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STATEMENT OF

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Ballistic Missile Defense Program Progress
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Good morning Mr. Chairman, Congressman Sanchez, and Members of the Committee. Thank you for the opportunity to appear before you today to discuss Department of Defense missile defense activities. I am pleased to address the Department's recent decision on the Medium Extended Air Defense System (MEADS) and the Department's oversight of missile defense via the Missile Defense Executive Board (MDEB).

Medium Extended Air Defense System (MEADS)

MEADS is a NATO-managed cooperative development program that was conceived in the mid-1990's to develop a ground-based air and terminal ballistic missile defense capability that would replace existing Patriot systems in the United States and Germany and the Nike Hercules system in Italy. MEADS is designed to significantly reduce strategic lift requirements into theater, reduce logistics and operator workloads, and provide enhanced surveillance and intercept capabilities over existing Patriot systems. The MEADS program has experienced a number of technical and management challenges over the past two decades. While the program has shown marked improvement in recent years, it has consistently failed to meet schedule and cost targets. MEADS successfully passed Critical Design Review (CDR) in August 2010. As required in the MEADS Memorandum of Understanding, or MoU, the partner nations

conducted a major program review after the CDR to assess if the Design and Development (D&D) phase of the program could be continued with full confidence of achieving the MEADS objectives at acceptable risk and within agreed costs. This key tri-national milestone was known as the System Program Review. The decision I will now describe was the U.S. output of the MEADS System Program Review.

According to program plans from the mid 1990's, MEADS was to have begun production in 2007. The original D&D program plan in 2004 called for MEADS production to begin in 2014. However, the NATO MEADS Management Agency (NAMEADSMA) program restructure proposal presented to the MEADS Board of Directors in November 2010, would have extended the D&D phase some 30 months from the original 110-month program established in 2004, and would have required at least $974 million more U.S. investment during fiscal years 2012 to 2017 than planned at the beginning of D&D. Under this proposal, production would have begun no earlier than 2018, with the first U.S. fielding opportunity around 2020 following completion of additional U.S. integration and testing.

In view of the need for nearly $1billion in additional U.S. investment and a projected slip in fielding of more than two years, the U.S. considered three potential courses of action during the System Program Review:

1. Terminate immediately;
2. Continue development within the funding limits set by the Memorandum of Understanding that entered into force in early 2005 or

3. Complete the planned D&D phase by adding additional funding and allowing additional time.

As described in the February 14, 2011 MEADS Fact Sheet provided to the Congress, the Department has decided that the best course of action is to continue the D&D phase by providing funding up to the previously agreed $2.3 billion U.S. share of the overall MoU cost ceiling of $4 billion. This decision was reflected in the Fiscal Year 2012 President's Budget request. While the U.S. will continue to honor our commitments to our partners under the current MoU, the U.S. will not pursue procurement and production of MEADS due to significant affordability concerns.

In continuing development within the funding limits set by the MoU, the U.S. has proposed to the MEADS partners to focus the remaining activities to implement a 'proof of concept' effort with remaining MoU funds that will provide a meaningful capability for Germany and Italy and a possible future option for the U.S. This refocused proof of concept D&D program would end by 2014, and would be consistent with the current MoU expiration date and cost ceiling. The MEADS Board of Directors has agreed to pursue further discussion with a view toward implementation of this proof of concept effort if approved by the National Armament Directors of the partner nations.

As part of the Joint Army and Office of the Secretary of Defense System Program Review process, the Department carefully considered fiscal realities, capability needs (both for currently fielded systems and what was expected to be provided by MEADS), program performance, political-military factors, and risk to air and missile defense capabilities given various options. Implementation of a proof of concept D&D program,

using the remaining D&D MoU funds contributed by the three nations, is the best option for all MEADS partners for the following reasons:

1. Funding MEADS up to the agreed MoU cost ceiling enables partners to harvest technology from our large investment to date. The U.S. has provided approximately $1.5 billion to date for D&D, with Germany and Italy combined contributing more than $1 billion more. NAMEADSMA has begun developing an implementation plan for a D&D proof of concept effort that will use the remaining D&D MoU funding in 2011-13 to complete prototypes, demonstrate and document the capabilities of the major system elements, and complete limited system integration. This work would place the D&D program on stable footing should Germany and Italy wish to continue MEADS development and production efforts after the current MoU funding is expended. The same options would be available to the U.S. should U.S. air defense plans change. Terminating the program now, just after successful completion of the MEADS Critical Design Review, would force the nations to devote significant funding to contractor termination costs preventing the nations from using this funding to bring MEADS development to a viable level of design maturity.
2. The U.S. cannot afford to purchase MEADS and make required upgrades to Patriot concurrently over the next two decades. The current NAMEADSMA program office estimate to complete the D&D program, which would extend into 2017, would require at least $974 million of additional U.S. investment during fiscal years 2012 to 2017. This additional funding requirement is on top of the

