

Testimony of

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Security, Emerging Threats, and International Relations  
of the  
Committee on Government Reform

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RELATIONS

**Statement of  
Alfred G. Volkman  
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(Acquisition, Technology and Logistics)  
on the  
Joint Strike Fighter (JSF) International Cooperative Program  
before the  
Subcommittee on National Security, Emerging Threats, and International Relations  
of the  
Committee on Government Reform  
House of Representatives  
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Mr. Chairman and other distinguished members of the panel, I'd like to thank you for this opportunity to share my views with you regarding the Joint Strike Fighter (JSF) Program; a model acquisition program and a new benchmark for cooperative research, development and production between the Department of Defense (DoD) and our U.S. allies. Let me state at the outset that the DoD concurs with the GAO Report entitled, "JSF Acquisition – Cooperative Program Needs Greater Oversight to Ensure Goals Are Met," agrees with the report's recommendations, and will work closely with the JSF Program Office, our partner nations, and the contractors to achieve effective program oversight.

According to DoD policy, the core objectives of armaments cooperation are to increase military effectiveness through standardization and interoperability and to reduce weapons acquisition cost by avoiding duplication of development efforts with our allies. Ongoing JSF cooperative System Development and Demonstration (SDD) activities with partner nations accomplish these objectives and national security interests in four specific areas:

- Political/military – enhanced defense relationships with key allies;
- Economic – decreased JSF program costs from partner contributions;
- Technical – increased access to the best technologies of foreign partners; and
- Operational – improved mission capabilities through interoperability with allied forces in future coalition operations.

Specifically, let me address both the U.S. and partner benefits of participating in this premiere international program. The U.S. will benefit from sharing program costs, improving interoperability with key allies, gaining access to selected foreign industrial capabilities, and increasing international sales potential. Our JSF partners will benefit through:

- Participation in the day-to-day management of the program as part of the JSF Program Office to ensure the JSF meets the performance, affordability, and

schedule requirements defined in the JSF Framework Memorandum of Understanding (MOU) and associated MOU Supplements

- Establishing a cooperative relationship that will lead to future acquisition and support of an affordable next-generation strike fighter weapon system to meet their warfighters' future needs.
- Enhanced long-term, best value (rather than offset-driven) industrial relationships between U.S. and partner nation aerospace companies.

The JSF international program structure is based on a complex set of relationships involving both government and industry from the U.S. and our eight partners – the UK, Italy, the Netherlands, Australia, Canada, Denmark, Norway, and Turkey. Arms Export Control Act Section 27 provides DoD the authority to enter into cooperative programs with U.S. allies. In the case of the JSF program, DoD consulted with the Department of State, Department of Commerce, and Congressional stakeholders in 1999 to validate that the proposed cooperative SDD effort would be in the U.S.'s best interest. DoD then commenced informal discussions with prospective partner nations to verify their interest in SDD cooperation, followed by MOU negotiations and legally required 30 day Congressional notifications prior to MOU signature. This effort culminated in the signing of the JSF Framework MOU and associated MOU Supplements with the eight JSF partner nations between January 2001 and October 2002. Unlike some past DoD cooperative programs, the JSF international program enabled U.S. allies to become JSF SDD partners at one of three participation levels based on financial contribution without guaranteeing a predetermined level of work based solely on their financial contribution. Instead foreign and domestic suppliers compete for JSF work under a "best value" approach implemented through the three JSF SDD prime contractors, Lockheed-Martin, Pratt and Whitney, and General Electric.

The JSF SDD Framework MOU and individual MOU Supplements negotiated and signed by DoD and the partner nations' equivalent defense organizations establish the key roles, responsibilities, and benefits for all participants. Additional documents such as Exchanges of Letters, Financial Management Procedures Documents, Position Descriptions -- all of which were made available to the GAO -- provide greater detail in selected areas concerning our SDD partnership arrangements and future production and support plans. Representatives from the U.S. and partner governments participate in a variety of senior level management groups, all providing executive level oversight to guarantee the success of the JSF international program.

Realizing that the benefits U.S. and partner nations obtain from the JSF international program are substantial, and that we have structured our MOUs and business arrangements with success in mind, the DoD recognizes the challenges of successfully implementing JSF SDD cooperation. Let me address a few of these challenges that were mentioned in the Committee's request and the GAO Report; and how we in DoD plan to address these areas of concern.

