

NOT FOR DISTRIBUTION UNTIL RELEASED BY
THE HOUSE ARMED SERVICES COMMITTEE

STATEMENT OF

MR. GIL I. KLINGER
DEPUTY ASSISTANT SECRETARY OF DEFENSE
FOR SPACE AND INTELLIGENCE

BEFORE THE HOUSE
COMMITTEE ON ARMED SERVICES
SUBCOMMITTEE ON STRATEGIC FORCES

MARCH 8, 2012

NOT FOR DISTRIBUTION UNTIL RELEASED BY
THE HOUSE ARMED SERVICES COMMITTEE

Committee on Armed Services

Thank you, Mr. Chairman, Ms Sanchez 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.

Before I start, I would like to recognize that we are in the middle of a launch campaign with an unprecedented operational tempo across national security space programs since the inception of the EELV program. The successes reflect the combined efforts of our government and industry team which have significantly improved and modernized our space capabilities across all mission areas, even as we are experiencing a significant period of transition for our space systems; a transition that began with the end of the Cold War and continues.

The environment in which we operate evolves and transforms: you've heard us talk about the environment we are operating in, while space was not a benign environment in terms of man-made threats during the Cold War, even that threat environment has been transformed. U.S. space capabilities are subject to a host of new threats including kinetic threats, non-kinetic threats such as jamming, and cyber threats originating from both state and non-state actors.

Every day we have visible signs that the importance of space to U.S. national security and national economic security continues to increase, making space capabilities not only an asymmetric strength and advantage, but also a potential vulnerability. That strength extends to our robust commercial space sector, offering the possibility of provisioning more of our national security space needs with their goods and services. We do need to balance this increased use against (1) a business case that shows that use of commercial goods and services are in our best interest, as well as those of our commercial vendors and providers; (2) the ability to meet our often more stringent and sometimes unique requirements for national security; and (3) that transition can be accomplished in an affordable and secure manner. Cast against this backdrop are the trades we

make whether or not to ease some of our legacy requirements in order to take greater advantage of commercial and allied capabilities.

That transition also has rippled through our space acquisition system which has historically focused on performance driven, edge-of-technology and engineering capacity; we consistently looked to push the edge of the “art and science” of the possible. We could afford this approach because the “addressable market” for most of these capabilities was relatively small as compared to the overall size of U.S. military forces and intelligence users, and these users were often more than not homogenous in their needs and demands. Acquisition of space capabilities frequently and consistently had a “first and often unfettered” call on the resources of the Defense Department and Intelligence Community as compared to many other capability areas.

We no longer have this luxury; space capabilities are now integrated and inextricably bound up in the “nervous system” of U.S. military forces and intelligence capabilities; users of U.S. national security space capabilities are both numerous and diverse in their requirements. Often, maintenance and continuity of service have become as or more important than pushing the envelope to achieve new performance capabilities. In fact, many of our space capabilities have become the “dial tone” of national security. And like the dial tone of our telephones, we take their availability and presence for granted, noticing only when there is an unplanned service interruption. This reality places a special responsibility on those who work in space acquisition to improve the timelines of delivery of new capabilities. We also must focus on ensuring our space architectures are sufficiently robust and resilient to operate through natural and man-made threats.

To ensure our “dial tone” is uninterrupted, we are recapitalizing virtually all of our space “lines of business” at precisely this time of sharply constrained resources, and even at a time that the Nation remains at war and many other sectors of our military are also undergoing refurbishment and recapitalization.

In this environment, here are some of the things we’re doing in the acquisition business to position DoD and our cooperative working relationship

with the Intelligence Community to maintain our leadership position and ensure that our forces have the space capabilities at their disposal to meet requirements. We are committed to a balanced space acquisition process that prepares for future challenges, supports our Strategic Guidance to sustain U.S. global leadership and represents our commitment to accomplish these goals while executing affordable programs, improving efficiency in acquisition execution, and strengthening the industrial base.

This requires us to pursue the challenge of a new strategic framework which informs divestment and investment decisions across all space lines of business. Our challenge for this framework is to accomplish our mission, while making the solutions more affordable. We must have a firm understanding of what capabilities we need now and in the future, how those capabilities interface with other domains, and determine if there is a smart way to reduce cost while maintaining the resources to protect our “seed corn” of promising technologies and most importantly, maintaining continuity of service. We have to be able to answer the questions: (1) how much of what kind of space capabilities are sufficient to meet our known and enduring requirements; (2) how much can we afford to invest to maintain a viable industrial and technology base to ensure it is there when we need it -- and also be able to explore the next generation of breakthrough technologies whose “ancestors” are the predicate for the capabilities we currently have on orbit. As one example, in FY13, we protected funding for upgrades to both the Space Based Infrared System (SBIRS) and Advanced Extremely High Frequency (AEHF) programs.

