

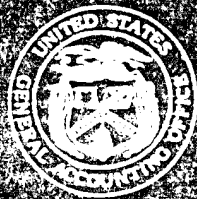


ANALYSIS REPORT TO CONGRESSIONAL
COMMITTEES

September 1995

1996 DEFENSE BUDGET

Potential Reductions, Rescissions, and Restrictions in RDT&E and Procurement



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National Security and
International Affairs Division

B-258897

September 15, 1995

Congressional Committees

1996 Defense
Budget:
Potential Reductions,
Rescissions, and
Restrictions in
RDT&E and Procurement

We examined the Department of Defense's fiscal year 1996 budget request and prior years' appropriations for selected research, development, test, and evaluation and procurement programs. Our objectives were to identify potential reductions in the fiscal year 1996 budget request and potential rescissions to prior years' appropriations. This report summarizes information and briefings provided to your staffs from April through July 1995.

Due to schedule delays, changes in program requirements, and issues that emerged since the budget request was developed, we identified opportunities to reduce the funding levels for fiscal year 1996 by about \$956.4 million and rescind about \$265.2 million from prior years' appropriations. We also identified about \$934.2 million the Congress can restrict from obligation until specified criteria are met to minimize risks in acquisition programs. In addition, we identified about \$97.8 million in obligational authority expiring on September 30, 1995.

Of the totals, we identified potential budget reductions of about \$102.6 million to the fiscal year 1996 research, development, test, and evaluation budget request and potential rescissions of about \$14.8 million to prior years' appropriations (see table 1). Also, we identified about \$27.4 million in obligational authority that can be restricted. (See app. I for more details about the individual programs.)

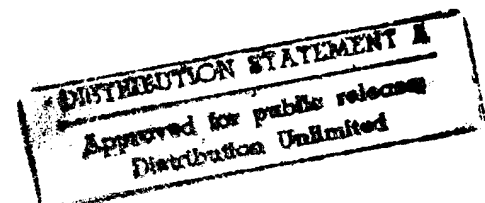
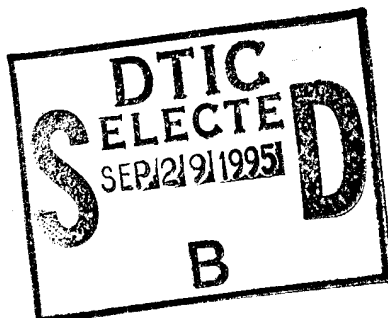


Table 1: Potential Reductions, Rescissions, and Restrictions in Department of Defense Research, Development, Test, and Evaluation Programs

Dollars in millions

Agency	Potential fiscal year 1996 reductions	Potential prior year rescissions	Potential restrictions
Army	\$36.5	\$12.9	0
Navy	33.0	0	0
Air Force	18.0	1.9	0
Defense-wide	15.1	0	\$27.4
Total	\$102.6	\$14.8	\$27.4

As shown in table 2, we identified potential budget reductions of about \$853.8 million to the fiscal year 1996 procurement budget request, potential rescissions of about \$250.4 million to prior years' appropriations, and about \$906.8 million in potential restrictions. (See app. II for more details about the individual programs.)

Table 2: Potential Reductions, Rescissions, Restrictions in Department of Defense Procurement Programs

Dollars in millions

Agency	Potential fiscal year 1996 reductions	Potential prior year rescissions	Potential restrictions
Army	\$196.6	\$5.1	\$623.6
Navy	234.4	181.1	0
Air Force	311.5	64.2	283.2
Defense-wide	111.2	0	0
Total ^a	\$853.8	\$250.4	\$906.8

^aTotals may not add due to rounding.

We also identified about \$97.8 million in excess funds that will expire at the end of fiscal year 1995, September 30, 1995, unless rescinded or reprogrammed. These expiring funds include \$78.6 million in fiscal year 1994 research, development, test, and evaluation funds and about \$19.2 million in fiscal year 1993 procurement funds. The individual programs and the excess expiring funds are listed in appendix III.

We have identified in appendix I and II where the funds involved have been proposed for reprogramming action by the Department of Defense. Final action on these requests had not been taken as of the completion of our review. Approval of these requests would affect the amount available for reduction or rescission.

In November 1994 we issued a report, Weapons Acquisition: Low-Rate Initial Production Used to Buy Weapon Systems Prematurely (GAO/NSIAD-95-18, Nov. 21, 1994) which noted that, in numerous cases, starting production before operational testing has resulted in the Department of Defense acquiring systems that initially do not meet user operational requirements. Costly modifications or retrofits can be required to achieve satisfactory performance for these systems. In this review, we identified a number of systems where we believe funding can be denied or restricted from obligation to avoid repetition of the kind of problems discussed in that report.

To identify potential reductions and rescissions, we focused on unobligated funds and funds on withhold in addition to program cost, schedule, and performance issues. We examined expenditure documents to determine whether requests were adequately justified and whether unobligated funds from prior appropriations should be retained. Appendix IV provides more information regarding our scope and methodology.

We did not obtain official agency comments on this report. However, we did discuss the information presented in this report with officials from the Office of the Secretary of Defense and the responsible services and program offices. We have incorporated their comments where appropriate.

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We are sending copies of this report to the Secretaries of Defense, the Army, the Navy, and the Air Force and the Director, Office of Management and Budget. We will also make copies available to others upon request.

This report was prepared under the direction of Louis J. Rodrigues, Director, Systems Development and Production Issues, who may be reached on (202) 512-4841 if you or your staffs have any questions. Other major contributors are listed in appendix V.



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Abbreviations

AMRAAM	Advanced medium Range Air-to-Air Missile
ASR	Advanced Special Resceiver
ATACMS	Army Tactical Missile System
BCIS	Battlefield Combat Identification System
COEA	cost and operational effectiveness analysis
DOD	Department of Defense
EFOG-M	Enhanced Fiber Optic Guided-Missile
OPTEVFOR	Operational Test and Evaluation Force
GPS	Global Postitioning System
IEW	Intelligence and Electronic Warfare
ITALD	Improved Tactical Air Launched Decoy
JPATS	Joint Primary Aircraft Training System
JTIDS	Joint Tactical Information Distribution System
LRIP	low-rate initial production
OSD	Office of the Secretary of Defense
RDT&E	research, development, test, and evaluation
SADARM	Sense and Dense Aromor
SLEP	Service Life Extension Program
TOW	Tube-launched, Optically-tracked, Wire-guided
TSSAM	Tri-Service Standoff Land Attack Missile

**POTENTIAL REDUCTIONS, RESCISSIONS, AND RESTRICTIONS IN
RESEARCH, DEVELOPMENT, TEST, AND EVALUATION PROGRAMS**

We identified about \$102.6 million in potential reductions in the Department of Defense's (DOD) research, development, test, and evaluation (RDT&E) fiscal year 1996 budget request and about \$14.8 million in potential rescissions in fiscal year 1995 funds. In addition, we identified approximately \$27.4 million in potential restrictions in obligational authority. The following sections provide a brief description of our analysis and proposed actions. Table I.1 summarizes the proposed actions.

Table I.1: Potential Reductions, Prior Year Rescissions, and Restrictions in RDT&E Programs

Dollars in millions

Agency/program	Potential reduction	Potential rescission	Potential restriction
Army			
Missile and Rocket Advanced Technology (line 47)	\$13.701	0	0
Tri-Service Standoff Attack Missile (line 92)	0	\$12.900	0
Non-Cooperative Target Recognition (line 130)	15.236	0	0
Maneuver Control System (line 166)	5.755	0	0
Aircraft Modifications/product Improvement Programs (line 167)	1.828	0	0
Subtotal	36.520	12.900	0

Agency/program	Potential reduction	Potential rescission	Potential restriction
Navy			
Gun Weapon System Technology (line 74)	12.028	0	0
AEGIS Combat System Engineering (line 91)	15.000	0	0
Standard Missile Improvements (line 93)	6.000	0	0
Subtotal	33.028	0	0
Air Force			
Joint Direct Attack Munition (line 89)	13.000	0	0
Tri-Service Standoff Attack Missile (line 139)	0	1.902	0
Defense Support Program (line 198)	5.000	0	0
Subtotal	18.000	1.902	0
Defense-wide			
Boost Phase Intercept Theater Missile Defense (line 73)	15.061	0	0
Defense Airborne Reconnaissance Program (line 126)	0	0	\$27.375
Subtotal	15.061	0	27.375
Total RDT&E	\$102.609	\$14.802	\$27.375

ARMY, RDT&E**Missile and Rocket Advanced Technology (Line 47)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$45.053	\$77.212	\$123.913
Potential reduction	0	0	13.701

Basis for Reduction

The Army's fiscal year 1996 request can be reduced by \$13.701 million because the fiscal year 1995 appropriation and fiscal year 1996 request for the Enhanced Fiber Optic Guided Missile (EFOG-M) portion of this request exceed current funding requirements. The fiscal year 1995 excess funds can be used to meet fiscal year 1996 requirements, and the total amount can be reduced from the fiscal year 1996 request.

The fiscal year 1995 appropriation included \$41.3 million for EFOG-M. The May 31, 1995, program obligation plan identified \$25.8 million of the appropriation as obligated or planned for the prime contract. On the bases of the current contract estimate, \$11.4 million of this amount is excess.

In addition, the fiscal year 1996 request includes \$69.4 million for EFOG-M. The May 1995 program obligation plan designates \$55.6 million of the request for the prime contract, but on the bases of the contract estimate, \$2.3 million will not be required.

