

DEPARTMENT OF DEFENSE

Office of the Secretary

(Transmittal No. 07-40)

36(b)(1) Arms Sales Notification

AGENCY: Department of Defense, Defense Security Cooperation Agency.

ACTION: Notice.

SUMMARY: The Department of Defense is publishing the unclassified text of a section 36(b)(1) arms sales notification. This is published to fulfill the requirements of section 155 of Public Law 104-164 dated 21 July 1996.

FOR FURTHER INFORMATION CONTACT: Ms. B. English, DSCA/DBO/CFM, (703) 601-3740.

The following is a copy of a letter to the Speaker of the House of Representatives, Transmittal 07-40 with attached transmittal, policy justification, and Sensitivity of Technology.

Dated: August 8, 2007.

C.R. Choate,

Alternate OSD Federal Register Liaison Officer, Department of Defense.

BILLING CODE 5001-06-M



DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

AUG 03 2007

In reply refer to:
I-07/008286-CFM

The Honorable Nancy Pelosi
Speaker of the House of Representatives
Washington, DC 20515-6501

Dear Madam Speaker:

Pursuant to the reporting requirements of Section 36(b)(1) of the Arms Export Control Act, as amended, we are forwarding herewith Transmittal No. 07-40, concerning the Department of the Navy's proposed Letter(s) of Offer and Acceptance to Spain for defense articles and services estimated to cost \$780 million. After this letter is delivered to your office, we plan to issue a press statement to notify the public of this proposed sale.

Sincerely,

A handwritten signature in cursive script that reads "Richard J. Millies".

Richard J. Millies
Deputy Director

Enclosures:

1. Transmittal
2. Policy Justification
3. Sensitivity of Technology

Same ltr to:

House

Committee on Foreign Affairs
Committee on Armed Services
Committee on Appropriations

Senate

Committee on Foreign Relations
Committee on Armed Services
Committee on Appropriations

Transmittal No. 07-40

**Notice of Proposed Issuance of Letter of Offer
Pursuant to Section 36(b)(1)
of the Arms Export Control Act, as amended**

- (i) **Prospective Purchaser:** Spain
- (ii) **Total Estimated Value:**
- | | |
|--------------------------|----------------------|
| Major Defense Equipment* | \$461 million |
| Other | <u>\$319 million</u> |
| TOTAL | \$780 million |
- (iii) **Description and Quantity or Quantities of Articles or Services under Consideration for Purchase:** Major Defense Equipment: two MK 7 AEGIS Weapons Systems; two MK 41 Baseline VII Vertical Launch Systems; and two MK 45 MOD 2 5" Gun Mounts. Non-MDE includes: AN/SLQ-25A Torpedo Countermeasure System; UHF SATCOM Terminal; AN/WSN-7, Ring Laser Gyro; AN/ARR-75, Radio Receiving Set; Aviation Support System; MK III Shipboard System Light Airborne Multi-Purpose System (LAMPS); AN/BQN-7A, Bathythermograph Set; AN/WSN-8A, Digital Electromagnetic Log; Common Data Link Management System (CDLMS)/Command and Control Processor (C2P); Multifunctional Information Distribution System on Ships; MK 162 MOD 1 Shipboard Gridlock System; Navigation Sensor System Interface (NAVSSI)/Global Positioning System; AN/SLA-10B, Video Blanking Equipment. Also included are system integration and testing, communications and support equipment, computer programs and maintenance support, ship integration, spare and repair parts, supply support, publications and technical data, training, U.S. Government and contractor technical assistance, and other related elements of logistics support. The estimated cost is \$780 million.
- (iv) **Military Department:** Navy (LGB, Amendment 1)
- (v) **Prior Related Cases, if any:**
 FMS case LFG - \$749 million - 27Dec04
 FMS case LGB - \$456 million - 26Jun06

* as defined in Section 47(6) of the Arms Export Control Act.