approximately $804 million the U.S. has already programmed for MEADS. The U.S. cannot afford this additional research and development funding. Moreover, an additional $800 million would be required to complete U.S.-unique national certification, test and evaluation requirements, and integration of MEADS elements in the U.S. air and missile defense systems-of-systems if MEADS were fielded. Further, due to the substantial delays in the development of MEADS, the U.S. Army would not be able to purchase MEADS to replace Patriot as early as originally planned. Given necessary U.S. integration and testing, MEADS fielding would not begin until about 2020. Consequently, the costs of completing MEADS development and procuring MEADS to eventually replace Patriot would also require a significant concurrent investment in Patriot sustainment and modernization over the next ten to twenty years. Together, these costs are unaffordable in the current budget environment.

3. The U.S. can achieve some of the capabilities that MEADS provides using existing assets. Because air and missile defense systems are relatively few in number and high in demand, the U.S. air and missile defense portfolio is based on the concept of integrating and fielding a diverse set of elements to provide expanded coverage against a wide range of threats. In Europe, we are focused on implementing the European Phased Adapted Approach (EPAA), which includes systems like the AN/TPY-2 radar, SM-3 interceptors, and AEGIS BMD-capable ships to counter the ballistic missile threat. The missile defense portfolio must also address threats in Asia and the Middle East with these ballistic missile

defense systems, as well as other air defense systems such as Patriot and the Joint Land Attack Cruise Missile Defense Elevated and Netted Sensor (JLENS) system. The U.S. is willing to accept some risk in our air defense portfolio in the near term in order to increase investments in new capabilities that our soldiers can use today to counter threats in Forward Operating Bases in Afghanistan, such as capabilities to counter-rockets, artillery and mortars. By fielding a diverse set of existing systems, the U.S. will be able to achieve some of the expected MEADS capabilities, such as 360-degree coverage and extended range air defense in the near term, at less cost.

4. The U.S. remains concerned with the overall track record of the program. While the partner nations and NAMEADSMA have worked aggressively over the past few years to define a restructured program that balances cost, schedule, system performance, and risk, the U.S. remains concerned that difficulties in program management and system engineering experienced in the early stages of the program continue to subject the program to a high degree of risk through the end of development and into the integration and test program phases.

While the MEADS program's record of performance might ordinarily make it a candidate for cancellation, given the late stage in the D&D contract effort and the U.S.'s expected liability to pay costs associated with contract termination in the absence of a decision of all the MoU partner nations to terminate the effort, the U.S. stands to gain more from a restructured contract than from paying to terminate the contract. The DoD therefore assesses that the benefits to all the partner nations of continuing development

within the MoU limits warrant completing the effort instead of terminating it. Allowing the program to proceed to a limited set of flight tests will demonstrate the design and performance of the MEADS elements, providing benefit from the remaining funding. After demonstration the nations will have the opportunity to assess any contributions the developed and tested MEADS elements might make in their respective air and missile defense portfolios and thus might warrant further evaluation. For Italy and Germany, the proof of concept effort will be useful as they consider whether to proceed into production and deployment of a version of the MEADS system. At this time, the U.S. does not plan to produce and deploy the MEADS system, but the proof of concept will provide valuable information that may inform future weapons systems decisions. Options for harvesting or future use of MEADS Major End Items or technology will be assessed by the Department during the proof of concept effort. The results of the proof of concept effort, as well as the Army's continuing evaluation of air and missile defense needs, will inform future decisions on any development, production, or deployment of MEADS components or technology harvested from the MEADS proof of concept effort.

Plans and Procedures for the Management and Oversight of the Missile Defense Agency

I testified before this subcommittee two years ago describing the structure, operation, and activities of the Missile Defense Executive Board (MDEB). The Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) continues to exercise the full authority and responsibility necessary to exercise comprehensive and effective oversight of the Missile Defense Agency (MDA) and its programs through the

MDEB. The USD(AT&L) has maintained the MDEB's structure and operation in essentially the same form since its inception providing consistency in the Department's oversight. The MDEB was established "to recommend and oversee implementation of strategic policies and plans, program priorities, and investment options to protect our Nation and allies from missile attack." The MDEB authorities and responsibilities extend to comprehensive oversight of all of the MDA's activities including those outside the scope of the traditional milestone review process for individual programs (e.g., assessments and potential influence on policy, threat assessments, capability requirements, budget formulation, and fielding options).