Project management officials believe the excess funding could be needed because the contract cost may increase. These officials noted that (1) the Army's "most probable cost" exceeded the contract estimate and (2) the prime contractor had not negotiated most of the subcontracts--adding a degree of cost uncertainty. However, at this time, definitive data are not available to show that contract costs will increase nor when the increase would occur, and project management officials do not expect a better cost

APPENDIX I

APPENDIX I

estimate until late September 1995. The request can be reduced; if costs increase, the Army could request additional funding for the year(s) when the cost would be incurred.

ARMY, RDT&E**Tri-Service Standoff Attack Missile (Line 92)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$38.330	\$19.421	0
Potential rescission	0	12.900	0

Basis for Rescission

The Army's fiscal year 1995 appropriation for the Tri-Service Standoff Attack Missile (TSSAM) can be rescinded by \$12.9 million because that amount remains unobligated and the TSSAM program was terminated. If the Congress approves OSD's request to reprogram \$4 million, then the remaining \$8.9 million can be rescinded.

In fiscal year 1994, the Army terminated its participation in the TSSAM program. In fiscal year 1995, the Secretary of Defense terminated the entire TSSAM program due to continuing technical problems and increasing cost. Also, in May 1995, the Army merged its termination activities with those of the Air Force and the Navy. According to Army documents, the funds obligated are sufficient to settle termination cost.

Reprogramming and withholds of fiscal year 1995 funds amounted to about \$5.515 million. The Army estimates that \$1 million will be needed for program office support in fiscal year 1996. The balance of the fiscal year 1995 funds, \$12.9 million, is available for rescission. The Army has included \$4 million of this amount in the omnibus reprogramming request.

In addition, \$18.242 million of fiscal year 1994 funds remain unobligated due to TSSAM termination. The fiscal year 1995 DOD omnibus reprogramming request contains \$18 million of these funds. If not reprogrammed or rescinded, these funds will expire at the end of fiscal year 1995. The Army does not forecast obligation of the remaining \$0.242 million.

Army officials agreed that the funds were not needed for the Army's portion of the TSSAM termination.

ARMY, RDT&E**Non-Cooperative Target Recognition - Engineering Development**
(Line 130)

Dollars in Millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$33.627	\$18.424	\$30.466
Potential Reduction	0	0	15.236

Basis for Reduction

Because the Army plans to acquire 70 Battlefield Combat Identification System (BCIS) units beyond the quantity required for a capability demonstration, its fiscal year 1996 budget request can be reduced by \$15.236 million. This reduction represents \$3 million funded in fiscal year 1995 for long lead items and \$12.236 million requested in fiscal year 1996 to acquire the additional 70 near-term BCIS units. The Army has 45 engineering and manufacturing development units and has awarded a contract option to acquire 45 more that can be used for the system demonstration.

The Army plans to acquire 70 BCIS units beyond its initial acquisition of 90 units. The Army wants to use the additional 70 units, in combination with 25 refurbished development units and 45 units to be delivered under the recently awarded contract option, to demonstrate the "value-added" by BCIS during its fiscal year 1997 scheduled Task Force XXI digitized brigade experiment. However, Army officials stated that they can accomplish their goals for that demonstration with 70 BCIS units.

Office of the Secretary of Defense (OSD) officials said that the 70 units were considered adequate for conducting the experiment if the 140 units were not available. They noted that more units would result not only in more operational experience and data but in a greater capability left with the forces. Given that the Army has yet to determine whether it will actively procure and

field the near-term BCIS, we continue to believe¹ that the acquisition of the BCIS units beyond those necessary to accomplish the demonstration's goals risks spending millions of dollars unnecessarily.

¹Combat Identification Systems: Changes Needed in Management Plans and Structure (GAO/NSIAD-95-153, Sept. 14, 1995); Minimizing Friendly Fire: The Army Should Consider Long-Term Solution in Its Procurement Decision on Near-Term Needs (GAO/NSIAD-94-19, Oct. 22, 1993).

ARMY, RDT&E**Maneuver Control System (Line 166)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$28.664	\$37.158	\$38.327
Potential reduction	0	0	5.755

Basis for Reduction

The Army's fiscal year 1996 request for the Maneuver Control System can be reduced by \$5.755 million because the Army eliminated the planned November 1995 limited user test. The test funding included \$1.08 million in fiscal year 1995 funds appropriated for test preparation and \$4.675 million in the fiscal year 1996 request to perform the test. The \$1.08 million in unneeded fiscal year 1995 funds can be used to offset the fiscal year 1996 budget request, and the total amount can be reduced from the fiscal year 1996 request.

A program official said the fiscal year 1996 limited user test funds are needed to support a technical test of system software in fiscal year 1996 and to prepare for the initial operational test of the system in fiscal year 1997. We do not agree because the Army included funds for both these purposes in its fiscal year 1996 request for the system.

ARMY, RDT&E**Aircraft Modifications/Product Improvement Programs (Line 167)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$9.500	\$5.072	\$2.326
Potential reduction	0	0	1.828

Basis for Reduction

The Army's fiscal year 1996 budget request can be reduced by \$1.828 million because the Army is not planning to use these funds for the purpose for which they were requested. The Army requested these funds for the CH-47 Chinook helicopter product improvement program to develop 1,050-gallon, self-sealing, long-range fuel tanks. Subsequently, the Army determined that the tanks were not as urgent as initially envisioned and decided the procurement could be postponed. The program manager does not know when the tanks will be needed. Army officials said they want to use the funds on another project--the Improved Cargo Helicopter program--that is within the same budget line.

NAVY, RDT&E**Gun Weapon System Technology (Line 74)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$25.200	\$19.075	\$12.028
Potential reduction	0	0	12.028

Basis for Reduction

The Navy's fiscal year 1996 request for the Gun Weapon System Technology program can be denied because the Navy is unable to show that the program will meet naval surface fire support requirements or provide the most cost-effective solution.

The Navy's decision to upgrade existing 5-inch, 54-caliber guns and develop a 5-inch precision-guided munition, at an estimated research and development cost of \$246 million, was made without a sufficient analysis. Our May 1995 report,² suggested that the Congress may wish to consider not authorizing or appropriating fiscal year 1996 funds for the naval surface fire support program until the Navy has (1) determined and validated its requirements and (2) conducted a comprehensive supplemental analysis to the cost and operational effectiveness analysis (COEA) that includes all available gun and missile alternatives.

The Navy's COEA for surface fire support determined that a 155-mm, 60-caliber gun with an advanced propellant and precision-guided munitions in combination with the Tomahawk Land Attack Missile was the most cost-effective system to meet the Navy's surface fire support requirements by fiscal year 2003. On the basis of the COEA's results, the Navy initially proposed a \$360 million research and development program to (1) develop 155-mm, 60-caliber guns; (2) develop 155-mm precision-guided munition with the Army; and (3) research advanced propellants. The Navy also proposed providing limited upgrades to existing 5-inch guns until 155-mm, 60-caliber guns became operational.

²Naval Surface Fire Support: Navy's Near-Term Plan Is Not Based on Sufficient Analysis (GAO/NSIAD-95-160, May 19, 1995).

The Navy, however, subsequently determined that this comprehensive plan was not affordable and decided to limit the program to upgrading existing 5-inch guns and developing 5-inch precision-guided munitions. This decision was made without an adequate analysis. Also, a supplemental analysis to the original COEA ordered by the Navy is being limited to 5-inch gun candidates. Whether a supplemental analysis that considers all gun options--5-and 8-inch and 155-mm--against the Marine Corps' new distance requirements will support the Navy's decision to upgrade the 5-inch gun is unclear. For instance, (1) larger guns firing advanced projectiles with more payload can attack more targets than smaller, 5-inch guns and (2) the original COEA found that the rankings of the eight most cost-effective systems were not sensitive to range.

The original COEA assessed the effectiveness of the eight most cost-effective systems when the ship-to-shore distance was reduced from 25 to 5 nautical miles and found that the cost-effectiveness rankings of the systems remained basically the same. That COEA concluded that, even at shorter ranges, the 155-mm, 60-caliber gun and Tomahawk missile combination remained the most cost-effective option to meet the Navy's surface fire requirements.

OSD officials disagreed with the removal of fiscal year 1996 funding because it would slow the achievement of both near- and long-term objectives. We continue to believe that the Navy has not conducted sufficient analyses to support its near-term program.

NAVY, RDT&E**AEGIS Combat System Engineering (Line 91)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$102.632	\$90.907	\$105.683
Potential reduction	0	0	15.000

Basis for Reduction

The Congress can reduce the Navy's fiscal year 1996 budget request for the AEGIS Combat System Engineering program by \$15 million because of changes that have been made to Navy funding priorities and program spending plan adjustments. As a result, these unobligated excess fiscal year 1995 funds are available and can be used to offset the fiscal year 1996 budget request unless the Congress approves OSD's request to reprogram the funds.

The OSD Comptroller placed \$15.8 million in fiscal year 1995 funds for this program in the 1995 omnibus reprogramming request. AEGIS program officials told us that only \$15 million of these funds is excess to the program's fiscal year 1995 requirements.

NAVY, RDT&E**Standard Missile Improvements (Line 93)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$62.272	\$16.796	\$8.572
Potential reduction	0	0	6.000

Basis for Reduction

The Congress can reduce the Navy's fiscal year 1996 budget request by \$6 million because this amount in fiscal year 1995 funds is unobligated and is excess to program requirements and could be used to offset the fiscal year 1996 budget request.

The unobligated \$6 million in fiscal year 1995 development funds was to modify standard missiles that did not meet current Navy requirements. However, the fiscal year 1995 missile improvement project was started without the \$6 million in start-up funds, and program office officials said that these funds were not needed to continue the project. They also said that they would like to use the excess funds for higher priority programs.

