Statement for the Record

to the

House Armed Services Committee

Strategic Forces Subcommittee

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For

Space and Intelligence

Thank you, Chairman Rogers, Ranking Member Cooper, and members:

It is my pleasure to be part of this distinguished panel, representing the spectrum of disciplines that are key to ensuring the success of our space acquisition programs; from policy and governance, to acquisition oversight, program execution and finally to our critical partnership with the Intelligence Community.

In that vein, I would like to highlight the activities we have undertaken to provide a coherent, balanced national security space program that prepares for future challenges, supports our Strategic Guidance to sustain United States global leadership and represents our commitment to accomplish these goals while executing affordable programs, improving efficiency in execution and strengthening the industrial base.

Significantly, this year the Under Secretary of Defense for Acquisition, Technology and Logistics restructured the Evolved Expendable Launch Vehicle program to provide a more efficient contracting strategy for acquiring space launch services and associated launch capabilities for the Department of Defense and the Intelligence Community satellite programs. The revision enables new commercial entrants to compete with the incumbent launch provider, and we are moving forward to introduce competition as early as possible. The new EELV acquisition strategy allowed us to direct the Air Force to fund to a new, reduced cost profile. The Department is still buying 50 cores under the EELV program, but 14 of the 50 are available for competition. The remaining 36 are not available for competition because the payload is too heavy or it must be launched before the new entrants could be certified.

These actions resulted in an estimated savings of over $1B in the Future-Year Defense Program over the Fiscal Year 2013 President's Budget estimate, opening launch services and missions to competition, without excessive and unacceptable risk. These changes have sparked interest in the commercial launch services market. Two companies have begun the process outlined in the EELV New Entrant Certification Guide, published by Space and Missile Systems Center (SMC) in 2011, by delivering statements of intent to achieve certification.

We are moving forward with the deployment of Joint Space Operations Center Mission System Increment 1 in parallel with acquisition decisions on Increment 2. As you know, JMS replaces legacy capabilities with sustainable hardware, open and evolvable software architectures and best of breed space situation awareness tools to ensure we effectively phase each increment for deployment. This has allowed us to streamline processes and quickly move the program to execution.

Last year, I testified that in Fiscal Year 2012 we evaluated space acquisition reform initiatives. I'm pleased to report that in Fiscal Year 2013, these initiatives are integrated into the Department's Better Buying Power 2.0 to better manage the costs of acquisition, while achieving affordable programs. We are refining our contract strategies to incentivize productivity and innovation, and to promote effective competition. Our coordination with industry at each step is critical to developing new business models that can be supported by these types of contract strategies.

As we continue to consider potential alternative acquisition and procurement strategies, we are committed to a disciplined cost approach that incorporates incremental funding. We have established affordability targets for the majority of our large, critical space programs, such as the Advanced Extremely High Frequency satellites, Space Based Infrared System, EELV and the Global Positioning System. I've already mentioned the cost savings we have realized as a result of this approach and the new acquisition strategy for EELV. We are applying these affordability targets in several different ways though, and these initiatives are well underway.

Consistent with the Fiscal Year 2012 National Defense Authorization Act (NDAA) that authorized up to six fiscal years incremental funding to procure two Advanced Extremely High Frequency satellites, we have incrementally funded the AEHF 5-6 production contract in the Fiscal Year 2014 President's Budget. The savings from this fixed price strategy will support continued Space Modernization Initiative (SMI) research and development (RDT&E) activities. We will determine the actual amount of savings when a final price is negotiated, which we expect early this summer.

To achieve stability, the Department is pursuing a similar approach for the Space-Based Infrared System and has funded the follow-on production of two satellites in Fiscal Year 2014 to sustain our strategic and tactical warning capability. The actual amount of savings will be known when the production contract is awarded.

The Department is implementing various better buying power initiatives to make GPS more affordable and to ensure we sustain this critical utility. The Air Force modified their acquisition strategy for the

current buy of GPS III satellites 5-8 from a cost-plus to a fixed-price contract. This will limit risk to the government and encourage the prime contractor to implement cost-cutting measures. The modified strategy leverages efficiencies gained from a stable production line that will drive down unit costs and allow the Department to invest the savings to on-ramp additional capabilities when the risk is low, the technology is mature and it is affordable. Industry has also initiated cost saving measures for the proposed follow-on to the first block of GPS III satellites by using new materials and new technology. Just as important as the affordability initiatives for the satellites is the Department's funding of an assessment to determine the whether to accelerate the Military GPS User Equipment (MGUE) program and the development of the Next Generation Operational Control System, OCX, which is required to enable a new military signal to further improve our GPS anti-jamming capability. Our Fiscal Year 2014 program also funds the efforts to synchronize all three of these segments: space, control and users, a critical contribution to ensuring we "protect the future" of our warfighting capabilities. We are continuing to look to the future, to the strategic transition and rebalancing described in our 2012 Defense Strategic Guidance, *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*.

