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*Analysts still skeptical*

## **Army Contractors Come Out Swinging At CBO Report Questioning GCV**

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The Army's two Ground Combat Vehicle contractors took the lead last week in bashing a recent Congressional Budget Office report that concluded foreign-made vehicles and an upgraded Bradley Infantry Fighting Vehicle would be smarter buys than the current \$29 billion development program.

At issue is the notional GCV the CBO used in comparing the vehicle to the German-made Puma, the Israeli-made Namer, and an upgraded Bradley IFV. While the CBO, in its April 2 report, found that the alternative vehicles were more affordable options that were just as survivable -- if not more so -- than what the Army was proposing for GCV, officials from BAE Systems and General Dynamics Land Systems -- the government's competing GCV contractors -- argue that the notional GCV the CBO used is based on obsolete data from March 2011, well before the Army updated the vehicle's requirements.

"The issue boils down to one thing: The GCV they used for their analysis has no relationship to either the requirements the Army issued to us to bid against or to the vehicle that we're developing in response to those requirements," Mark Signorelli, the general manager of BAE's GCV team, said in an April 3 interview. "What we're doing is more lethal, more mobile and more protected."

Steve Franz, the GCV program manager for GD, said his company's proposed vehicle was also far more capable than the March 2011 designs the CBO evaluated. "Our designs have evolved from that point significantly," he said on April 3. "They're really not talking about what I know and understand the GCV to be. It doesn't really do justice to what I know my design is."

The CBO acknowledges in its report that it is not using the most up-to-date GCV design, but claims the March 2011 version provides the best data available. "The cost, characteristics, and performance of that notional version are well documented and were described in a report the Army delivered to the Congress in March 2011," the report states. "The Army intends to change the requirements for the amount of protection and the size of the GCV's primary weapon. CBO's analysis . . . could not account for changes in protection and weapons, because the details are still pending."

The Army's GCV contractors say that statement essentially invalidates the entire report. "Once you start with that, the comparison becomes flawed with whatever metric you use," Signorelli said. "If you're comparing these vehicles to something that isn't real, the analysis has got no basis. Their analysis is probably fine, but it's using bad data going in."

While the CBO report is not necessarily intended as a recommendation, both BAE and GD are concerned that it could impact the opinions of lawmakers and Pentagon budget officials.

The Army declined to directly address the CBO report publicly, opting instead to quietly offer reassurance to congressional staffers that the GCV was on solid ground, according to sources.

Despite the contractors' protestations, some still see the CBO report as bad news for the program -- especially those sections in which the authors argue that a new GCV is far more expensive than existing vehicles and should not be the Army's top vehicle modernization priority.

"The CBO report is another nail in the coffin of GCV," Loren Thompson, defense consultant and chief operating officer for the Lexington Institute, said on April 3. "In this budget environment, you would need a very urgent and unique requirement to keep the program on track, and apparently the requirement isn't there."

Thompson has long thought the GCV to be a "doomed" effort because of its \$10 million per-unit price tag (*Inside the Army*, Dec. 6, 2010). The CBO report, however, has raised the additional question of vehicle survivability, he said. Although both contractors claim their current vehicles are far more survivable than what the CBO report suggests, no one is claiming any order-of-magnitude changes in armor technology.

**"It seems as though the Army is spending a huge amount of money . . . but it isn't coming up with something** that is genuinely better than what it already has," he said. "The possibility that the protection will not be much better than what it is today is enough to kill the program."

Both Signorelli and Franz argue that their protection solutions far exceed what is possible for an upgraded Bradley.

"The testing that we've done on our GCV hull was at levels that exceeds the design criteria for Namer and Puma as we understand them and certainly is far above the performance of even a product-improved Bradley," Signorelli said. "I've shot Bradleys, I've shot improved Bradley hulls, and I've shot GCV. The GCV performance was far above even the product-improved Bradleys."

The CBO report also says a notional GCV would have a 25 millimeter gun and would therefore lack the firepower of alternative vehicles. But the current GCV requirements call for a 30 millimeter gun, and both contractors have complied. "I know my design is more capable than what they generated in that report," Franz said.

But Eric Lindsey, a fellow at the Center for Strategic and Budgetary Assessments who studies military vehicle issues, told *ITA* the CBO report might still mean trouble for the GCV even if the authors used some outdated information. "Even if the Army and industry can make a solid argument that the GCV actually is a lot more capable than any of the alternatives CBO has identified, they still have to make a convincing case

that the marginal benefit is worth the marginal cost," he wrote in an April 4 email. "No matter what the delta in capability is, it may just be a bridge too far budget-wise."

While both contractors assert they can meet the Army's affordability target of \$9 million to \$10.5 million per vehicle, the CBO estimates that the true unit cost is closer to \$13 million per vehicle and that the entire GCV program will cost the Army \$29 billion between 2014 and 2030, enough to buy 1,748 vehicles.

"Given the current budgetary climate and despite its high priority, it is unclear whether the Army can afford to develop and purchase the GCV, even in the relatively small quantities that the service currently envisions," the report states.

Lindsey argued that those kinds of cost estimates mean that the Army needs to answer two questions to keep the GCV safe from termination. "The first concerns whether GCV really provides more capability than the alternatives," he wrote. "I suspect the Army and industry will spend most of their time making that argument, but it's actually the easier question to answer. The second question concerns whether the marginal benefits from any additional capability are worth the marginal costs, which will be very substantial."

The second question is a "much harder question to answer, because it concerns opportunity costs and the inescapable tradeoffs that the Army is going to have to make if it is going to fully fund GCV development in this new budget environment," Lindsey wrote. "Getting a good sense of those tradeoffs is difficult at present because the strategic environment and the fiscal environment are still so uncertain." -- *Tony Bertuca*