AIR FORCE, RDT&E**Joint Direct Attack Munition (Line 89)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$61.892	\$65.582	\$92.161
Potential reduction	0	0	13.000

Basis for Reduction

The Air Force's fiscal year 1996 request for the Joint Direct Attack Munition can be reduced by \$13 million because an additional 150 engineering and manufacturing development munitions for the Air Force's B-2 and/or the Navy's F/A-18 are not required.

The funds for additional munitions were added by OSD in a program budget decision. However, the additional munitions are not needed because the Air Force plans to (1) equip the block 20 B-2 with an interim system, the Global Positioning System (GPS) Aided Munition, and (2) provide 128 Joint Direct Attack Munitions in fiscal year 1997 from its pool of test assets for limited fielding with the B-2 and other aircraft. In addition, integration and operational testing with the F/A-18 will not be finished until the second quarter of fiscal year 1998, about the same time the Air Force is planning for low-rate initial production (LRIP) deliveries.

Project officials agreed that the capability for the F/A-18 could be provided from LRIP munitions and that the 150 munitions were not required.

RDT&E, AIR FORCE**Tri-Service Standoff Attack Missile (Line 139)**

Dollars in millions

	Fiscal Year		
	1994	1995	1996
Funding/request	\$263.681	\$134.083	0
Potential rescission	0	1.902	0

Basis for Rescission

As a result of the December 1994 Secretary of Defense's decision to terminate the TSSAM program because of significant development difficulties and growth in its expected unit cost, \$1.902 million in fiscal year 1995 funds is available for rescission.

Since the TSSAM program has been terminated, \$10.592 million in unobligated fiscal year 1995 funds is no longer needed for TSSAM development. Of this amount, \$8.690 million is to pay for travel and support contractor costs and other assistance that are needed to terminate the program during fiscal year 1996.

Air Force officials agreed that the funds were not needed and can be rescinded. Also, they advised us that \$26.407 million of fiscal year 1994 funds was not needed. These funds will expire at the end of fiscal year 1995.

AIR FORCE, RDT&E**Defense Support Program (Line 198)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$46.898	\$66.116	\$43.672
Potential reduction	0	0	5.000

Basis for Reduction

The Air Force's fiscal year 1996 budget request can be reduced by \$5 million because excess fiscal year 1995 funds are available to offset Defense Support Program needs.

The \$5 million in fiscal year 1995 funding is excess because according to program officials, ongoing efforts to upgrade the program's ground station processing capabilities are to be delayed until these efforts can be integrated with the Space Based Infrared System, the program's replacement. The officials informed us that they were prevented by OSD from reprogramming the funds to other requirements (e.g., Talon Shield) within the Defense Support Program office.

In addition, there is \$10 million in excess fiscal year 1994 funds that will expire at the end of fiscal year 1995 unless the Congress approves OSD's request to reprogram the funds. The Air Force has included the excess 1994 funds in the fiscal year 1995 omnibus reprogramming request for reprogramming to other Air Force requirements.

DEFENSE-WIDE, RDT&E**Boost Phase Intercept Theater Missile Defense (Line 73)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$37.022	\$40.000	\$49.061
Potential reduction	0	0	15.061

Basis for Reduction

The Ballistic Missile Defense Organization's fiscal year 1996 budget request for the boost phase interceptor program can be reduced by \$15.061 million because funding for award of an integration contract and definition of targets can be postponed until fiscal year 1997. The future of the program is uncertain until DOD determines whether it has an effective and affordable concept of operations. The Air Force and the Navy are currently conducting a study to identify a feasible and affordable concept of operations for the boost phase intercept mission. The final report is scheduled to be issued around September 1995.

The request includes \$12.061 million for the Air Force to award a contract for the integration of the Army's kinetic kill vehicle with a missile. The request also includes \$3 million to begin defining a target for a future test of the interceptor. Testing of the vehicle/missile combination against a target will not occur until 1999 at the earliest, according to current program plans. We believe that delaying funds for these activities until fiscal year 1997 would have little, if any, impact on the program's schedule. Also, the Congress would have an opportunity to review the concept of operations before providing funds for these activities.

Ballistic Missile Defense Organization officials did not concur. Their position is to support the President's fiscal year 1996 budget request.

DEFENSE-WIDE, RDT&E**Defense Airborne Reconnaissance Program (Line 126)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	0	\$655.269	\$515.148
Potential restriction	0	0	27.375

Basis for Restriction

The Defense Airborne Reconnaissance Program's fiscal year 1996 budget request includes \$36.754 million to develop the Maneuver Unmanned Aerial Vehicle system. The Congress can restrict DOD from obligating \$27.375 million of the request, which is for five developmental systems, until DOD certifies the program's acquisition strategy includes adequate operational testing of the system prior to production.

DOD plans to begin LRIP of this system in fiscal year 1997, before operational testing, which will not begin before January 1998. As structured, the proposed acquisition strategy could commit DOD to procuring an unproven system.

We have previously reported³ on the adverse impact of beginning LRIP before operational testing, including problems with the Pioneer and Hunter Unmanned Aerial Vehicles. In both cases, production before operational testing resulted in DOD acquiring systems that initially did not meet user operational requirements and that required costly modifications and retrofits to try to achieve satisfactory system performance. DOD officials told us they are developing an acquisition strategy for the Maneuver Program that will incorporate lessons learned from both the Hunter and Pioneer programs. As stated above, however, this will not include operational testing before LRIP.

³Unmanned Aerial Vehicles: Realistic Testing of Short-Range System Needed Before Production (GAO/NSIAD-90-234, Sept. 30, 1990); Unmanned Aerial Vehicles: No More Hunter Systems Should Be Bought Until Problems Are Fixed (GAO/NSIAD-95-52, Mar. 1, 1995).

POTENTIAL REDUCTIONS, RESCISSIONS, AND RESTRICTIONS

IN PROCUREMENT PROGRAMS

We identified about \$853.8 million in potential reductions in the DOD procurement fiscal year 1996 budget request, about \$250.4 million in potential rescissions in prior year funds, and about \$906.8 million in potential restrictions. The following sections provide a brief description of our analysis and proposed actions. Table II.1 summarizes the proposed actions.

Table II.1: Potential Fiscal Year 1996 Reductions, Prior Year Rescissions, and Restrictions in Procurement Programs

Dollars in millions

Agency/ appropriation/ program	Potential reduction	Potential rescission	Potential restriction
Army			
Aircraft Procurement			
AH-64 Modifications (line 13)	\$3.579	0	0
Longbow (line 18)	0	0	\$341.968
Longbow Advance Procurement (line 19)	0	0	12.879
UH-1 Huey, Service Life Extension Program (SLEP) (line 21)	0	\$5.100	0
EH-60 Quickfix Mods (line 24)	38.049	0	0
Common Ground Equipment (line 33)	3.400	0	0
Subtotal	45.028	5.100	354.847

Agency/ appropriation/ program	Potential reduction	Potential rescission	Potential restriction
Missile Procurement			
Hellfire System (line 5)	2.775	0	197.513
Javelin System (line 6)	18.540	0	0
Tube-launched, Optically-tracked, Wire-guided (TOW) 2 Missile (line 7)	1.650	0	0
Army Tactical Missile System (line 10)	9.689	0	0
Subtotal	32.654	0	197.513
Procurement of Weapons and Tracked Combat Vehicles			
M1 Abrams Tank Modifications (line 19)	8.809	0	0
Subtotal	8.809	0	0
Procurement of Ammunition			
120-mm XM929 Smoke Mortar Cartridge (line 14)	47.704	0	0
75-mm M337A1 Blank Artillery Cartridge (line 20)	3.749	0	0
155-mm M825 WP Smoke Artillery Projectile (line 23)	5.475	0	0

Agency/ appropriation/ program	Potential reduction	Potential rescission	Potential restriction
155-mm M795 HE Artillery Projectile (line 24)	20.000	0	0
155-mm Sense and Destroy Armor (SADARM) M898 Artillery Projectile (line 25)	0	0	24.284
HYDRA 70 Rockets, All Types (line 31)	21.976	0	0
Grenades, All Types (line 33)	2.495	0	0
Subtotal	101.399	0	24.284
Other Procurement IEW - Ground Based Common Sensors (TIARA) (line 57)	0	0	46.937
Laboratory Petroleum Modular Base (line 130)	2.800	0	0
Items less than \$2.0 million (petroleum, oil, and lubricants) (line 133)	2.300	0	0
Pusher Tug, Small (line 146)	3.600	0	0
Subtotal	8.700	0	46.937
Army total	196.590	5.100	623.581

Agency/ appropriation/ program	Potential reduction	Potential rescission	Potential restriction
Navy			
Aircraft Procurement			
F/A-18C/D Hornet (line 4)	64.550	0	0
F/A-18C/D Hornet (line 4)	15.700	0	0
Subtotal	80.250	0	0
Weapons Procurement			
Tomahawk (line 5)	71.634	0	0
Advanced Medium Range Air-to-Air Missile (line 6)	4.171	0	0
Drones and Decoys (line 13)	0	6.400	0
MK-50 ALWT Torpedo (line 25)	0	3.000	0
MK-48 ADCAP Modification (line 29)	61.000	52.000	0
Subtotal	136.805	61.400	0
Shipbuilding and Conversion			
LHD-1 Amphibious Assault Ships (line 8)	0	99.649	0
Subtotal	0	99.649	0