-
- (vi) **Sales Commission, Fee, etc., Paid, Offered, or Agreed to be Paid:** none
 - (vii) **Sensitivity of Technology Contained in the Defense Article or Defense Services Proposed to be Sold:** See Annex attached
 - (viii) **Date Report Delivered to Congress:** AUG 0 8 2007

POLICY JUSTIFICATION**Spain – AEGIS Weapons System**

The Government of Spain has requested a possible sale of two MK 7 AEGIS Weapons Systems; two MK 41 Baseline VII Vertical Launch Systems; and two MK 45 MOD 2 5" Gun Mounts. Non-MDE includes: AN/SLQ-25A Torpedo Countermeasure System; UHF SATCOM Terminal; AN/WSN-7, Ring Laser Gyro; AN/ARR-75, Radio Receiving Set; Aviation Support System; MK III Shipboard System Light Airborne; Multi-Purpose System (LAMPS); AN/BQN-7A, Bathythermograph Set; AN/WSN-8A, Digital Electromagnetic Log; Common Data Link Management System (CDLMS)/Command and Control Processor (C2P); Multifunctional Information Distribution System on Ships; MK 162 MOD 1 Shipboard Gridlock System; Navigation Sensor System Interface (NAVSSI)/Global Positioning System; AN/SLA-10B, Video Blanking Equipment. Also included are system integration and testing, communications and support equipment, computer programs and maintenance support, ship integration, spare and repair parts, supply support, publications and technical data, training, U.S. Government and contractor technical assistance, and other related elements of logistics support. The estimated cost is \$780 million.

This proposed sale will contribute to the foreign policy and national security objectives of the United States by improving the military capabilities of Spain and enhancing standardization and interoperability with U.S. forces. This proposed sale will improve the Spanish Navy's ability to participate in coalition operations, provide common logistical support with the U.S. Navy, and enhance the lethality of its new frigate program. Spain will have no difficulty absorbing these additional AEGIS systems into its armed forces.

The proposed sale of this equipment and support will not affect the basic military balance in the region.

The principal contractors will be:

Lockheed-Martin Maritime System and Sensors, Moorestown, New Jersey
Raytheon Company, Equipment Division, Andover, Massachusetts
General Dynamics, Armament Systems, Burlington, Vermont
Lockheed Martin Maritime Systems and Sensors, Eagan, Minnesota

Offset agreements associated with this proposed sale are expected, but are undetermined at this time, and will be defined in negotiations between the purchaser and contractor.

Implementation of this proposed sale will not require the assignment of any additional U.S. Government or contractor representatives to Spain.

There will be no adverse impact on U.S. defense readiness as a result of this proposed sale.

3. If a technologically advanced adversary were to obtain knowledge of the specific hardware or software in this proposed sale, the information could be used to develop countermeasures that might reduce weapon system effectiveness or be used in the development of a system with similar or advanced capabilities.

Transmittal No. 07-40**Notice of Proposed Issuance of Letter of Offer
Pursuant to Section 36(b)(1)
of the Arms Export Control Act****Annex
Item No. vii****(vii) Sensitivity of Technology:**

1. The AEGIS Weapon System (AWS) hardware is **Unclassified**, with the exception of the radio frequency oscillator used in the fire control transmitter; which is classified **Confidential**. AEGIS documentation in general is **Unclassified**; however, seven operation and maintenance manuals are classified **Confidential**, and one AEGIS maintenance manual supplement is classified **Secret**. The manuals and technical documents are limited to those necessary for operational and organizational maintenance.

2. While the hardware associated with the AN/SPY-1D(V) radar is **Unclassified**, the computer programs are classified **Secret**. It is the combination of the AN/SPY-1D(V) hardware and the computer programs that constitutes the sensitive technology aspects. The AN/SPY-1D(V) radar hardware design and production data will not be released with this proposed sale. Some computer program documentation at the **Secret** level explaining the capabilities of the systems will be released to support Spanish understanding of US computer program development efforts.

3. If a technologically advanced adversary were to obtain knowledge of the specific hardware or software in this proposed sale, the information could be used to develop countermeasures that might reduce weapon system effectiveness or be used in the development of a system with similar or advanced capabilities.