

costs that will be incurred when the system enters full production. The analyses must also consider the adequacy of projected requirements and costs for initial spares, support equipment, and anticipated modifications to the weapon system. In all cases, the effect of new production processes on costs and for the expected savings from increased labor productivity once a system has entered regular production are considered. In reviewing recent independent cost estimates, I noted that the CAIG was responsible for raising cost estimates in several major programs -- the F-15, F-16, F-18, LAMPS, MARK III and AMRAAM.

In addition to preparing independent cost estimates for weapon systems, our cost staff also supports our resource planning by providing estimated costs of alternative programs -- that is, alternative mixes of forces and weapons. These alternatives are considered each summer by the Defense Resources Board in formulating its recommendations to the Secretary and the Deputy Secretary regarding the next year's budget and the five-year defense plan.

And finally, the cost staff has been used to support the implementation of the acquisition initiatives. By examining the cost effects of producing major weapons at different production rates, it has shown the best way to achieve greater program stability and more efficient production.

The bottom line, which is borne out by the December SARs, is that the increased emphasis on applying independent cost analysis has been instrumental in improving the quality of our defense budgets.