Agency/ appropriation/ program	Potential reduction	Potential rescission	Potential restriction
Other Procurement			
Submarine Life Support (line 31)	0	2.095	0
Strategic Platform Support Equipment (line 85)	7.470	0	0
Secure Data Systems (line 123)	2.599	0	0
Vertical Launch System (line 171)	1.917	0	0
Natural Gas Utilization Equipment (line 204)	0	17.944	0
Forklift Trucks (line 205)	2.000	0	0
Subtotal	13.986	20.039	0
Marine Corps			
Procurement			
.50 Caliber Cartridges, All Types (line 4)	1.528	0	0
120-mm M831 TP-T Cartridge (line 11)	0.995	0	0
Items Less Than \$2 Million (line 21)	0.851	0	0
Subtotal	3.374	0	0
Navy total	234.415	181.088	0

Agency/ appropriation/ program	Potential reduction	Potential rescission	Potential restriction
Air Force			
Aircraft Procurement			
F-16C/D Advance Procurement (line 6)	0	49.854	0
C-17 Aircraft (line 7)	12.600	0	228.200
JPATS (Joint Primary Aircraft Training System) (line 13)	0	0	55.000
E-8B Joint STARS (line 18)	2.300	0	0
F-15 Fighter Aircraft (line 26)	40.500	0	0
Spares and Repair Parts (line 58)	64.245	0	0
Common Aerospace Ground Equipment (line 59)	3.538	7.324	0
F-15 Post Production Support (line 60)	4.000	0	0
F-16 Post Production Support (line 61)	47.673	0	0
Other Production Charges (line 65)	0	6.999	0
Subtotal	174.856	64.177	283.200

Agency/ appropriation/ program	Potential reduction	Potential rescission	Potential restriction
Missile Procurement			
Advanced Medium Range Air-to-Air Missile (line 7)	22.306	0	0
Navstar Global Positioning System (line 22)	38.400	0	0
Defense Support Program (line 29)	55.560	0	0
30-mm Training Cartridge (line 41)	14.480	0	0
Bomb, Practice, 25 Pound (line 49)	5.928	0	0
Subtotal	136.674	0	0
Air Force total	311.530	64.177	283.200
Defense-wide			
Procurement			
Defense Airborne Reconnaissance Program (line 7)	111.232	0	0
Subtotal	111.232	0	0
Defense-wide total	111.232	0	0
Procurement total	\$853.767	\$250.365	\$906.781

ARMY, AIRCRAFT PROCUREMENT**AH-64 Modifications (Line 13)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$35.393	\$51.938	\$53.596
Potential reduction	0	0	3.579

Basis for Reduction

The Army's fiscal year 1996 budget request can be reduced by \$3.579 million. These funds requested for two modifications are no longer needed because the Army now plans to use excess fiscal year 1995 funds. Army program officials said they did not believe that these funds should be reduced because they plan to use the funds to meet requirements deferred from fiscal year 1995. The Army, however, never requested funding for the modifications the officials called deferred requirements.

ARMY, AIRCRAFT PROCUREMENT**Longbow (Line 18)****Longbow Advance Procurement (Line 19)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request			
Line 18	0	0	\$341.968
Line 19	0	\$79.438	12.879
Potential restriction			
Line 18	0	0	341.968
Line 19	0	0	12.879

Basis for Restriction

The Army's fiscal year 1996 budget request for procurement of the Longbow Apache helicopter can be restricted until the Army reports to the Congress on the helicopter's (1) cost-effectiveness and military worth and (2) performance during developmental and operational testing.

In our recent report,⁴ we noted that with repeated direction from DOD, the Army had recently agreed to conduct a COEA for the Longbow Apache helicopter. However, the COEA would not include the multirole Comanche helicopter as a possible attack helicopter alternative. As a result, the Army, DOD, and the Congress may not have an adequate analysis of the cost-effectiveness and military worth of the Longbow Apache helicopter before the full-rate production decision, currently scheduled in October 1995.

Additionally, we identified several concerns about selected Longbow Apache test events and missile producibility. Early test results showed that the radar and the missile had difficulty meeting some test goals and that the missile's performance against targets with multiple countermeasures was less than satisfactory. In addition, OSD officials raised questions about the ability to mass produce the missile's transceiver.

⁴Longbow Apache Helicopter: System Cost and Operational Effectiveness Need to Be Demonstrated (GAO/NSIAD-95-159, Aug. 24, 1995).

OSD officials did not agree the restriction was needed because the Defense Acquisition Board will consider the Longbow Apache Helicopter's military worth and testing results when it makes the full-rate production decision. They agreed that the Comanche helicopter would not be included in the Longbow Apache's COEA in the heavy attack role because it will not be fielded in the near or mid-term. The fielding date is not an argument for excluding the Comanche helicopter because DOD guidance states that a wide range of alternatives are to be included in a COEA, including conceptual systems. Therefore, the Comanche helicopter should be included on the Longbow Apache COEA. Also, without the inclusion of the Comanche helicopter in the COEA, we do not believe that the Defense Acquisition Board will have enough data to assess the Longbow Apache helicopter's military worth.

ARMY, AIRCRAFT PROCUREMENT**UH-1 Huey, Service Life Extension Program (SLEP) (Line 21)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$15.000	0	0
Potential rescission	5.100	0	0

Basis for Rescission

The Army's fiscal year 1994 UH-1 Huey helicopter Service Life Extension Program (SLEP) appropriation can be rescinded by \$5.1 million because the Army does not plan to conduct a UH-1 SLEP. The Congress added \$15 million in fiscal year 1994 funds for the program. Since that time, the Army has completed a SLEP study that does not support a requirement to perform a service life extension on the UH-1 Huey.

The Army has reprogrammed \$9.9 million of the fiscal year 1994 SLEP appropriation to the OH-58D Kiowa Warrior program. The remaining \$5.1 million of those funds are being withheld at the OSD level. A weapon system management official agreed that these funds could be rescinded.

ARMY, AIRCRAFT PROCUREMENT**EH-60 Quickfix Mods (Line 24)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$0.490	\$39.164	\$38.049
Potential reduction	0	0	38.049

Basis for Reduction

The Army's fiscal year 1996 request of \$38.049 million to upgrade three EH-60 Quickfix helicopters into the Advanced Quickfix configuration under an LRIP contract can be reduced because the upgraded Advanced Quickfix system is not scheduled to complete initial operational testing until late fiscal year 1997.

The initial operational test for this system, including its electronic support measure, electronic intelligence, and target locator subsystems, was originally scheduled for the third quarter of fiscal year 1995--before LRIP in the second quarter of fiscal year 1996. However, due to funding constraints in the operational test community, the Army reduced that test to a customer test to be conducted in the fourth quarter of fiscal year 1995.

The program schedule now shows that the initial operational test and evaluation will occur in the third quarter of fiscal year 1997, yet LRIP for the three systems remains scheduled for the second quarter of fiscal year 1996. As we previously reported,⁵ in numerous cases, starting production before operational testing has resulted in DOD acquiring systems that initially do not meet user operational requirements and that require costly modifications and retrofits to achieve satisfactory performance.

⁵Weapons Acquisition: Low-Rate Initial Production Used to Buy Weapon Systems Prematurely (GAO/NSIAD-95-18, Nov. 21, 1994).

ARMY, AIRCRAFT PROCUREMENT**Common Ground Equipment (Line 33)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$21.100	\$18.400	\$30.500
Potential reduction	0	0	3.400

Basis for Reduction

The Army's fiscal year 1996 budget request can be reduced by \$1 million because the Army overstated the unit cost of a piece of equipment. In its request, the Army included a unit cost of \$3 million per digital display--a component of the Precision Landing Approach System--when the actual unit cost was \$2.5 million. As a result, the Army's budget request for the procurement of two displays exceeds their requirement by \$1 million. Army product management officials agreed with this potential reduction.

The request can be reduced an additional \$2.4 million because the Army included this amount for engine vibmeters, a vibration measuring device. The Army has since found that its existing engine test equipment can perform the function the vibmeters were to perform; and therefore, the Army has no requirement for the vibmeters. Army officials agreed that a requirement for the vibmeters does not exist, but they want to use these funds to meet other requirements that were not funded in the Army's fiscal year 1996 budget request.

ARMY, MISSILE PROCUREMENT**Hellfire System (Line 5)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$66.835	\$132.702	\$209.460
Potential reduction	0	0	2.775
Potential restriction	0	0	197.513

Basis for Reduction/Restriction

The Army's request for the Hellfire System can be reduced by \$2.775 million because of excess fiscal year 1995 funding that could be used to meet fiscal year 1996 requirements. Also, the \$197.513 million requested for the Longbow version of the Hellfire missile can be restricted until the Army validates its Longbow Hellfire requirements and reconciles the missiles' deliveries with the availability of the Longbow Apache helicopters.

In fiscal year 1995, the Army requested \$34.339 million to award a long lead time item contract for the Longbow Hellfire missile. The contract was awarded in December 1994 for \$5.075 million less than the planned amount. The Army has obligated \$2.3 million for other purposes. The remaining \$2.775 million in unobligated funds can be used to meet fiscal year 1996 requirements.

Program officials said they were holding the funds as a contingency in case of contract cost growth and to allow for program flexibility. However, the contract is not currently over cost, and its final settlement will not occur until fiscal year 1997. Therefore, should cost growth occur, it would be more appropriate for the Army to request any needed additional funds at that time, when the amount and the timing are more certain.

The Longbow Hellfire funds can be restricted until the Army recalculates its Longbow Hellfire requirements and reconciles the missiles' deliveries with Longbow Apache deliveries. In our

recent report⁶ on the Longbow Apache helicopter, we stated that the Army used the wrong method to compute requirements for the Longbow Hellfire missile program, resulting in an overstatement of as much as 3,200 missiles. In addition, the Army's plan to reduce the missile's unit cost by increasing its production rate and accelerating its deliveries causes a delivery mismatch between the missiles and the Longbow Apache helicopters. As a result, significant portions of the missiles' shelf life may expire before the helicopters are available.

