



SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

JAN - 9 2009

The Honorable John M. McHugh
Ranking Member
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515-6035

Dear Representative McHugh:

This is in response to a 21 November letter I received from then-Ranking Member of the House Armed Services Committee, Representative Duncan Hunter, concerning cost estimate discrepancies to fund Advance Procurement options for the F-22A program (copy enclosed).

As stipulated in section 134 of the Duncan Hunter National Defense Authorization Act for FY 2009, the Department's plan is to keep the F-22A production line open to allow the new Administration an opportunity to certify to the congressional defense committees that the procurement of F-22A fighter aircraft is in our national interest or to terminate the production line.

The Department has authorized the obligation of up to \$50 million for Advance Procurement in the context of a plan to buy 4 F-22A aircraft as directed in a November 10 Acquisition Decision Memorandum (ADM) to the Air Force. In an effort to maximize all options for the next Administration, the ADM also allows the Air Force to include a priced option for additional Advance Procurement for 16 aircraft. Furthermore, in an amendment to the aforementioned ADM, the Department has authorized the F-22 program, as part of Lot 10 Advance Procurement, to purchase long-lead titanium for 20 F-22 aircraft. These materials would be made available to the Joint Strike Fighter Program or other DoD programs requiring these materials should the next Administration decide to terminate the F-22A production line.

The Not-to-Exceed (NTE) cost estimates provided by the prime contractor detail price ceilings for the Advance Procurement (AP) funding required for the purchase of 4 aircraft, an option for 16 aircraft, and a total lot of 20 aircraft. These NTE costs are the prime contractor's best estimate at this time. The contractor's NTE estimates indicate the purchase now of AP for 4 aircraft and subsequent exercise of an option for 16 will cost no more than a purchase of the full 20 aircraft lot today. The NTE estimates are valid until March 16, 2009, providing the new Administration adequate time to make its decision on future F-22A procurement.

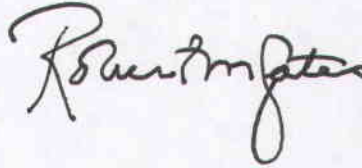


Section 134 limits the obligation of F-22 advanced procurement funds pending a presidential determination on continued F-22 procurement. The Department of Defense has taken actions consistent with congressional direction, limiting the obligation of tax dollars to avoid excessive sunk costs while funding the activities and materials that are essential to preserving F-22 pricing and production continuity. This is a prudent approach that preserves F-22A options with a conscious effort to minimize risk to the taxpayer.

Your continued interest and support of the Department of Defense are appreciated. A similar letter has been sent to the other signatories of Representative Hunter's letter.

Again, I congratulate you on your selection as Ranking Member of the committee and look forward to working with you.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert M. Gates". The signature is written in a cursive style with a large initial "R" and a long, sweeping tail.

Enclosure:
As stated

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HOUSE COMMITTEE ON ARMED SERVICES

U.S. House of Representatives

Washington, DC 20515-6035

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ERIN C. DONATON, STAFF DIRECTOR

November 21, 2008

The Honorable Robert Gates
 Secretary of Defense
 The Pentagon
 Washington, D.C. 20301

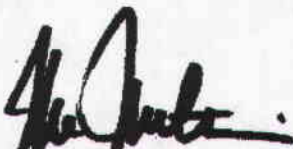
Dear Mr. Secretary:

Since our October 31, 2008, letter to you on the Department's implementation of section 134 of the National Defense Authorization Act of Fiscal Year 2009, the Committee's Air and Land Forces Subcommittee received testimony from Under Secretary Young and Principal Deputy Assistant Secretary of the Air Force Van Buren on the Department's plan.

Notwithstanding representations to the committee that "advance procurement obligated as 4 plus 16 will cost no more than we thought it would cost for 20," a review of the "not-to-exceed" proposal by the prime contractor referenced by the witnesses indicates to the contrary. The prime contractor proposal indicates that the "4 + 16" acquisition strategy for advance procurement currently planned by the Department to sustain an option for the next administration will in fact be "significantly higher" than the acquisition strategy of funding advance procurement in November for all 20 F-22 aircraft, if the decision is made to proceed with procurement of additional aircraft.

We would appreciate getting an explanation of why there continues to be such significant discrepancies between cost estimates of the Office of the Secretary of Defense, on the one hand, and the Air Force and the prime contractor on the other, to fund the advance procurement options for the F-22. Again, we expect you to take the necessary action to fund advance procurement for 20 F-22s in November, so as to maintain the option, with no additional cost to the program, if a decision is made by the in-coming administration to proceed with the procurement of 20 additional F-22 aircraft.

Very truly yours,



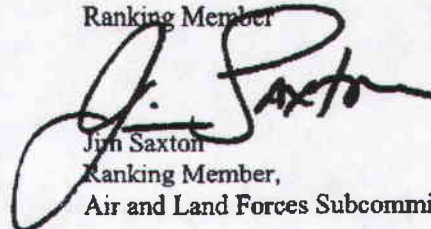
IKE SKELTON
Chairman



Duncan Hunter
Ranking Member



Neil Abercrombie
Chairman,
Air and Land Forces Subcommittee



Jim Saxton
Ranking Member,
Air and Land Forces Subcommittee

OSD 14701-08





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The Honorable Ike Skelton
Chairman, Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515-6035

Dear Mr. Chairman:

Thank you for your November 21 letter concerning cost estimate discrepancies to fund Advance Procurement options for the F-22A program.

As stipulated in section 134 of the Duncan Hunter National Defense Authorization Act for FY 2009, the Department's plan is to keep the F-22A production line open to allow the new Administration an opportunity to certify to the congressional defense committees that the procurement of F-22A fighter aircraft is in our national interest or to terminate the production line.

The Department has authorized the obligation of up to \$50 million for Advance Procurement in the context of a plan to buy 4 F-22A aircraft as directed in a November 10 Acquisition Decision Memorandum (ADM) to the Air Force. In an effort to maximize all options for the next Administration, the ADM also allows the Air Force to include a priced option for additional Advance Procurement for 16 aircraft. Furthermore, in an amendment to the aforementioned ADM, the Department has authorized the F-22 program, as part of Lot 10 Advance Procurement, to purchase long-lead titanium for 20 F-22 aircraft. These materials would be made available to the Joint Strike Fighter Program or other DoD programs requiring these materials should the next Administration decide to terminate the F-22A production line.

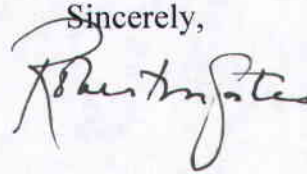
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Section 134 limits the obligation of F-22 advanced procurement funds pending a presidential determination on continued F-22 procurement. The Department of Defense has taken actions consistent with congressional direction, limiting the obligation of tax dollars to avoid excessive sunk costs while funding the activities and materials that are essential to preserving F-22 pricing and production continuity. This is a prudent approach that preserves F-22A options with a conscious effort to minimize risk to the taxpayer.

Your continued interest and support of the Department of Defense are appreciated. A similar letter has been sent to your colleagues who signed your letter.

Sincerely,

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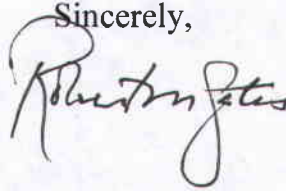
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Subcommittee on Air and Land Forces
Committee on Armed Services
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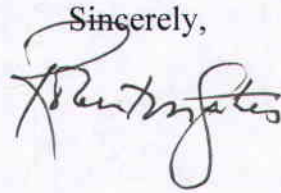
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