

yesterday on the selected acquisition reports (SAR's) situation. First of all, I might say that I never paid much attention to SAR's before I became a member of the Department of Defense. I did not really know how to read them, and I did not regard them as that important. They were not considered a management tool.

However, they do indicate some measure of discipline. They also indicate that some things must be going right if because under the same ground rules from year to year, as the reporting shows, for this last year there was a significant decrease in its costs. Actually, the increases in costs as compared to previous years that occur from year to year in a specific group of weapons.

As all of you know, the SAR's include inflation; as well as increased quantities, and any number of things which add to the projected cost of the weapons system.

We in the Pentagon, did not lay down the ground rules for SAR's. These were laid down by Congress, and as I think you and Senator Cohen mentioned earlier, they are prepared according to a formula.

We, in reporting this to the press yesterday, were not attempting to hide anything, because we revealed the problems as well as we could. We highlighted the fact that the Trident submarine was being treated differently this year than it was last year along with the rationale for that.

Unfortunately however, that information was reported by the press as a claimed savings by the Department of Defense. We did not claim any savings. I do not believe the word was ever used.

What we were trying to do was to explain the SAR, and explain how we had avoided or managed to control increased projected costs of weapons systems through reduced inflation and more accurate inflation estimates to project quantity costs. We were addressing the whole formula for the SAR.

In recording the SAR's for this quarter, we did nothing unusual from previous quarters. We report them the same every quarter. For each quarter we report increases and decreases in several categories: Quantity, milestone schedule, estimating, support, and engineering.

One could always argue about whether or not it is appropriate to include certain items in the SAR's. We don't have any control over that. That is dictated by Congress. We decided not to include the derivative fighter program until a decision is made on which alternative is chosen, whether it is the F-16 or the F-15.

The point was made about that in the press. The fact is, the decision has not been made.

We cut the ALCM missiles from that SAR because of the decision to proceed with the advanced cruise missiles. This is a highly classified program, and, therefore, there is no SAR on that program.

There was no revision to the 15-ship Trident program. We dropped seven submarines from one SAR and put them into a new SAR so that we could clearly separate the costs of those new submarines equipped with a new D-5 missile from those equipped with the C-4 missile.

We also submitted a new SAR for the D-5 missile program so it was appropriate to separate the missile platforms also.