OSD officials believe that there is no need to restrict the Hellfire funds. They said that they will review the Hellfire requirements and that the Army is considering alternatives to accelerate Longbow Apache deliveries to better match missile and aircraft fielding dates.

⁶Longbow Apache Helicopter: System Cost and Operational Effectiveness Need to Be Demonstrated (GAO/NSIAD-95-159, Aug. 24, 1995).

ARMY, MISSILE PROCUREMENT**Javelin System (Line 6)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$207.268	\$212.583	\$171.428
Potential reduction	0	0	18.540

Basis for Reduction

The Army's fiscal year 1996 budget request can be reduced by \$18.54 million because excess fiscal year 1994 funds can be used to meet fiscal year 1996 requirements. The excess fiscal year 1994 funds result from the Army holding these funds as a contingency in case the existing LRIP contract experiences cost growth above its target price. The timing and amount of cost growth are uncertain.

Project officials said that they were holding the funds as a reserve in case the existing LRIP contract's costs increase above its target price. The contract was awarded in June 1994, and deliveries under the contract are expected to begin in October 1995. The contract is a fixed-price incentive type with provisions for cost sharing. According to project office officials, the contractor has not changed his estimate for completing the contract at the target price but is reporting cost growth in his internal estimates. The Army's calculations currently indicate that the contractor may exceed the target price and that at least \$7.2 million of the contingency funds may be required for cost increases.

The timing and amount of cost growth are currently uncertain. Therefore, it would be more appropriate for the Army to request any needed additional funds when the amount and the timing are more certain.

Army officials added that they could use any funds we identify for reduction to purchase additional missiles. They stated that they are seeking an increase of \$39 million for fiscal year 1996 for 453 missiles to even the production rate. If fiscal year 1996 funding is increased for this purpose, any excess prior year funds could reduce the requirement for additional funding.

ARMY, MISSILE PROCUREMENT**Tube-launched, Optically-tracked, Wire-guided (TOW) 2 Missile
(Line 7)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$67.782	\$37.245	\$7.378
Potential reduction	0	0	1.650

Basis for Reduction

The Army's fiscal year 1996 budget request for the TOW 2 missile can be reduced by \$1.65 million--the amount requested to initiate closure of the TOW 2 production line--because it is likely that sufficient foreign military sales will materialize to keep the production line open.

Current production will end in November 1996. Army officials believe they need to initiate plant closing activities in March 1996 if an orderly shutdown is to occur when the missile production is complete. However, Security Assistance Management Directorate's foreign military sales officials said that there is a high probability that sufficient foreign military sales cases could be implemented during fiscal years 1995 and 1996 to keep the production line open. Three cases totaling 689 missiles have been implemented since the beginning of fiscal year 1995 and an additional six cases, totaling 5,526 missiles are currently pending. They said that the six cases have a high probability of implementation.

Project officials said that the pending cases would have to be implemented by October 1995 to prevent a break in production in November 1996 and that they did not believe that sufficient cases would be implemented by that date. Consequently, they want to begin plant closure activities as scheduled.

ARMY, MISSILE PROCUREMENT**Army Tactical Missile System (Line 10)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$145.559	\$115.044	\$106.971
Potential reduction	0	0	9.689

Basis for Reduction

The Army's request for fiscal year 1996 can be reduced by \$9.689 million because the request supports a 14-month funded delivery period. The funds required for the last 2 months of production and the associated engineering support can be deferred until fiscal year 1997.

The Army has requested \$106.971 million in fiscal year 1996 to procure the Army Tactical Missile System (ATACMS)--\$53.501 million to procure 50 block I missiles and \$53.470 million for the first LRIP buy of 41 block IA missiles. The block IA is a variant of the basic ATACMS, which adds global positioning system guidance and extended range and will be added to the production line in the second quarter of fiscal year 1996.

The ATACMS production plan shows that the last lot of the block I missiles will be delivered over a 5-month period, followed by 9 months of block IA deliveries for a total of 14 months of funded deliveries. Eleven block IA missiles are scheduled in the last 2 months. However, the \$9.689 million required for these 11 missiles (\$8.58 million for the missile hardware and \$1.109 million in associated engineering services) can be deferred until fiscal year 1997.

Project officials did not agree that the funding for 11 missiles should be deferred to fiscal year 1997. They stated that they believe the acquisition should be viewed as two programs--the block I and the block IA--and that the 9 months of production is within established procurement practice. They added that the unit cost of the remaining 30 block IA missiles would increase.

However, OSD regarded the program as having one funded delivery period for the two missile configurations. OSD reduced the

funded delivery period from 17 months to 14 months in a budget decision and cited the standard practice of funding a 12-month delivery period. OSD allowed the 14-month delivery period in order to preserve a contract option for a minimum of 120 missiles (a combination of block I and block IA missiles). However, this argument for a 14-month delivery period does not hold up because the Army's funding request supports the purchase of only 91 missiles, not enough to preserve the option. Thus, the rationale for the longer funded delivery period is no longer applicable.

In addition, the concern that unit cost could increase should not be an issue since the monthly production rates do not change by reducing the delivery period. The issue is whether the 11 missiles should be funded in fiscal year 1996 or fiscal year 1997. We believe they should be funded in fiscal year 1997 because, according to Army budget guidance, funds should not be programmed in any fiscal year that could be deferred to a future fiscal year and still be available in time to support production (lead times considered).

ARMY, PROCUREMENT OF WEAPONS AND TRACKED COMBAT VEHICLES**M1 Abrams Tank Modifications (Line 19)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$49.000	\$36.000	\$77.100
Potential reduction	0	0	8.809

Basis for Reduction

The Army's fiscal year 1996 budget request can be reduced by \$8.809 million. The \$8.809 million is available because of program delays affecting the Halon Replacement Program (\$2.5 million) and the Precision Lightweight GPS Receiver program (\$2.8 million) and program deferrals that affect the Live Fire Category A Modification program (\$1.847 million) and the Battlefield Override program (\$1.662 million).

Engineering and testing of a replacement fire suppression delivery system for the Abrams depends on the Army's selection of a fire suppressant for the Halon Replacement Program. The Halon Replacement Program, which is in another budget line, has slipped 1 year, and the selection of a replacement is not scheduled until the end of fiscal year 1996.

Abrams program officials stated that the fiscal year 1996 funding is needed to continue testing and engineering on agent delivery systems for candidate replacements and that the concurrency was necessary to avoid delays in the program. However, program officials have not developed a specific plan for the fiscal year 1996 funds because of program uncertainties. We believe the concurrent engineering is premature until a Halon replacement agent is selected.

The fiscal year 1996 request included \$3.1 million to buy and install Precision Lightweight GPS Receivers. Funding of \$2.8 million could be deferred until fiscal year 1997 because of delays in the program. Program officials agreed that this funding could be deferred until fiscal year 1997.

The fiscal year 1996 request also included funds to purchase equipment for live fire and battlefield modifications. Funding

for the Live Fire Category A Modification Program can be reduced by \$1.847 million because the procurement of equipment for 482 modifications could be postponed until fiscal year 1997, which would allow delivery of equipment in time to meet the planned installation schedule. Similarly, funds requested for the Battlefield Override Modification Program can be reduced by \$1.662 million because the purchase of equipment for 831 Battlefield Override modifications can be postponed until next fiscal year. Such a postponement would still allow the equipment to be delivered in time to meet the planned installation schedule. Program officials disagreed, stating that these modifications could be accomplished faster than the planned installation schedule indicates. However, the scheduled contract awards for these programs have slipped from February and March to late August and early September 1995, respectively, delaying the planned installation schedule.

ARMY, PROCUREMENT OF AMMUNITION**120-mm XM929 Smoke Mortar Cartridge (Line 14)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	0	\$21.546	\$47.704
Potential reduction	0	0	47.704

Basis for Reduction

The Army's \$47.704 million request for smoke mortar cartridges can be denied because problems with the cartridge's fuze will delay production of the cartridge until fiscal year 1997. The fuze was scheduled to be type classified (approved for troop use) in May 1995; however, testing failures in extreme cold environments have caused the type classification date to slip to October 1995. Because of this delay, production of the fiscal year 1995 cartridges will slip into the fiscal year 1996 funded delivery period, and production of the fiscal year 1996 cartridges will slip into the fiscal year 1997 funded delivery period.

Army program officials disagreed with the reduction. They initially said that to avoid a program slippage, they planned to use an older fuze instead of the new fuze for the fiscal year 1995 program quantity and for part of the fiscal year 1996 program quantity. However, these officials also said that the older fuze did not fully meet the Army's requirements due to concerns over a safety hazard. Subsequently, they said they plan to use the M745 fuze for the fiscal year 1995 program. The M745 fuze, however, uses a point detonation device that does not allow the round to produce enough smoke to meet the Army's requirement.

We believe that instead of buying mortar rounds with a fuze that does not fully meet its requirements, the Army could wait until the new fuze is approved for troop use and procure the fiscal year 1996 program quantity in fiscal year 1997.

ARMY, PROCUREMENT OF AMMUNITION**75-mm M337A1 Blank Artillery Cartridge (Line 20)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	0	0	\$3.749
Potential reduction	0	0	3.749

Basis for Reduction

The Army's \$3.749 million request for blank artillery cartridges can be denied because projected inventories will exceed requirements without the fiscal year 1996 program. This cartridge is used for training, routine saluting requirements, and saluting purposes when a current or former U.S. President dies. The Army used an average of 40,735 cartridges annually for training and saluting purposes during fiscal years 1989 through 1994, which includes a year in which a former President died. In that year the usage was 45,167.

