

Statement of Senator Thomas R. Carper, Chairman

Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security

Committee on Homeland Security and Governmental Affairs

“Addressing Cost Growth of Major DoD Weapons Systems”

September 25, 2008

The subcommittee will come to order.

I would like to thank my colleagues, our distinguished witnesses and guests for joining Senator Coburn and me today. Thank you for your willingness to share your views on how Congress should address the cost growth of major Department of Defense (DoD) weapons systems.

Currently, the financial strain on Americans is daunting, and the government must watch every dollar it spends and stretch every dollar it collects from taxpayers. The problems we face are numerous:

- Every day, more and more families lose their homes to foreclosure, and as a result, their neighbors face a devaluation of their own homes.
- More Americans are losing their jobs, as unemployment rates are at their highest level in five years.
- The cost of both food and gas has skyrocketed in recent months, making it harder for Americans to fill up the tank and put food on the table.
- And just last week, some of the nation’s oldest financial institutions folded, warning of a potential stock market crash and threatening the security of retirement investments for millions of Americans.

Given the times we live in, every dollar the government spends inefficiently is a dollar that is not spent to help the American taxpayers deal with these financial strains.

This subcommittee must look at every aspect of the federal government, and we must make sure that government spending is working for Americans and not against them. And this means that we must look to see if the Department of Defense—where some of the most costly items in the federal budget reside—is also spending taxpayer dollars efficiently.

Some of you may remember that this time last year, this subcommittee took a look at a small portion of defense spending. We investigated whether we were achieving strategic airlift—our ability to move troops and cargo over long distance by air—in a cost-effective way.

Last September, we held a hearing to decide whether efforts to modernize our largest airlifter, the C-5 Galaxy, were still a cost-effective way to meet our strategic airlift needs.

We learned that there were ways to reduce the costs of modernizing our C-5 fleet, and I am happy to say that Undersecretary of Defense John Young—who sent his deputy here to testify today—was a key player in helping enact these cost reductions.

As a result of those cost reductions, we now know we can modernize two C-5 Bs for roughly the cost of buying a brand new C-17, which cannot hold as much cargo or fly as far as a modernized C-5 B.

One year later, we are here to apply the process of identifying and enacting cost reductions on a broader scale.

This hearing will examine the cost growth of some of DoD's largest weapons systems and some of the problems the department has had with delivering these systems on time and under budget, and this hearing could not come any sooner.

Last April, the Government Accountability Office (GAO) released its annual assessment of DoD's major acquisition programs and revealed that the cost overruns on DoD's 95 largest acquisition programs have now amounted to \$295 billion over their original program estimates, putting the sum total of these acquisitions costs at \$1.6 trillion.

This overrun is staggering, especially when we compare it to previous years.

In FY2000, DoD had 75 major acquisitions programs that experienced overruns of \$42 billion. In FY2005, DOD had 91 major acquisition programs accounting for \$202 billion in cost overruns. And in FY2007, we had 95 programs for \$295 billion in cost overruns. That's 20 new programs and about seven times as much cost growth as just seven years earlier.

To say that \$295 billion is a lot of money is an understatement, and the fact that it was spent inefficiently is beyond troubling.

During a Senate Armed Services Committee hearing in June on the same topic, the Chairman and good friend, Senator Levin, outlined what the Department of Defense could have bought with that same \$295 billion. I would like to take that a bit further and ask what the federal government could have done with \$295 billion.

- For about \$85 billion, we could pay for our operations in Iraq through the spring of 2009 without having to rack up additional federal debt.
- For \$10 billion, we could fix all of New Orleans' levees.
- For \$20 billion, we could create an Apollo Project effort that will help transition 85% of our automobiles to non-petroleum based fuels within 20 years.

- For \$35 billion, we could pay for the State Children’s Health Insurance Program, which Congress passed already this year, but the President vetoed.
- For another \$35 billion, we could provide universal preschool for all children ages 3 to 4 years old for the next 10 years.
- For \$50 billion, we could add two Army divisions (approximately 40,000 soldiers) to the active duty end-strength of the U.S. Army over the next 10 years.
- And, for \$60 billion, we could meet all demands for passenger rail corridors nationwide.

Or, we could take a different route and use these federal funds to pay for a little less than half of the President’s \$700 billion dollar Wall Street bailout that Congress is considering this week.

Clearly, we could have tackled the major problems our country faces with these funds.

I hope that however we spent this \$295 billion, it was worth it. I hope that DoD used this money to buy the silver bullet that will help us secure Iraq, and defeat al-Qaeda and the Taliban in Afghanistan and Pakistan.

However, that’s for another hearing altogether. We are not here to look at what we have spent this money on. Rather, we are here to look at the flaws in the defense acquisition system, which has led to our collective wallets being \$295 billion lighter.

When the Senate Armed Services Committee looked at this issue in June, Chairman Levin and the committee’s senior members—along with the GAO—identified four factors that led to this situation:

First, DoD program officials and contractors gave unrealistic cost and schedule estimates.

Second, DoD program officials put forward unrealistic performance expectations for the development process of DoD’s major weapon systems.

Third, the problems posed by these unrealistic estimates have been compounded by the fact that DoD is advancing weapon systems through the development process with immature technologies that need to be cultivated?? before moving to the next phase.

Finally, we—both DoD officials and federal legislators—are changing program requirements for DoD’s major weapon systems in the middle of the development process, which contribute to pushing these systems over-budget and off-schedule.

The goal of this hearing is to further investigate how these four factors have produced this untenable situation. Our witnesses today will address these four factors and how we can plug the holes in this inefficient acquisition process.

Senator Coburn.