

planning for the award was predicated upon executing the program as expeditiously and as businesslike as possible. As a result, the program is well ahead of where it would have been had it been executed on a more traditional basis. This has compounded the complexity and the multiplicity of factors what would eventually dictate the total cost resulting from a cancellation. Total cost would have to include not only the direct cost of the cancelled ship plus the increased cost of the remaining one, but also the other costs associated with the adverse impact on employment, the deterioration of the Government-private sector business relationships, the years of litigation that potentially would ensue, and certainly the significant step backward cancellation would mean to the Navy's overall shipbuilding program. While it is impractical to estimate all of these costs, it is reasonable to suggest that the total impact would approach the contract cost of the second of the two carriers in this unique two CVN contract.

Senator BINGAMAN. There may not be the votes to get it done, but I think it would be nice to know if we still have the option. If we are signing contracts that cost us more to get out of than it does to go ahead and perform, I think we have a major problem with the contract.

Mr. DELAUER. There is one comment that is germane. The cost of canceling those contracts would cost you more for termination liabilities than we have programed for spending on them in the next 2 years. I don't know if that is what you want to do.

Mr. THAYER. It may be that for this year, in terms of outlays, cancellation charges could cost you more.

Senator BINGAMAN. He was not comparing outlays. He was talking about the cost of buying the carriers versus the cost of canceling the contract. Because I asked him the question twice, and he was very specific on it.

I would appreciate you checking that out. I think we ought to know if that is the situation we are in and how we got there.

Mr. DELAUER. If I were the contractor, I would urge canceling the contract.

Senator BINGAMAN. That is right, as soon as they signed the contract.

Thank you, Mr. Chairman.

Chairman ROTH. Senator Sasser.

Senator SASSER. Thank you, Mr. Chairman.

It sounds to me as if the Navy Department is using the same acquisition techniques we used in getting the Clinch River breeder reactor in building these carriers. We were told it would cost more to cancel the breeder reactor than it would to build it.

Mr. Secretary, I think you can see that we are very concerned here this morning about the Department of Defense and the means and ways by which you go about acquiring weapons, and the acquisition process, and the costing out, and well we might be, because this administration is proposing, as you know, spending \$1.6 trillion over the next 5 years in the Department of Defense, principally for weapons acquisition.

This figures out to something like \$20,000 per household in this country over the next 5-year period. We are told that we need to spend 25 percent more on defense than the previous administration indicated we should. They were going up in defense spending at the rate of about 3 percent a year, as I understand it.

I am told about 80 percent of all the purchases by Government over the next 5 years, of private sector goods, will be made by the Department of Defense, when we read in the newspapers of leaks