

tion and thanks for the work you have done in this very complicated area. It is an area where it is easy to demagog but difficult to find any conclusions.

Mr. SHELEY. I thank you for your remarks, sir.

Chairman ROTH. GAO has come out with a report that I know shows there has been an increase of costs in the major weapons systems of 36 percent. Is that correct?

Mr. SHELEY. Well, the report is not——

Chairman ROTH. For the last year.

Mr. SHELEY. For the last year. But the report you are referring to I do not believe has actually been published yet, Senator. It will be published soon, but those numbers are approximately correct. That would be as of September 30, 1982, which would not take into account the subject of the SAR's that were much discussed earlier this morning.

I do not know what that figure might be at this point. We would probably have to relook at it.

Chairman ROTH. One of my questions, of course, is that we have some kind of indication in the SAR figures that there has been some improvement, notwithstanding that it is a somewhat inaccurate characterization because of less inflation and the fact that some programs have been rolled over.

But my question to you is, A 36-percent increase during the last year would be a pretty substantial increase, would it not? Does that include quantities and inflation?

Mr. SHELEY. That would include quantities, inflation, engineering changes, almost any of the factors that drive costs up that are included in the SAR's; yes.

Chairman ROTH. One of the reasons I raise that is it seems to me that apparently we have been dealing with a mixed bag as far as figures. If I am going to be critical of a 36-percent increase, that does contain some of the very elements that all of us were critical of the Pentagon in its release yesterday. It seems that to get a better handle on what is happening to costs, it does not help much to say there is a 36-percent increase if that involves quantity and if that involves inflation. It really does not talk about management efficiency, does it?

Mr. SHELEY. No, sir, and our report will show the various categories that drove that cost increase, whether it be inflation, whether it be quantity increases, et cetera.

Chairman ROTH. I must say, I think it is important that both the Pentagon and all Government agencies get away from this mixed bag that we seem to be using, because 36 percent, whether it is favorable or unfavorable, I do not think tells the Congress much as to the cost effectiveness of the Pentagon management.

Mr. SHELEY. Not at all, not unless you illustrate what drove that particular amount of increase broken down into its component parts.

Chairman ROTH. Let me ask you again: I think that report covers a year and does not cover the quarter of the release made yesterday by the Pentagon, so they really are covering different periods.

Mr. SHELEY. Basically, that is true. However, the Pentagon, to some degree, unless there is a major change sometime during the year, plays catchup on the December 31 SAR's. That is when you