- **Possible future program cost increases.** While we can ask our partners to share any future program cost increases, neither DoD nor the partner nations are

required to do so by the MOU and Supplements. I wish to emphasize that this approach is not unique to JSF – all system development MOUs negotiated and signed by DoD must establish legally-required, equitable cost ceilings that define the financial and non-financial contributions to be provided by the partners. If a DoD program manager believes the cost target or cost ceiling will be breached, he or she notifies key officials, and DoD and the partner nations decide upon the appropriate course of action based on the facts and circumstances associated with the cost growth. From a JSF perspective, program management tools, frequent partner meetings and discussions, and contract incentives have been and will be used to keep the SDD effort under the cost ceiling of \$33.23B; but if costs still increase, the DoD and our partners always have the option of requesting additional funding through their respective national budget processes. DoD's experience indicates that international cooperative system development programs such as JSF have usually been successful in equitably sharing proposed cost ceiling increases if DoD is able to make a good case to Congress and the partners that the additional funds provided will result in the fielding of a needed defense capability.

- **Technology transfer.** Because of the magnitude of the JSF international program at both government and industry levels, DoD performed an extensive evaluation of potential technology transfer risks, and obtained necessary foreign disclosure approvals from the National Disclosure Policy Committee (NDPC) prior to entering into the SDD phase MOU negotiations. Due to the dynamic nature of defense systems development, the initial NDPC authorizations have been reviewed and updated several times to take into account the need for revised foreign disclosure guidance in selected areas as the program matures. Both the House International Relations Committee and Senate Foreign Relations Committee staffs were provided extensive briefings concerning DoD's JSF-related foreign disclosure decisions prior to MOU signature. In addition, DoD and the Department of State have also explored ways to improve both the quality and timeliness of export authorizations for JSF-related efforts. DoD is using available NATO exemptions and expediting and pre-coordinating reviews of individual export licenses. Additionally, in October 2002, after detailed interagency review, the Department of State approved Lockheed-Martin's Global Project Authorization (GPA) request to accelerate export approvals for technical data associated with JSF SDD industry-to-industry subcontracting activities involving non-sensitive, unclassified transfers. Let me assure you that none of our export control mechanisms have been compromised or short-circuited, but rather have been streamlined and transformed into a more workable process that all JSF stakeholders have agreed to follow.
- **Participant return-on-investment expectations.** Our partners have identified industrial return as vital to their participation in the program, and if expectations are not met, domestic political support could suffer. But since DoD would not accept government guaranteed workshare as an element of JSF SDD international cooperation, partner industry must win JSF contracts through "best value"

competition. The three prime contractors are responsible under the terms of their contracts with DoD to make sure that the playing field remains level for prospective U.S. and foreign subcontractors. The JSF Program Director's and JSF Program Office's primary responsibility is to meet SDD affordability, performance and schedule objectives. If partner government or industry industrial participation expectations conflict with program cost, schedule, and performance goals, the JSF Program Director and USD(AT&L) – in concert with the prime contractors – employ their best efforts to identify, assess, and (if possible) resolve partner industrial participation issues.

In summary, Mr. Chairman and Committee members, DoD's leadership is fully committed to ensuring the success of the JSF, including its international cooperative program dimension. JSF is DoD's largest international cooperative program by any measure, and it has the full support of the Secretary of Defense and Mike Wynne, our Acting Under Secretary for Acquisition, Technology, and Logistics. In our view, Major General Hudson and his team are implementing JSF international cooperation effectively and efficiently based on a comprehensive approach that has, and will continue to, involve key U.S. Government and industry stakeholders. DoD also agrees with the GAO's recommendation that continuing, top-level Office of the Secretary of Defense oversight is needed to ensure JSF SDD international cooperative program goals are met in the coming years. Mr. Wynne, Ms. Patrick, and I will continue to work closely with Major General Hudson and his government and industry program team and other key U.S. Government stakeholders to ensure that affordability, technology transfer, export control, and risk mitigation issues are addressed in a manner consistent with the interests of DoD and the JSF partner nations. Thank you, Mr. Chairman.