Last year, I testified that the Defense Space Council provided in-depth review and recommendations of space issues for the Deputy's Management Action Group (DMAG) making a marked improvement in Fiscal Year 2013's program budget review. I'm pleased to report this year the Defense Space Council focused senior management attention for the Fiscal Year 2014 budget review, resulting in investments to

improve space protection and ensure forces can operate through a degraded space environment.

As you know, we are committed to balancing the modernization of mission capability with the associated risks, both in acquisition and operations. The Department's RDT&E activities focus on addressing obsolescence, technology development and prototyping. It is of paramount importance that we deliver to the warfighter the capabilities they will need in the future, even as we provide them the flexibility to operate globally and locally. We funded the Space Fence in Fiscal Year 2014, which, when fielded, will significantly increase space situational awareness and provide revolutionary improvement to small object detection The 2014 Budget Proposal increased investments over last year in the Space Modernization Initiative for missile warning to inform future acquisition decisions and anticipate evolving threats. We are also assessing how to take better advantage of commercial opportunities. We will continue to pursue more production-oriented processes and quantities, as part of each overall mission architecture. This approach may result in greater affordability and reduced time-to-fielding in the future.

We have established an improved process for defining future space architectures. Last year, I testified that the Defense Space Council chartered three space architecture studies in Fiscal Year 2012. I'm pleased to report we completed the architecture studies for Resilient Based Satellite Communications (SATCOM), Space Control, and Overhead Persistent Infrared. These studies helped the Department frame potential decision points for follow-on capability, including alternatives to extend production for current programs. In Calendar

Year 2013, the Defense Space Council is providing senior steering for on-going Analyses of Alternatives for Space-Based Environmental Monitoring, Space Situation Awareness, and Protected SATCOM, to determine the specific decisions we need to make going forward. The capabilities we are considering are far-ranging; they include commercial augmentation, international cooperation, hosted payloads and other key changes to the way we have done the space business in the past. All of these initiatives are included in our second submission of the 15 Year Space Systems Investment Plan that we will deliver to Congress this Spring. Our investment plan also considers the effects of our budget decisions on the industrial base and its capacity to "flex" with us in the future, while keeping it strong and able to provide the resources we need for tomorrow's capabilities. As I have mentioned, to strengthen the industrial base, we need stability and predictability for the integrators, capable and reliable suppliers over time (protecting our second and third tier) and incentives that will improve productivity and industry investment, in other words a realistic long term plan. We are working these issues with our industry partners every day, but we are also taking a critical look at the real interactions between those suppliers in the space industrial base and the effects that our acquisition decisions have on them. We want to ensure decision-makers consider the full spectrum (science and technology, acquisition, operations and support, policy, work force, and civil and commercial factors) of industrial base issues when developing and executing policies, plans, and programs, and coordinate similar activities with the U.S. civil and commercial space community. We are looking at the health of our space industrial base and while there were a few exceptions, the space sector, as a whole, is financially sound. We are

also being supported by a comprehensive deep dive by the Department of Commerce that is investigating the interdependencies and vulnerabilities of the Space Supply Chain. It will give us a baseline to measure against and to ensure that we support the maintenance of the health of the space industrial base in the future. Additionally, as a result of legislative changes enacted as part of the 2013 National Defense Authorization Act, we have a path to opening up greater international markets for U.S. satellite manufacturers. In the coming year, we expect to implement new rules to enhance the competitiveness of the space industry through the completion of International Traffic in Arms Regulations modifications.

And finally, thank you for your continued support. Overseeing space acquisition requires a constant, steady hand over a long period of time; we appreciate your willingness to engage with us as we consider all of the ramifications of the various architecture alternatives, business models and industry impacts we are addressing to provide a space capability that addresses warfighter needs, prepares for future challenges, looks after the broad range of our national security interests, and protects the United States taxpayer.