades as Dr. Chu's "low concurrency" program, is naive and grossly misleading. It is not Dr. Chu's acquisition program; it is not a serious acquisition program at all. It is a guaranteed recipe for failure. To support it is to support no active defense for the American people.

I have also enclosed a copy of my response to Senator Levin's question for the record following my April 9 hearing regarding the May 1992 CBO report.

HENRY F. COOPER
Director

Attachment:
As Stated

cc:
Honorable Sam Nunn