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**UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548**

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**MISSION ANALYSIS AND
SYSTEMS ACQUISITION DIVISION**

B-200766

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DECEMBER 12, 1981

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AD A108932

The Honorable Caspar W. Weinberger
The Secretary of Defense

Attention: Director, GAO Affairs

Dear Mr. Secretary:

Subject: U.S. Airlift Requirements Should Be Satisfied
Through Competition (MASAD-82-11)

The
Our review of the Air Force's C-X airlift aircraft program shows that the Department of Defense may not solicit the maximum practicable competition if an airlifter other than the C-X is to be selected to meet U.S. airlift requirements. Failure to do so could result in sole-source awards for multibillion dollar systems without permitting industry the opportunity to make proposals for an aircraft with different size and capabilities than the C-X. Realizing there are trade-offs, every effort should be made to obtain the best mix of modern, capable, and economical systems possible since they will probably be in the Air Force inventory well into the next century.

In conducting our work we reviewed program documents, proposals, correspondence, and other pertinent records and information. We discussed the program with officials within the Office of the Secretary of Defense; Headquarters, United States Air Force; and the Air Force Systems Command's Aeronautical Systems Division.

BACKGROUND

The need for additional airlift capability is documented in a Mission Element Need Statement (MENS) which was approved by your office on November 28, 1980. The MENS provides that a small austere airfield capability is a desirable feature but "the feasibility of requiring this capability will depend upon the extent of its penalty to the primary mission, which is intertheater airlift." With regard to the acquisition strategy to be followed in acquiring a new airlift aircraft, the MENS stated that the intent was to maximize early competition by solicitation of new system designs as well as alternative proposals based on existing aircraft and derivatives of existing aircraft from industry.

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The MENS provided that a major criterion for selection of the winning design would be the contractor's ability to integrate its design with the projected airlift force in a manner that best enhanced the capability of the total airlift force. The MENS stated that the development would use existing 1980 technology to allow movement directly from concept formulation to full-scale engineering development, bypassing the demonstration and validation phase.

The Air Force has been studying various alternatives for obtaining additional airlift capability. Alternatives considered include Civil Reserve Air Fleet enhancements; the procurement of commercial wide-bodied aircraft or derivatives thereof, such as the B-747 or DC-10; and procurement of military airlifters, which include new designs (C-X) or derivatives of existing military airlifters (C-5). A combination of these could eventually be acquired to most effectively meet the total airlift requirements. The Air Force, however, has recommended procurement of the C-X as the desired military airlifter.

As you know, the Congress did not appropriate funds for the C-X program for fiscal year 1982. Instead, \$50 million was appropriated to initiate the procurement of wide-bodied aircraft.

ADDITIONAL COMPETITION
MAY BE NEEDED

The acquisition of additional military airlift capability has centered largely around the C-X aircraft and the C-5 aircraft. The C-X Request For Proposal (RFP) was released to industry in October 1980. It provided for consideration of both a newly designed aircraft as well as alternate proposals for derivatives of existing aircraft if these proposals met the basic RFP requirements, which included a small austere airfield capability. Boeing, Lockheed, and McDonnell-Douglas submitted proposals for a newly designed C-X aircraft. Lockheed also submitted an alternative proposal for the C-5 aircraft.

In April 1981 the Secretary of the Air Force announced that Lockheed's alternative C-5 proposal did not meet the minimum C-X RFP requirements and would not be considered any further in the C-X competition. The Secretary announced that the C-5 would be considered by the Air Force as a separate alternative for the acquisition of an airlifter. Lockheed subsequently submitted several unsolicited C-5 proposals to both the Air Force and your office. The September 1981 C-5 proposal is known as the C-5N. Also, Boeing has proposed the B-747 wide-bodied aircraft as an alternative.

The Air Force completed its evaluation of C-X proposals and in August 1981 the Secretary of the Air Force announced that McDonnell-Douglas was the winner of the C-X competition. The McDonnell-Douglas design was then designated as the C-17 by the Air Force.

The Air Force performed a comparative evaluation of several airlift options and concluded that the C-17 was the most cost-effective military airlifter to meet the airlift requirements identified in the Congressionally Mandated Mobility Study. The study was prepared as a result of the Department of Defense Authorization Act of 1981. The Air Force advised your office in August 1981 that a combination of the C-17 and the Civil Reserve Air Fleet was the recommended solution to best meet airlift needs. The Air Force also advised you on September 22, 1981, that the C-17 could better meet airlift requirements than the C-5N. We understand your office is still considering the C-5N and other aircraft for acquisition as a military airlifter.

CONCLUSIONS AND RECOMMENDATIONS

The Air Force analyzed both new and existing military airlifter designs and determined over an extended period of time that the C-X (C-17) is the most cost-effective choice between new or existing military airlifter designs to meet most of the airlift shortfalls. If an aircraft other than the C-X is to be selected, as indicated by recent congressional appropriations and the continued consideration of the C-5N and other alternatives, then industry should be given the opportunity to compete on aircraft of that size and capability. Failure to do so could constitute sole-source awards for multibillion dollar systems without permitting industry to submit proposals for an aircraft with different size and capabilities than the C-X.

In light of recent actions by the Congress to not fund the C-X but to appropriate \$50 million for initiating procurement of existing wide-bodied aircraft, the procurement of an airlifter other than the C-X will probably be initiated in the near future. There has not been, however, any recent indication on the part of the Department of Defense to introduce competition among the potential suppliers of these other airlifters. To avoid unduly restricting competition, we recommend that you direct the Air Force to solicit the maximum competition practicable for airlifters being considered to satisfy mission shortfalls.

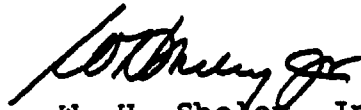
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We are sending copies of this report to the Director, Office of Management and Budget, and the Secretary of the Air Force. We are also sending copies to the chairmen of the Senate and House Committees on Armed Services and Appropriations, the House Committee on Government Operations, and the Senate Committee on Governmental Affairs.

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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. We would appreciate receiving a copy of your statement when it is provided to the congressional committees.

Sincerely yours,



W. H. Sheley, Jr.
Director

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