

the outset of programs, and controlling costs and cost growth during programs.

1. Estimating costs.

The principal cause of program cost growth is program change (or instability); specifically, unplanned program changes which DOD typically makes virtually no allowances for in its budgets. (I have been informed that somewhere between 3 and 7 percent of the total budget is ^{usually} a "planning wedge" to cover such changes -- but of course wedges of this size are soon dwarfed by the costs of changes.) DOD argues that it cannot estimate the cost of some event that is not even foreseen. It further points out that it is not permitted a substantial 'slush fund' for contingencies. Both points are correct, but there may still be remedies. Part of these remedies fall on the front end of better estimating costs, while the rest lay in the task of significantly controlling program change and therein the insupportable costs.

First, while no precision is possible in predicting what changes will occur in a program, guidelines may be developed from the experience of similar kinds of contemporaneous programs. Recommendation: DOD should be required to inform Congress at the time a program passes DSARC II (again, the decision line for Full Scale Engineering Development) not only what the program's projected cost is barring unforeseen changes, but also what the range of actual and projected total program cost growth has been for programs of similar functional and technical character for the past, say, 10 years. Likewise, DOD should be required to factor these measures of possible program growth into its decision at DSARC II.

Second, Congress can assess the direction and quality of DOD budget