According to Army records, the Army's inventory objective is 39,000 cartridges. If the requested fiscal year 1996 quantity of 101,466 cartridges is procured, the Army will have 146,561 cartridges in its inventory at the end of the fiscal year 1996 funded delivery period, or 107,561 cartridges more than its inventory objective.

Army officials disagreed with the reduction, stating that the Army's requirement is 235,000 cartridges, which includes an inventory of about 200,000 cartridges needed for saluting purposes, or 40,000 cartridges for the current and each of the four living former Presidents and for training. We believe, however, that based on current official Army records and historical usage, the Army does not need to buy the cartridges in fiscal year 1996.

ARMY, PROCUREMENT OF AMMUNITION**155-mm M825 WP Smoke Artillery Projectile (Line 23)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	0	0	\$10.607
Potential reduction	0	0	5.475

Basis for Reduction

The Army's fiscal year 1996 request is for a materiel change for the white phosphorus smoke artillery projectiles. The request can be reduced by \$5.475 million because testing is not scheduled until fiscal year 1997.

According to Army documents supporting this request, the materiel change is to correct current design defects to the M825 artillery projectile that result in a high malfunction rate, which threatens the safety of the using units. The purpose of the materiel change is to test an improved design to allow resumption of prior year production and subsequent renovation of existing stock. The first article, production qualification, and lot acceptance tests on the change, estimated to cost \$5.475 million, are not scheduled until December 1996 through July 1997.

Army officials agreed they would not need the \$5.475 million in fiscal year 1996, but they said they will need these funds later to complete their 5-year program for the engineering changes that they estimate will cost about \$52 million in total.

ARMY, PROCUREMENT OF AMMUNITION**155-mm M795 HE Artillery Projectile (Line 24)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	0	\$53.621	\$37.040
Potential reduction	0	0	20.000

Basis for Reduction

The Army's fiscal year 1996 request for artillery projectiles can be reduced by \$20 million because a program delay has created an excess in fiscal year 1995 funds that can be used to meet fiscal year 1996 requirements, unless the Congress approves OSD's request to reprogram the funds. The \$20 million was placed in the fiscal year 1995 DOD omnibus reprogramming request.

The fiscal year 1996 request was based on Army plans to award the fiscal year 1995 contract in September 1995, with production from January through December 1997. However, after the request was submitted, the award of the contract slipped to December 1995 because of two ongoing product improvements to the projectile. As a result of this delay, the Army has reduced the fiscal year 1995 program by \$20 million, and its revised production schedules show production from April to September 1997. The production of the fiscal year 1996 program was revised to start earlier--October 1997 instead of January 1998.

Army officials disagreed with the reduction because they would prefer to use the funds to buy more rounds in fiscal year 1996.

ARMY, PROCUREMENT OF AMMUNITION**155-mm Sense and Destroy Armor (SADARM) M898 Artillery Projectile**
(Line 25)

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	0	\$24.824	\$24.284
Potential restriction	0	0	24.284

Basis for Restriction

Obligational authority for the Army's \$24.284 million fiscal year 1996 request for the second year of low-rate production of SADARM artillery projectiles can be restricted until testing scheduled for completion by March 1996 demonstrates that the reliability problems with the projectile have been successfully resolved. These reliability problems were discussed in our November 1993 report.⁷ Army test results showed that the projectile's submunitions were colliding in about 22 percent of long range firings. The collisions reduced the reliability of the rounds by damaging the submunition's millimeter wave antenna and integral front end, causing the projectile to miss its target. The tests indicated that the SADARM projectile did not meet the Army's operational requirements. Nevertheless, on March 30, 1995, the Defense Acquisition Board approved LRIP of the SADARM projectile for fiscal year 1995.

In May 1995, an Army official advised us that the Army had resolved the collision problem and was conducting engineering tests. In July 1995, this official advised us that the tests had been successfully completed in June 1995. We believe, however, additional procurement funding for SADARM projectiles can be restricted until engineering and contractor verification testing is successfully completed. These tests are scheduled to be completed by March 1996.

Army officials did not object to such a restriction.

⁷Army Acquisition: Problems With the Sense and Destroy Armor Munition (GAO/NSIAD-94-59, Nov. 23, 1993).

ARMY, PROCUREMENT OF AMMUNITION**HYDRA 70 Rockets, All Types (Line 31)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$54.639	\$107.093	\$28.087
Potential reduction	0	0	21.976

Basis for Reduction

The Army's \$21.976 million request for 46,871 M274 Hydra 70 rockets can be denied because the Army does not need the additional rockets these funds will buy. The Army's request was based on a projected usage of 206,000 rockets for the fiscal year 1994 program, 61,000 for the fiscal year 1995 program, and 147,000 rockets for the fiscal year 1996 program, or an annual average usage of 138,000 rockets through the end of the fiscal year 1996 funded delivery period. However, because problems were experienced with the rocket, actual Army usage over the last 4 fiscal years was 2,000 rockets in fiscal year 1991, none in fiscal year 1992, 4,000 rockets in fiscal year 1993, and 76,000 rockets in fiscal year 1994. Consequently, based on the highest usage of 76,000 rockets, the Army will have 332,104 rockets in its inventory at the end of the fiscal year 1996 funded delivery period. This inventory will exceed the Army's inventory objective of 229,000 rockets by 103,104 rockets.

Army officials disagreed with the reduction. They said that total training rocket usage in those fiscal years was higher than the above quantities because other rockets were used for training in addition to the M274 rocket and even this number was understated because they had various problems with the rockets which constrained training. However, Army records showed adequate rocket inventories for training, and even including usage of the other rockets, annual training rocket usage during fiscal years 1991 through 1994 averaged about 110,000 rockets. Using this higher average usage, the Army will still exceed its inventory objective by 72,038 rockets with the requested fiscal year 1996 buy. Therefore, we believe that the \$21.976 million fiscal year 1996 request can be denied.

ARMY, PROCUREMENT OF AMMUNITION**Grenades, All Types (Line 33)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$12.177	\$4.965	\$27.496
Potential reduction	0	0	2.495

Basis for Reduction

The Army's \$10.548 million fiscal year 1996 request for 3,348,801 M228 practice hand grenade fuzes can be reduced by \$2.495 million for 792,093 fuzes because based on past usage the projected inventory will exceed requirements. The Army's actual annual fuze usage for fiscal years 1991 through 1994 averaged 2,015,750 fuzes--2,593,000 in fiscal year 1991, 2,160,000 in fiscal year 1992, 1,586,000 in fiscal year 1993, and 1,724,000 fuzes in fiscal year 1994.

The Army, however, projected a usage of 3,500,000 fuzes in fiscal year 1994, 3,000,000 fuzes in fiscal year 1995, and 3,001,000 fuzes in fiscal year 1996, or a total projected usage of 9,501,000 fuzes through the end of the fiscal year 1996 funded delivery period. On the basis of past usage, we estimate that the Army will use only 6,383,208 fuzes through fiscal year 1996, or 3,117,792 fewer than the Army projected. With a \$2.495 million reduction for 792,093 fuzes the Army will still meet its inventory objective; whereas based on the Army's projections, the Army will have a shortfall of 2,325,699 fuzes.

Army officials disagreed with the reduction, stating that training was constrained in prior years because of low inventories, that annual training requirements have increased, and that the Army's inventory objective increased from 4,727,000 to 5,590,000 fuzes after this budget was submitted. However, Army officials did not provide support to show that inventories were too low to provide needed training. In addition, the new requirements pertain to the Army's fiscal year 1997 through 2001 program years, not to program year 1996. We believe, therefore, that the Army's fiscal year 1996 request can be reduced by \$2.495 million for 792,093 M228 hand grenade fuzes.

ARMY, OTHER PROCUREMENT**IEW (Intelligence and Electronic Warfare) - Ground Based Common Sensors (TIARA) (Line 57)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	0	\$58.404	\$46.937
Potential restriction	0	0	46.937

Basis for Restriction

The Army's fiscal year 1996 request of \$46.937 million for limited procurement of five Ground Based Common Sensor-Light systems can be restricted until the system successfully completes scheduled initial operational test and evaluation. The initial operational test is scheduled for the third quarter of 1996.

Due to funding constraints, the Army reduced the original planned initial operational test of this system, including its electronic support measure, electronic intelligence, and target locator subsystems, to two customer tests. The first customer test occurred in the fourth quarter of fiscal year 1994, and the second is ongoing. An Army Test and Experimentation Command report on the fiscal year 1994 customer test stated that the system demonstrated operational effectiveness but was slow to detect both single-channel and low probability of intercept signals, which affects its potential effectiveness. The test report also identified other problems. (Details are classified). Overall, the Army has not demonstrated that the system can meet all the key performance parameters stated in the Required Operational Capability document.

The Army has six systems on limited procurement. Limited procurement of five additional systems is scheduled to begin in the first quarter of fiscal year 1996, before initial operational testing is completed. According to program officials, the procurement of these 11 systems responds to an urgent operational needs statement from the Army's 82nd Airborne Division.

As stated previously,⁸ beginning LRIP or procurement before operational testing is successfully completed can result in DOD acquiring systems that initially do not meet user operational requirements. It also can result in costly modifications and retrofits to achieve satisfactory performance.

⁸Weapons Acquisition: Low-Rate Initial Production Used to Buy Weapons Systems Prematurely (GAO/NSIAD-95-18, Nov. 21, 1994).

