

DEPARTMENT OF DEFENSE

Office of the Secretary

[Transmittal No. 06-46]

36(b)(1) Arms Sales Notification

AGENCY: Department of Defense, Defense Security Cooperation Agency.

ACTION: Notice.

SUMMARY: The Department of Defense is publishing the unclassified text of a section 36(b)(1) arms sales notification. This is published to fulfill the requirements of section 155 of Public Law 104-164 dated 21 July 1996.

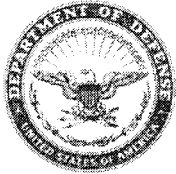
FOR FURTHER INFORMATION CONTACT: Ms. J. Hurd, DSCA/DBO/ADM, (703) 604-6575.

The following is a copy of a letter to the Speaker of the House of Representatives, Transmittal 06-46 with attached transmittal, policy justification, and Sensitivity of Technology.

C.R. Choate,

Alternate OSD Federal Register Liaison Officer, Department of Defense.

BILLING CODE 5001-06-M



DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

SEP 06 2006

In reply refer to:

I-06/008219

The Honorable J. Dennis Hastert
Speaker of the House of Representatives
Washington, DC 20515-6501

Dear Mr. Speaker:

Pursuant to the reporting requirements of Section 36(b)(1) of the Arms Export Control Act, as amended, we are forwarding herewith Transmittal No. 06-46, concerning the Department of the Army's proposed Letter(s) of Offer and Acceptance to Germany for defense articles and services estimated to cost \$298 million. After this letter is delivered to your office, we plan to issue a press statement to notify the public of this proposed sale.

Sincerely,

A handwritten signature in cursive script that reads "Richard J. Millies".

Richard J. Millies
Deputy Director

Enclosures:

1. Transmittal
2. Policy Justification
3. Sensitivity of Technology

Same ltr to:

House

Committee on International Relations
Committee on Armed Services
Committee on Appropriations

Senate

Committee on Foreign Relations
Committee on Armed Services
Committee on Appropriations

Transmittal No. 06-46

Notice of Proposed Issuance of Letter of Offer
Pursuant to Section 36(b)(1)
of the Arms Export Control Act, as amended

- (i) Prospective Purchaser: Germany
- (ii) Total Estimated Value:
- | | |
|--------------------------|----------------------|
| Major Defense Equipment* | \$284 million |
| Other | \$ <u>14 million</u> |
| TOTAL | \$298 million |
- (iii) Description and Quantity or Quantities of Articles or Services under Consideration for Purchase: 72 PATRIOT Advanced Capability-3 (PAC-3) Cost Reduction Initiative (CRI) missiles, 12 each Missile Round Trainers, support equipment, modification kits, publications, spare and repair parts, United States Government and contractor technical assistance and other related elements of logistics support.
- (iv) Military Department: Army (WYV, WYW, and WYX)
- (v) Prior Related Cases, if any: FMS case WIA - \$1 billion – 06Feb85
- (vi) Sales Commission, Fee, etc., Paid, Offered, or Agreed to be Paid: none
- (vii) Sensitivity of Technology Contained in the Defense Article or Defense Services Proposed to be Sold: See Annex attached.
- (viii) Date Report Delivered to Congress: SEP 06 2006

* as defined in Section 47(6) of the Arms Export Control Act.

POLICY JUSTIFICATION**Germany – PATRIOT Advanced Capability-3 Cost Reduction Initiative Missiles**

The Government of Germany has requested a possible sale of 72 PATRIOT Advanced Capability-3 (PAC-3) Cost Reduction Initiative (CRI) missiles, 12 each Missile Round Trainers, support equipment, modification kits, publications, spare and repair parts, United States (U.S.) Government and contractor technical assistance and other related elements of logistics support. The estimated cost is \$298 million.

This proposed sale will contribute to the foreign policy and national security objectives of the United States by improving the military capabilities of Germany and enhancing standardization and interoperability with U.S. forces.

The PATRIOT PAC-3 CRI missiles will provide Germany with an effective, state-of-the-art anti-Tactical Missile capability. Germany will use these assets to supplement existing fielded PATRIOT Systems. Germany will have no difficulty absorbing these PAC-3 missiles into its armed forces.

The proposed sale of this equipment and support will not affect the basic military balance in the region.

The prime contractor will be Lockheed Martin Missiles and Fire Control in Dallas, Texas. The purchaser has requested offsets; however, agreements are undetermined and will be defined in negotiations between the purchaser and contractor.

Implementation of this proposed sale will not require the assignment of any additional U.S. Government or contractor representatives to Germany.

There will be no adverse impact on U.S. defense readiness as a result of this proposed sale.

Transmittal No. 06-46

Notice of Proposed Issuance of Letter of Offer
Pursuant to Section 36(b)(1)
of the Arms Export Control Act, as amended

Annex
Item No. vii

(vii) Sensitivity of Technology:

1. The PATRIOT Air Defense System contains classified Confidential components and critical/sensitive technology. The PATRIOT Advanced Capability-3 (PAC-3) Cost Reduction Initiative Missile is classified Secret. With the incorporation of the PAC-3 missile, the PATRIOT System will continue to hold a significant technology lead over other surface-to-air missile systems in the world.

2. The PAC-3 Missile sensitive/critical technology is primarily in the area of design and production know-how and primarily inherent in the design, development and/or manufacturing data related to the following components:

- a. PAC-3 Missile Guidance Processor Unit
- b. PAC-3 Missile software
- c. PAC-3 Missile associated Ground Equipment software

Information on vulnerability to electronic countermeasures and counter-counter measures, system performance capabilities and effectiveness, survivability and vulnerability data, PAC-3 Missile seeker capabilities, non-cooperative target recognition, low observable technologies, select software documentation and test data are classified up to Secret.

3. The loss of this hardware and/or data could permit development of information leading to the exploitation of countermeasures and could prove a significant threat to future United States military operations. If an adversary were to obtain this hardware and/or data, the missile system effectiveness could be comprised through reverse engineering techniques.