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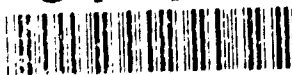
September 1991

1992 NAVY BUDGET

Potential Reduction in Aircraft Procurement Program



91-14157



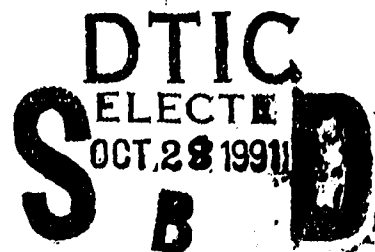
National Security and
International Affairs Division

B-245643

September 27, 1991

The Honorable Daniel K. Inouye
Chairman, Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable John P. Murtha
Chairman, Subcommittee on Defense
Committee on Appropriations
House of Representatives



We have reviewed the Navy's amended fiscal year 1992 Aircraft Procurement budget request and prior appropriations to determine the status of the aircraft acquisition programs. We focused our review on the A-12 Avenger, the F-14 Tomcat, the F/A-18 Hornet, the V-22 Osprey, and the A-6 Intruder programs. Our objective was to identify potential reductions to the fiscal year 1992 budget request and potential rescissions of prior year appropriations.

Results in Brief

We identified \$893.5 million in unobligated fiscal year 1990 funds in the now-terminated A-12 program that is available for rescission. These funds cannot be used for the original purpose for which they were appropriated, and the Navy had previously decided it did not need these funds for other programs. We found no other potential rescissions from prior years and no potential reductions to the fiscal year 1992 amended budget request. However, our review indicated that Congress could forego the planned addition of \$625 million in fiscal year 1992 appropriations for the development, manufacture, and operational testing of "production representative" V-22 Osprey aircraft because the prototype aircraft has not completed testing. Appendix I describes the impact of the A-12 termination on the Navy's aircraft procurement budget and provides more information on the various individual aircraft procurement programs.

Scope and Methodology

We interviewed budget and program officials and reviewed pertinent program documents and budget support data at Navy program offices in Crystal City, Virginia. We also analyzed data from prior GAO reports and evaluations and congressional documents. We did not obtain written agency comments on this report. However, we discussed the contents of this report with officials from the Office of the Secretary of Defense and

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the Navy and have incorporated their comments where appropriate. We conducted our review from January to September 1991 in accordance with generally accepted government auditing standards.

This report is being sent to the Chairmen, Senate Committee on Governmental Affairs, House Committee on Government Operations, and Senate and House Committees on Armed Services; the Director, Office of Management and Budget; and the Secretaries of Defense and the Navy. Copies of this report will also be made available to others on request.

This report was prepared under the direction of Martin M Ferber, Director, Navy Issues, who may be reached on (202) 275-6504 if you or your staff have any questions concerning this report. Other major contributors to this report are listed in appendix II.



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Review of Navy's 1992 Budget for Aircraft Procurement

The termination of the A-12 program had a large impact on the Aircraft Procurement, Navy (APN) budget for fiscal year 1992. The termination occurred too late to be included in the February submission of the fiscal year 1992 budget request, but had enough impact to warrant submission of an amended budget on April 26, 1991. The termination also prompted the Navy to request a redistribution of available appropriated funds.

The Department of Defense (DOD) requested the rescission of \$1,615.7 million appropriated for the A-12 program for fiscal year 1990 including APN funds (\$893.5 million) and Navy Research, Development, Test, and Evaluation (RDT&E) funds (\$722.2 million). The request was not approved by the Congress within the 45 days prescribed by the Impoundment Control Act, and the funds were released to the A-12 program until reprogrammed for another use or rescinded by Congress.

In addition, the Navy has requested reprogramming \$1,815.3 million of A-12 APN and RDT&E funds from fiscal years 1990 and 1991 to other Navy aircraft procurement programs. The Navy's proposed distribution of the A-12 funds is shown in table I.1.

Table I.1: Proposed Distribution of A-12 Funds

Dollars in millions					
From A-12			To other programs		
Fiscal year	Budget	Amount	Fiscal year	Budget	Amount
1990	APN	\$353.7	1990	APN A-6 Modifications	\$353.7
1991	APN	\$610.0	1991	APN A-6 Modifications	\$296.0
				APN F/A-18	214.0
				APN F-14	100.0
				Subtotal	\$610.0
1991	RDT&E	\$851.6	1991	APN A-6 Modifications	\$851.6
Total		\$1,815.3			\$1,815.3

Although the Navy would like to shut down the F-14 production line, the Congress has not yet decided whether the reprogrammed funds will be used for remanufacturing additional F-14 aircraft or will be used to shut down the F-14 production line. This issue is expected to be resolved when the congressional committees meet in conference.

The termination of the A-12 program also had an impact on the budget request for fiscal year 1992. Additional funds were shifted to the

F/A-18 to help bolster the Navy's attack mission in the wake of the A-12 termination. Comparison of the budget submitted in February 1991 with the amended budget submitted in April 1991 shows a smaller request for the A-6 aircraft due to the large amount reprogrammed for that aircraft, an increase in funds for the F/A-18 due to accelerated procurement of this aircraft, and additional funds for the shut down of the F-14 program. The impact on the fiscal year 1992 amended budget excluding the reprogramming request is shown in table I.2.

Table I.2: Fiscal Year 1992 Amended
Budget Request Changes

Dollars in millions

	Jan. 1991 budget	Apr. 1991 budget	Difference
A-6 Modifications	\$564.5	\$5.5	\$(559.0) ^a
F/A-18	1847.3	1986.7	139.4
F/A-18 Advance procurement	80.0	149.5	69.5
F-14	0.0	173.0	173.0
EA-6B	93.4	98.4	5.0
E-2C	470.9	500.9	30.0
Spares	925.8	950.9	25.1
Difference			\$(117.0)^a

^aParentheses indicate a negative number.