ARMY, OTHER PROCUREMENT**Laboratory Petroleum Modular Base (Line 130)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	0	\$2.300	\$2.800
Potential reduction	0	0	2.800

Basis for Reduction

The Army's fiscal year 1996 budget request can be reduced by \$2.8 million because these funds are not needed until fiscal year 1997. The Army plans to use these funds to award a contract for a mobile petroleum laboratory in early fiscal year 1997. Project management officials for Petroleum and Water Logistics agreed with this potential reduction because they can use fiscal year 1997 funds for the contract award.

ARMY, OTHER PROCUREMENT**Items Less Than \$2.0 Million (Petroleum, Oil, and Lubricants)**
(Line 133)

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$11.100	\$8.600	\$5.500
Potential reduction	0	0	2.300

Basis for Reduction

The Army's fiscal year 1996 budget request for this line item can be reduced by \$2.3 million because of \$1 million in excess fiscal year 1995 funds that can be used to offset the fiscal year 1996 request and a \$1.3 million overstatement of fiscal year 1996 requirements. This excess in fiscal year 1995 funds is the result of lower than anticipated unit costs and reduced quantities for various components, including 350 gallon per minute pumps and filters and a mobile lubrication trailer. The overstatement of fiscal year 1996 requirements results from a planned procurement of fuel test kits and hoseline assemblies. However, after the budget request was submitted, project management officials discovered that the Army had enough fuel test kits and hoseline assemblies on hand to meet the fiscal year 1996 requirements.

Project management officials for Petroleum and Water Logistics agreed that these funds were available for reduction.

ARMY, OTHER PROCUREMENT**Pusher Tug, Small (Line 146)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	0	0	\$3.600
Potential reduction	0	0	3.600

Basis for Reduction

The Army's fiscal year 1996 budget request for small tug boats can be reduced by \$3.6 million by delaying procurement until fiscal year 1997 to attain more economical production quantities under the planned contract while maintaining required delivery schedules.

The contract can be awarded in October or November 1996 using fiscal year 1997 funds, with first delivery in November 1997. Subsequent deliveries would occur in March 1998, July 1998, November 1998, and March 1999. This schedule corresponds to the requirements stated in the Army's budget documents. By using fiscal year 1997 funds, the contract award would be delayed only 6 to 7 months (October or November 1996 versus March 1996). The reduction of \$3.6 million in fiscal year 1996 would result in an increase in the fiscal year 1997 budget but would reduce unit costs due to more economical order quantities.

An Army project official said delaying funding until fiscal year 1997 could cause these funds to be unavailable because delayed projects are sometimes terminated. However, the Program Objective Memorandum for fiscal years 1996 through 1998 includes \$18 million for tugs and indicates funds should be available for this project.

NAVY, AIRCRAFT PROCUREMENT**F/A-18C/D Hornet (Line 4)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$1,471.575	\$932.007	\$609.904
Potential reduction	0	0	64.550

Basis for Reduction

The Navy's fiscal year 1996 support cost and ancillary equipment budget request (\$255.35 million) can be reduced by \$64.55 million to more accurately reflect costs for the 12-aircraft procurement budgeted for fiscal year 1996 in lieu of the 24 originally planned. Had the Navy used the per unit cost estimate for the fiscal year 1996 budget for support items and ancillary equipment shown in the fiscal year 1995 budget submission and the quantities now planned for fiscal year 1996, it would have budgeted \$190.8 million, instead of \$255.35 million, for these items. Therefore, the budget request is overstated by \$64.55 million for a buy of 12 F/A-18s.

The fiscal year 1996 F/A-18C/D buy was reduced from 24 aircraft originally planned to the 12 aircraft requested in the fiscal year 1996 budget. Support cost and ancillary equipment was originally estimated at \$381.744 million, or \$15.9 million for each of the 24 aircraft. The current fiscal year 1996 budget request is \$255.35 million, or \$21.28 million for each of 12 F/A-18s. While this represents a reduction in the fiscal year 1996 funds requested for the 12 aircraft, the reduction is not consistent with the reduction in aircraft being procured.

Navy officials stated that they need the additional support cost and ancillary equipment funds to correct for cuts the Navy made in fiscal year 1993. The fiscal year 1993 budget was \$4.75 million per aircraft. However, the officials stated that they recovered somewhat from the fiscal year 1993 cuts when in fiscal years 1994 and 1995 these two line items received combined funding totaling \$15.939 million and \$12.327 million per aircraft, respectively.

If the F/A-18 buy is increased from 12 to 24 aircraft by the Congress as recommended by the Senate Authorization and Appropriations Committees, the fiscal year 1996 funding need not be doubled. Increased funding of \$126.39 million, if added to the \$255.35 million requested for 12 aircraft, would raise the funding to \$381.744 million, the amount that the Navy originally planned to request in fiscal year 1996 for 24 aircraft.

NAVY, AIRCRAFT PROCUREMENT**F/A-18 C/D Hornet (Line 4)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$1,471.575	\$932.007	\$609.904
Potential reduction	0	0 ^a	15.700

^aFunding of \$26.7 million was appropriated for fiscal year 1995 for ALR-67(V)3 production by the Congress but restricted pending DOD certification of potential effectiveness and suitability. Subsequently, the Navy reallocated the fiscal year 1995 funds to F/A-18 support.

Basis for Reduction

The Navy's 1996 request for the F/A-18 C/D Hornet aircraft includes \$15.7 million to begin LRIP of the ALR-67(V)3 Advanced Special Receiver (ASR) in March 1996. The Navy's request can be reduced by this amount and resubmitted for fiscal year 1997. This would provide time to complete operational testing and the necessary evaluations by Navy and OSD test officials before a production decision.

The flight testing for the operational evaluation to determine whether the ALR-67(V)3 is operationally suitable and effective is not scheduled to be completed until August 1996. Navy and OSD evaluations of the test results are not scheduled to be completed until the first quarter of 1997.

Program officials believe the LRIP decision can be supported by an operational assessment scheduled for completion prior to the scheduled March 1996 LRIP date rather than waiting for completion of the operational test. They contend that the planned LRIP decision is supported by a very robust testing program that has received favorable comments from DOD oversight officials.

Although the test program may be robust, completing it prior to LRIP will reduce the risk of committing to an unproven system. We have previously reported⁹ on the adverse impact of beginning

⁹Weapons Acquisition: Low-Rate Initial Production Used to Buy Weapon Systems Prematurely (GAO/NSIAD-95-18, Nov. 21, 1994).

LRIP for other systems before completing operational testing. The consequences have included procurement of substantial inventories of unsatisfactory systems requiring costly modifications to achieve satisfactory performance.

The original version of the ALR-67, which was in production when operational testing began, failed to meet requirements. This resulted in the need to spend hundreds of millions of dollars to procure the ALR-67(V)2. Subsequently, we reported in 1993 that several hundred ALR-67(V)2s were placed in storage until they could be modified after operational tests showed that the (V)2 also did not meet requirements.

NAVY, WEAPONS PROCUREMENT**Tomahawk (Line 5)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$278.451	\$261.197	\$168.894
Potential reduction	0	0	71.634

Basis for Reduction

The Congress can reduce the Navy's fiscal year 1996 budget request for the Tomahawk missile program by \$71.634 million. These funds are excess to the fiscal year 1995 program requirement and can be used to offset the fiscal year 1996 request. If the Congress approves OSD's request to reprogram \$50.734 million, then the remaining \$20.9 million can be used to offset the budget request.

The Navy achieved fiscal year 1995 Tomahawk contract savings totaling \$50.734 million. This amount was placed on hold by the DOD Comptroller, and subsequently \$50.734 million was placed on the fiscal year 1995 omnibus reprogramming request.

The Navy Comptroller placed an additional \$37.3 million in fiscal year 1995 funds on hold pending approval of the Tomahawk program phasing plan. Program office and Naval Air Systems Command Comptroller officials said that the Navy approved the Tomahawk program phasing plan and that only \$16.4 million of the \$37.3 million on hold was needed for fiscal year 1995 requirements, leaving an excess of \$20.9 million.

Thus, \$71.634 million in fiscal year 1995 funds is in excess to fiscal year 1995 Tomahawk program requirements (\$50.734 million in contract savings on hold by the DOD Comptroller and \$20.9 million of the funds originally withheld by the Navy Comptroller) and can be used to offset the proposed reduction to the Navy's fiscal year 1996 budget request.

NAVY, WEAPONS PROCUREMENT**Advanced Medium Range Air-to-Air Missile (AMRAAM) (Line 6)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$57.647	\$80.580	\$81.691
Potential reduction	0	0	4.171

Basis for Reduction

The Navy's fiscal year 1996 budget request can be reduced by \$4.171 million because this amount in excess fiscal year 1995 funds can be used to offset the fiscal year 1996 request. If the Congress approves OSD's request to reprogram \$3.1 million, then the remaining \$1.071 million can be used to offset the budget request.

The Navy had planned to procure additional missiles with \$4.171 million remaining after purchase of 106 missiles for fiscal year 1995. However, the DOD Comptroller stated that the Navy should not increase quantities without receiving prior authorization, and it has not released the funds to the Navy. A Navy AMRAAM program official agreed that the funds would not be used to buy additional missiles or for other AMRAAM requirements.

The Navy included \$3.1 million of the funds in the omnibus reprogramming request.

