

Re: SBIRS HEO, TRUMPET FO slippage

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Lockheed US satellite program could reach \$12 bln

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WASHINGTON, March 22 (Reuters) – A Lockheed Martin Corp. satellite system to provide early warning of enemy missile attacks could eventually cost around \$12 billion, up from recent estimates of around \$10 billion, Acting Air Force Secretary Peter Teets said on Tuesday. Teets, who retires on Friday, called the Space-Based Infrared System (SBRIS) High program "a huge national priority" and said he saw little alternative to restructuring and adding funds to a program initially expected to cost \$4 billion. But he said he was "very unhappy" about its continued cost overruns. "I agree it is a snake pit program."

Teets, who also serves as the top U.S. military space official, told lawmakers in a March 11 letter that the cost of the third through fifth satellites to be built under the SBRIS program was expected to rise more than 15 percent in fiscal year 2006 and possibly as much as 25 percent.

Teets told reporters on Tuesday that the Air Force was working closely with Lockheed and Northrop Grumman Corp., which builds the main infrared sensors for the satellites, to get the program on track and "stop this bleeding."

"I'm not very happy with the performance of Lockheed Martin on SBRIS," he said, adding Lockheed was well aware of that.

Teets said he was uncertain if the average production unit cost increases for the third through fifth satellites would hit a 25 percent threshold that would require the Air Force to justify continuation of the program on national security grounds.

If that turned out to be the case, Teets said the Air Force would examine other alternatives — including possibly

scrapping the program, although he downplayed that possibility given the need to replace expiring Defense Support Program (DSP) satellites sometime around 2015.

Further delays in the SBRIS program could start to "paint a difficult picture" from around 2010, he said, although he said he did not foresee a gap in U.S. satellite coverage since the DSP satellites were lasting around 10 years, and the final one in that group would not be launched until later this year.

SBRIS High was completely restructured in 2002, when its cost growth exceeded 25 percent, but its costs went 15 percent over budget again in 2004.

Teets said the program was poorly structured from the outset, but the Air Force has now realized that it needs to better independently make cost estimates when it competitively bids projects like SBRIS.

In hindsight, he said the current problems might have been avoided if the Air Force had added more money and further extended its timetable during the first restructuring in 2002.

However, he noted there were certain unforeseen problems, including electromagnetic interference, that would have been difficult to predict in any event.

"We still have a lot of hard work on SBRIS," he said.