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SENATE COMMITTEE
ON ARMED SERVICES**

**TESTIMONY OF
THE HONORABLE DR. JAMES I. FINLEY
DEPUTY UNDER SECRETARY OF DEFENSE
(ACQUISITION AND TECHNOLOGY)**

**BEFORE THE UNITED STATES SENATE
COMMITTEE ON ARMED SERVICES
SUBCOMMITTEE ON AIRLAND**

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Multiyear Procurement of the F-22 Raptor

**The Honorable Dr. James I. Finley
Deputy Under Secretary of Defense
(Acquisition and Technology)**

Chairman McCain, Senator Lieberman, and Members of the Committee: I am pleased to come before you today to talk about multiyear procurement of the F-22 Raptor.

Multiyear procurement (MYP) is a valuable acquisition strategy by which the Department of Defense can buy weapon systems more efficiently and provide benefits to the taxpayer. MYP also enables broader planning and control for labor and the associated resource needs. MYP has been successfully utilized for a variety of weapon systems.

In my judgment the F-22 and its F119 engine MYP acquisition strategies meet each of the six statutory criteria established by 10 U.S.C. 2306b(a), which are summarized as follows:

CRITERION 1: The first criterion is that the three-year MYP will result in substantial savings when compared to three, single year procurements (SYP).

RESPONSE 1: The Institute for Defense Analyses (IDA) conducted a Business Case Analysis (BCA) of a MYP vs. SYP acquisition strategy. The basis for the BCA was the President's Fiscal Year 2007 Budget (PB07). IDA utilized its integrated aircraft cost model that was used for the 2005 F-22 Independent Estimate for the F-22. The model was updated to reflect recent production cost, negotiated Forward Pricing Rate Agreement wage rates and inflation rates that correspond to the Bureau of Labor Statistics. Production rates of 20 aircraft per year were utilized in the model.

The savings of MYP vs. SYP is estimated to be \$225M (\$3.7M per aircraft). This is for both the air vehicle and F-119 engines. This savings is considered substantial in terms of absolute savings and therefore, criterion 1 is considered to be satisfied.

CRITERION 2: The second criterion is that the minimum need is expected to remain substantially unchanged in terms of production rate, procurement rate, and total quantities, providing for stability of the requirement.

RESPONSE 2: The PB07 MYP provides for a production rate of 20 aircraft per year for three years. This reflects a steady production rate that will enable stable procurement planning for a total quantity buy of 60 aircraft. In addition, the MYP supports the QDR and sets forth a balanced portfolio of tactical aircraft assets as described in the Joint Air Dominance (JAD) Study, performed to support the Quadrennial Defense Review (QDR).

One of the QDR recommendations was to support the tactical aircraft industrial base by stretching out F-22 production until we gain confidence in Joint Strike Fighter production, in order to maintain an active production capacity and sustain aircraft vendors and suppliers until we ramp up Joint Strike Fighter production. The MYP strategy achieves that recommendation. The JAD Study showed that a balanced force structure mix of fifth-generation fighters, with legacy F/A-E/F's, F-15E's and conventionally armed bombers, best met our requirements. Buying fifth-generation tactical aircraft assets (F-22 and Joint Strike Fighter), for both the Air Force and the Navy, optimized capability, affordability, and mitigated risk better than other options. Therefore, criterion 2 is considered to be satisfied.

CRITERION 3: The third criterion is that there is a reasonable expectation that, throughout the contemplated contract period, the head of the agency will request funding for the contract at the level required to avoid contract cancellation.

RESPONSE 3: The Secretary of the Air Force, the Honorable Mr. Michael Wynne, in his May 16, 2006, letter addressed to the Chairman of the Senate Armed Services Committee, said that the Air Force intends to fund and procure 60 aircraft to the level to avoid contract cancellation costs. I support Secretary Wynne's commitment. If a MYP of the F-22 is approved by the Congress, the Department expects that sufficient funding will be requested to avoid contract cancellation, and therefore criterion 3 is considered to be satisfied.

CRITERION 4: The fourth criterion requires a stable design for the F-22 and that the technical risks associated with such property are not excessive.

RESPONSE 4: The F-22 has significant production maturity, consisting of 2 pre-production, and six production lots prior to the first MYP. The aircraft design and manufacturing processes have been proven and are considered stable. The F-22 successfully completed Initial Operational Test and Evaluation (IOT&E), which was focused on the air superiority mission. The first phase of Follow-on Operational Test and Evaluation, which was focused on air-to-ground mission testing using the Joint Direct Attack Munition (JDAM), has also been completed. The Department is working on modernization improvements to the F-22. Examples of modernization changes are software, electronics, processors, and subsystem, components to address parts obsolescence. Such changes as are not unusual during multiyear procurements. Therefore, criterion 4 is considered satisfied.

CRITERION 5: The fifth criterion for MYP require that the estimates of both the cost of the contract and the anticipated cost avoidance through the use of a multiyear contract are realistic.

RESPONSE 5: The BCA from IDA provided an independent analysis of the F-22 MYP. The basis of the BCA was derived from an extensive Independent Estimate of F-22 acquisition costs for Congress in August 2005. Both the BCA and Independent Estimate are considered realistic, and therefore criterion 5 is considered satisfied.

CRITERION 6: The sixth criterion for MYP is that the use of such a contract will promote the national security of the United States.

RESPONSE 6: The F-22 is in full rate production, flying today, and is ready for combat. It is the world's first fifth-generation fighter – an aircraft with superior survivability, lethality, and maintainability. It provides a unique combination of warfighting capabilities that are critical to ensure United States air dominance and promote the national security of the United States. Therefore, criterion 6 is considered satisfied.

In closing, Mr. Chairman, thank you for the opportunity to provide my views concerning the F-22 MYP. I am fully committed to work together with you and the Congress to address the F-22 MYP and provide responsible stewardship of taxpayer resources. I am at your ready to answer any questions you and the members of the Committee may have.