We are demonstrating our stewardship of these investment decisions by the emphasis we have placed on “should cost” in our acquisitions, under the auspices of the Department’s Better Buying Power initiatives. It is not our intention to reduce corporate profit rightfully earned; we are concentrating on taking the cost out of programs. The simple reality is this: there is simply too much program in the pipeline for the resources that are likely to be available, and we must either find ways to reduce costs, stop buying, or go elsewhere. “Should cost” will be the government point of departure for negotiations with industry partners. We’re putting greater scrutiny on executing oversight earlier in the

acquisition process to enable Program Managers to focus on execution once approvals are obtained. In addition, affordability will be a key performance parameter at Milestone A; this is a significant change for DoD in general, particularly for the space acquisition community. At Milestone B, the engineering trades will show us how each key design feature affects the target cost, enabling us to make more informed cost/performance trades.

As we make significant progress in improving and innovating our acquisition processes, we cannot afford inefficiencies. Over the last year we have evaluated several proposals to improve our acquisition and procurement of space systems, drive down costs, improve industrial base stability, and focus technology investment. These include fixed price contracts, more innovative contracting, and evolutionary upgrades where those make sense. These improvements take advantage of “virtual” fixed price contracting, revised incentives and contract structures for primes, block buys, and technology development integrated into the acquisition strategy. As an example, our budget proposal requested coordinated block buys, funded across multiple fiscal years, for both AEHF 5/6 and SBIRS GEO 5/6 to take advantage of the efficiencies. Also, to avoid the budgetary and programmatic risks often associated with incrementally funding major weapons programs – and in order to ensure full funding – are again requesting the use of advance appropriations for procuring these satellites.

To strengthen the industrial base, we need stability and predictability for the prime contractor and system integrators, and for suppliers (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.

One of the core Better Buying Power initiatives that we are stressing with our industrial partners is to place as much emphasis on engineering for cost reduction and avoidance as we have historically placed on engineering for performance. Placing greater emphasis on cost control and avoidance does not necessarily entail a reduction in mission assurance. In addition, we will shift our

space acquisitions to implement evolutionary introduction of new technologies, and ensure more stable production lines of satellites.

The benefits to industry and the technology base are clear: there will be more reliable and stable demand, more predictable opportunities for introducing new upgrades to technology, and more stability at the prime and second/third tier suppliers.

The goals we are pursuing in our space acquisition processes will sustain space capabilities in support of Combatant Commanders, modernize our space force structure where it is technologically feasible, and evaluate opportunities to leverage commercial partnerships where prudent. The decisions we are making are a direct consequence of the extremely challenging budget cuts that were necessary across the entire DoD. For example, following the Congressional FY12 reduction to the Defense Weather Satellite System (DWSS), for FY13 we developed a new strategy to move forward and we are assessing more affordable alternatives to meet our requirements. We are also assessing the technologies, concepts, and lessons learned from the operational support of the current ORS-1 and TacSat-4 vehicles for integration of responsive space techniques and tenets into other programs across the broader space acquisition community.

Individual affordability initiatives, however, are hollow if they are not supported by a leadership and governance structure which provides the necessary collaborative and more agile oversight and “follow-through”. The Defense Space Council (DSC), led by the Executive Agent for Space, is the embodiment of the governance and leadership changes we needed to reflect the diversity of interests in space capabilities and the Department’s need to rationalize governance of space issues, including acquisition matters. As the OSD Focal Point and Co-Executive Secretary of the DSC, with the EA for Space, our office works closely with Ambassador Schulte’s space policy office, other OSD components, the Air Force, other Services, the NRO, and the ODNI to ensure that we are addressing issues in an integrated manner, and that OSD is speaking with one voice on space issues.

The DSC had a singular impact on the Department's Program Review by providing in-depth review and recommendation of space issues for the Deputy Secretary's Management Action Group (DMAG) review, and the decisions they teed up for the DepSecDef. The DSC, in collaboration with the Intelligence Community Space Board, were able to exercise a shared, disciplined process that supported programmers, the acquisition community, and the policy community, and also took into account interagency concerns. This resulted in the widespread view that the Defense Space Council role made a marked improvement to the effectiveness of the Department's decision process and improved the cooperative environment of program review.

The DSC has also chartered key architecture studies to provide a way forward. These architecture studies provide a firm understanding of what capabilities we need now and in the future, how those capabilities interface with other domains, and determine if there is a smart way to reduce cost while maintaining the resources to protect promising technologies and most importantly, maintaining continuity of service. We believe this is the key to engineering for cost, while not sacrificing performance. As you can see, we are never at a loss for mission areas across the space enterprise that require this level of in-depth analysis, or architectures that need to be fixed. Our focus will be on answering key questions, essential to establishing an affordable way forward and improving our understanding of the tradespace.

Even as the architectures lay down the marker for future capabilities, they also establish the necessary thresholds for executing a reasonable, affordable program that meets a set of revalidated requirements, consistent with our Strategic Guidance. National security threats are not declining, if anything the complexity of the new defense guidance "*Sustaining US Global Leadership*" is increasing. The Secretary's criteria for evaluating strategic programs -- redundancy, multi-role systems and a credible value proposition -- are integral to our evaluation of space programs.

In most areas it is no longer a question of can we do something; it has now evolved to how well do we have to do something and the proportionality, or

degree to which we must do it. This is a fundamentally different business model for us.

Our sustaining strategy must be to maintain current capabilities while building the needed capabilities to address tomorrow's threats, while simultaneously maintaining essential industrial capacity and acquisition program stability.

Thank you for the opportunity to present the Department's space acquisition strategy and goals to this distinguished committee.