Supporting the MDEB are four committees: Policy, Test and Evaluation, Operational Forces, and Program Acquisition and Budget Development (PA&BD). The Policy Committee advises the Board on strategic missile defense policy direction, conducts and oversees international activities, and represents the Department in inter-Agency matters. The Test and Evaluation Committee oversees the T&E planning and resource roadmap. It provides technical recommendations and oversight for the conduct of an integrated T&E program and investment strategy. The Operational Forces Committee oversees fielding schedules and deployments. It also oversees agreements, documentation, and requirements between MDA, the DoD components, and the fielding organizations for ensuring appropriate funding policies for operational and support resources. The PA&BD Committee ensures that MDA program and budget development is integrated effectively into the MDEB's oversight role and that missile defense programs are properly aligned with missions. The PA&BD Committee oversees

implementation of missile defense acquisition guidance to include transition and transfer of responsibilities/authorities of BMDS elements to the Services and oversight of BMDS procurement, operation and support.

Since I testified before you in 2009, the MDEB has conducted 12 meetings and the USD(AT&L) has issued 12 Acquisition Decision Memorandums. Thus, it continues to meet more frequently than a Defense Acquisition Board (DAB) would meet for a typical program. Through the MDEB the Department maintains early and continued visibility into MDA programs and is able to provide the necessary guidance to achieve Missile Defense priorities within cost and schedule constraints.

One oversight focus area is the Department assessment of a BMDS element's maturity for production and Lead Service operation. The Department's current criteria for missile defense element production decisions includes: an assessment of the depth and breadth of preparation including element progress; performance validated by testing results; reports by the Director, Operational Test and Evaluation; funding to support program plans; and an executable plan for operation and support. MDA, in conjunction with the designated Lead Military Department makes the recommendation for a production decision. The USD(AT&L) is responsible for the production review and decision. In the past year, the MDEB reviewed development progress on the Terminal High Altitude Area Defense (THAAD) element of the Ballistic Missile Defense System, and endorsed the acquisition of THAAD Batteries 3, 4 and 5 and associated equipment. A similar review of the Aegis Ballistic Missile Defense element is also planned.

Recent MDEB activities have also included reviews of the Fiscal Year 2012 Missile Defense Agency budget request, clarification of Operation and Support (O&S) funding responsibilities, and force structure recommendations such as the addition of an AN/TPY-2 radar to BMDS acquisition planning. The MDEB also established a Defense Science and Technology Advisory Group which reviews and assesses critical technologies that support missile defense missions and their maturity levels. Another example of the MDEB's oversight of and influence on missile defense programs was the decision to acquire capabilities recommended by the Joint Staff-performed Joint Capability Mix II study. The Joint Capability Mix study assessed the mix of upper tier missile defense weapons and sensors required for near simultaneous Major Combat Operations. I'd also like to address the significant impact the Deputy Secretary of Defense mandated Ballistic Missile Defense System Life Cycle Management Process (LCMP) has had on the preparation and execution of the Missile Defense Agency's plans and budgets. The September, 2008 guidance provided for the participation of the MDA; the Office of the Secretary of Defense; the Strategic Command Commander; other Combatant Commanders; the Joint Staff and the Military Departments in an annual process to identify capability and support requirements, balance resources and technical capabilities, and prepare a Ballistic Missile Defense System program and budget. For the last two years, the Department has executed the LCMP to derive comprehensive Departmental involvement and influence on the Missile Defense Agency's plans and budgets. A key element, which provides the foundation for the LCMP is the input provided by the OFSC derived from the Strategic Command's Warfighter Involvement

Process. An output of this process is a Missile Defense Prioritized Capability List that documents operator capability requests and is reviewed and endorsed by the MDEB. MDA provides a formal response which in turn facilitates our assessment of MDA program plans against desired capabilities. This is an example of how the Department is ensuring warfighter involvement in the development of missile defense programs and is similar to the Joint Capabilities Integration Development System that generates requirements for other programs.

The MDEB has provided a consistent venue for missile defense prioritization, planning and execution. With continued interest across the Department and the involvement by a broad range of stakeholders, the MDEB will continue to be a force as BMDS operations continue.

Conclusion

In summary, the Department's missile defense activities continue at a high pace. While development of air and missile defense capabilities remains of critical importance, we have made hard choices in this portfolio in the FY2012 budget. The MEADS decision was but one of these hard choices. The Department will continue to seek ways to wring out the maximum capability from our investments in air and missile defenses.

The Department is ensuring proper management and oversight of this complex portfolio through its effective utilization of the Missile Defense Executive Board. We are taking prudent steps to transition and transfer individual elements to the Lead Military Departments at the appropriate time for operation and support. Continued cooperation

between the MDA, OSD, the Military Departments, the Joint Staff, and COCOMs will be critical to long-term success of the BMDS.

We are grateful for the continued support of Congress which has been critical to the success to date in developing and fielding missile defenses. Thank you for this opportunity to testify on our management and oversight of the Department's missile defense program. I look forward to answering any questions you might have.