A-12 Avenger

The A-12 aircraft was to be an advanced tactical aircraft utilizing technology improvements to enhance survivability with capabilities exceeding current generation attack aircraft. The development/procurement contract was canceled in January 1991 due to contractor default. Disposition of the unobligated funds appropriated for development and procurement of the A-12 was proposed by DOD in the form of rescission and reprogramming requests.

Results of Analysis

DOD requested rescission of \$1,615.7 million previously appropriated for the A-12 program for fiscal year 1990 of which \$893.5 million had been appropriated for aircraft procurement. The Congress did not act on this rescission request earlier this year. This \$893.5 million unobligated balance in the A-12 APN account is therefore available for rescission by the Congress.

F-14 Tomcat

The F-14 air superiority/fleet air defense fighter is designed for air-to-air combat and limited air-to-ground attack missions. It is a two-seat,

twin-engine, variable sweep wing, supersonic, carrier-based aircraft with visual attack and all-weather fighter capability. The F-14 was first flown in 1970 and the last new production aircraft was funded in 1990. Six remanufactured aircraft were also funded in 1990. Navy requested funding for 12 remanufactured aircraft in its fiscal year 1991 budget, and the Congress provided \$770 million for these 12 aircraft. In the Direct Emergency Supplemental Act for consequences of Operation Desert Shield/Desert Storm for fiscal year 1991, the Congress reiterated its desire to obligate the funds appropriated for fiscal year 1991. This brought the total number of F-14 aircraft procured to 620.

Results of Analysis

The Navy plans to shut down F-14 production (including remanufacture) in fiscal year 1992 using \$100 million transferred from the A-12 program, \$126 million appropriated for advance procurement in fiscal year 1991, and \$173 million requested for fiscal year 1992. These funds will be used to cover most of the production shutdown and support closeout costs.

F/A-18 Hornet

The F/A-18 is a twin-engine, multi-mission, tactical aircraft employed in Navy and Marine Corps strike fighter squadrons. The F/A-18, through selected use of external equipment, is designed for flexibility in fighter, fleet air defense, interdiction, and close air support roles.

Results of Analysis

The Navy plans to procure a total of 1,157 F/A-18 production aircraft excluding 11 full-scale development aircraft. As of September 9, 1991, 744 of these production aircraft had been delivered, 115 were on order, and 298 more were needed to meet the planned procurement. Procurement had been at a rate of 84 per year, but congressional budget constraints reduced procurement to 66 aircraft in fiscal year 1990 and 48 in fiscal year 1991. The amended budget seeks to accelerate the procurement of the needed aircraft. The fiscal years 1992 and 1993 requests for 36 and 20 aircraft were increased to 48 and 48, respectively. The Navy now plans to procure 170 more F/A-18 C/Ds in fiscal years 1994-1997 than the 82 previously planned for that time frame. With the fiscal year 1997 procurement, the Navy expects to have completed procurement of the F/A-18 models C/D.

V-22 Osprey

The V-22 Osprey is a tilt-rotor, vertical takeoff and landing aircraft designed to meet the amphibious/vertical assault needs of the Marine

Corps, the strike rescue needs of the Navy, and the special operations needs of the Air Force. V-22 procurement is in the research and development phase, with several aircraft available for flight testing. The program was terminated by the Office of the Secretary of Defense in December 1989 because the aircraft was not affordable. Although Department of Defense officials told us they do not intend to initiate V-22 production, Congress is providing additional funds to continue the program.

Results of Analysis

The Navy did not request funding for the V-22 for fiscal year 1992. DOD's position is that it has sufficient prior years funds to complete the development program. However, the House Appropriations Committee and the House Armed Services Committee, in their deliberations of the fiscal year 1992 budget, have authorized \$625 million in Research, Development, Test, and Evaluation funds but directed its use for development, manufacture and operational testing of three "production representative" (low-rate initial production) aircraft. Low-rate initial production is generally accomplished with APN procurement funds. These Committees also determined that a production decision is premature at this time. The Senate Armed Services Committee, however, in its deliberations on the fiscal year 1992 budget request, believed it was even premature to authorize the production representative aircraft, and therefore did not authorize new funds for fiscal year 1992. We believe that until a design for a production representative aircraft is available, additional procurement funds should not be appropriated.

A-6 Intruder

The A-6 is a long range, twin-jet, carrier-based, all-weather attack aircraft capable of delivering nuclear and nonnuclear weapons. Its mission is the destruction of both moving and fixed sea and land targets especially at low-level and in direct support of ground operations.

Results of Analysis

The A-6 began flying in 1963 and was last procured in fiscal year 1988 with deliveries ending in January 1992. Procurement was halted in anticipation of the A-12 aircraft coming on line. However, A-6 aircraft, through Block I upgrades and rewinging, are being modernized in the A-6E system weapons improvement program configuration. The A-6Es are being fitted with new composite wings to replace the fatigued metal wings that have grounded some planes and caused others to be used only in reduced stress situations. Sixteen of the last 21 new aircraft with the composite wings have been delivered, and 47 of the 153 aircraft

receiving the composite wings through modifications have been delivered. The Navy plans to reprogram A-12 funds to provide Block I upgrades and rewinging for an additional 120 A-6 aircraft. In all 315 aircraft will complete the Block I upgrade and 294 aircraft are planned to receive the new composite wings. In the wake of the A-12 termination, the A-6 aircraft are expected to meet Navy's medium attack mission until the arrival of the next-generation attack aircraft.

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