NAVY, WEAPONS PROCUREMENT**Drones and Decoys (Line 13)**

Dollars in millions

	1994	1995	1996
Funding/request	\$17.500	\$9.900	0
Potential rescission	0	6.400	0

Basis for Rescission

The Congress can rescind \$6.4 million in fiscal year 1995 funds for the Improved Tactical Air Launched Decoy (ITALD) by deferring acquisition of inventory ITALDs until operational testing is completed. The operational testing is scheduled to be completed in late fiscal year 1997 or early fiscal year 1998.

The remaining fiscal year 1994 and 1995 funds will be sufficient for the Navy to (1) reprogram \$2.5 million to ITALD RDT&E to complete a development test and (2) award LRIP contracts in fiscal year 1996 for at least 40 ITALDs that can be used for an operational test.

The Navy planned to use available fiscal year 1994 and 1995 funds to initiate ITALD production for a quantity greater than the 40 required for operational testing. Operational testing is scheduled for late fiscal year 1997 or early fiscal year 1998.

Program office officials agreed with our suggested deferral of inventory procurement. They stated that at least 50 production ITALDs are needed to achieve an economic production quantity for two contractors and six more for first article testing. Using program office unit cost estimates of \$262,000, we estimate that sufficient funds will still be available after a \$6.4 million rescission to procure the 56 ITALDs.

NAVY, WEAPONS PROCUREMENT**MK-50 ALWT Torpedo (Line 25)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$33.000	0	0
Potential rescission	3.000	0	0

Basis for Rescission

The Congress can rescind \$3 million in fiscal year 1994 funds for the MK-50 advanced lightweight torpedo because this amount is in excess to program requirements. The amount is excess because the Navy received an additional \$17 million from the Congress for more MK50 torpedoes, which was not used for that purpose.

The Navy instead transferred \$14 million into the fiscal year 1994 ship cost adjustment account. Program office officials told us that the remaining \$3 million was placed on hold by the OSD Comptroller.

Navy Comptroller officials said that the \$3 million was identified as a source for reprogramming to the fiscal year 1995 ship cost adjustment account.

NAVY, WEAPONS PROCUREMENT**MK-48 ADCAP Modification (Line 29)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	0	\$52.000	\$61.000
Potential reduction	0	0	61.000
Potential rescission	0	52.000	0

Basis for Reduction/Rescission

The Congress can deny the Navy's fiscal year 1996 budget request of \$61 million and rescind \$52 million in fiscal year 1995 funds because the proposed upgrade to the MK-48 ADCAP propulsion system is not needed. The upgrade is not needed because it will not improve performance in littoral/shallow waters, the environment specified in the upgrade's justification.

Our June 1995 report¹⁰ recommends that the proposed propulsion system upgrade to the MK-48 ADCAP torpedo be terminated and that any full scale production decision for the guidance and control system upgrade be delayed. The technological improvement contributed by the propulsion upgrade (i.e., torpedo quieting) will not improve ADCAP's performance because of the short ranges at which diesel submarines are likely to be detected in littoral/shallow water. In addition, the Commander, Operational Test and Evaluation Force (OPTEVFOR), has certified the current ADCAP as operationally effective in shallow/littoral waters against a diesel submarine. Based on the Commander's OPTEVFOR report on the capability of ADCAP without the upgrade, quieting ADCAP for shallow/littoral water use will not significantly improve ship survivability.

Approval for LRIP of the guidance and control system upgrade is considered premature. The Navy's proposed acquisition schedule was developed to "piggyback" on the installation of the propulsion upgrade. Since the software necessary to take advantage of the upgraded guidance and control hardware will not

¹⁰Navy Torpedo Programs: MK-48 ADCAP Upgrades Not Adequately Justified (GAO/NSIAD-95-104, June 12, 1995).

be ready until 1998, acquisition of the new guidance and control units should be scheduled to coincide with the software development schedule.

DOD did not concur with our position. However, no new information or further rationale was given for the proposed upgrade. Therefore, we continue to believe that the propulsion upgrade should be terminated because it will not improve ADCAP's performance or increase the survivability of the launching submarine in littoral or shallow waters.

NAVY, SHIPBUILDING AND CONVERSION**LHD-1 Amphibious Assault Ships (Line 8)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$50.000	\$49.649	0
Potential rescission	50.000	49.649	0

Basis for Rescission

The Congress can rescind \$99.649 million in advance procurement funds for the LHD-1 Amphibious Assault Ships, \$50 million and \$49.649 million for fiscal years 1994 and 1995, respectively. These funds are available because they will expire before they can be obligated for the acquisition of the LHD-7 ship. The ship is scheduled for full funding in fiscal year 2001, and the fiscal year 1994 and 1995 funds will expire in fiscal years 1999 and 2000, respectively. Current obligational authority for shipbuilding and conversion appropriations is 5 years unless extended by the Congress.

The Congress added \$99.7 million to the Navy's appropriations in fiscal years 1994 and 1995 to initiate advance procurement of the LHD-7 ship. However, the Navy's future year spending plan shows that the LHD-7 ship will not be fully funded until fiscal year 2001. Therefore, unless the Congress extends obligational authority for the fiscal year 1994 and 1995 advance procurement appropriations or decides to initiate procurement of the LHD-7 ship at an earlier date, current authority to obligate the fiscal year 1994 and 1995 advance procurement funds will expire before full funding is provided to initiate LHD-7 acquisition.

Navy Comptroller officials told us that the fiscal year 1994 and 1995 funds for advance procurement could not be obligated until the LHD-7 ship is fully funded and that these funds will not be used in fiscal year 1996.

Program officials stated that they generally agreed with our analysis.

NAVY, OTHER PROCUREMENT**Submarine Life Support (Line 31)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$1.345	\$3.154	0
Potential rescission	0	2.095	0

Basis for Rescission

The Congress can rescind \$2.095 million in excess fiscal year 1995 funds unless it approves OSD's request to reprogram the funds. Excess fiscal year 1994 funds in this amount were used to fund part of the fiscal year 1995 program. The excess fiscal year 1995 funds were placed in the fiscal year 1995 omnibus reprogramming request by the Navy Comptroller.

Strategic Platform Support Equipment (Line 85)

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$41.175	\$23.147	\$10.070
Potential reduction	0	0	7.470

Basis for Reduction

The Navy's fiscal year 1996 budget request can be reduced by \$7.47 million because excess fiscal year 1994 funds were used to fund part of the fiscal year 1995 requirements. As a result, a \$7.47 million excess was created in fiscal year 1995 funding, which can be used to offset a reduction to the Navy's fiscal year 1996 budget request, unless the Congress approves OSD's request to reprogram the funds. The excess fiscal year funds were placed in the fiscal year 1995 omnibus reprogramming request by the Navy Comptroller.

NAVY, OTHER PROCUREMENT**Secure Data Systems (Line 123)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$4.436	\$13.120	\$8.636
Potential reduction	0	0	2.599

Basis for Reduction

The Navy's fiscal year 1996 budget request can be reduced by \$2.599 million because excess fiscal year 1994 funds were used to fund part of the fiscal year 1995 requirements. As a result, an excess was created in fiscal year 1995 funding. This excess funding can be used to offset a reduction to the fiscal year 1996 budget request.

The Navy Comptroller placed \$5.199 million in fiscal year 1995 funds on hold, and Comptroller officials told us that program requirements were being reviewed. Navy program officials, however, told us that \$2.6 million in fiscal year 1995 funds on hold was needed for fiscal year 1995 requirements. They also told us that the remaining \$2.599 million was not needed and was available for reprogramming for ship cost adjustment increases.

NAVY, OTHER PROCUREMENT**Vertical Launch System (Line 171)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$1.579	\$25.550	\$5.548
Potential reduction	0	0	1.917

Basis for Reduction

The Navy's fiscal year 1996 budget request for installing vertical launch systems can be reduced by \$1.917 million because this amount is in excess to fiscal year 1995 requirements due to excess installation funding estimates. Therefore, these funds can be used to offset the reduction to the fiscal year 1996 budget request unless the Congress approves OSD's request to reprogram the funds. The excess fiscal year funds were placed in the fiscal year 1995 omnibus reprogramming request by the Navy Comptroller.

NAVY, OTHER PROCUREMENT**Natural Gas Utilization Equipment (Line 204)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$10.000	\$7.944	0
Potential rescission	10.000	7.944	0

Basis for Rescission

The Congress can rescind \$17.944 million--\$10 million in fiscal year 1994 funds and \$7.944 in fiscal year 1995 funds--because the Navy does not plan to use the funds for the intended purpose. The Congress added these funds to be used to install natural gas utilization equipment at several Navy and Marine Corps bases.

Navy Comptroller officials told us that the OSD Comptroller placed the total amounts appropriated for this program in fiscal years 1994 and 1995 on hold because the appropriations were not authorized. They also told us that these funds were identified as a source for reprogramming action for military readiness. However, the funds were not placed in the fiscal year 1995 omnibus reprogramming request and were still on hold as of July 26, 1995.

NAVY, OTHER PROCUREMENT**Forklift Trucks (Line 205)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$13.512	\$10.789	\$3.750
Potential reduction	0	0	2.000

Basis for Reduction

The Congress can reduce the Navy's fiscal year 1996 budget request for forklift trucks by \$2 million because these funds are excess to fiscal year 1995 forklift truck requirements due to the disapproval of plans for replacements. Therefore, these funds can be used to offset the reduction to the fiscal year 1996 request.

The Navy Comptroller placed \$2 million in fiscal year 1995 funds on hold. According to program office officials, since the funds were not needed for forklift trucks, they requested the release of the \$2 million to initiate the Forklift Truck Service Life Extension Program. The funds have not been released because, according to Navy Comptroller officials, they are excess to fiscal year 1995 forklift truck requirements and are considered as a source for reprogramming.

MARINE CORPS, PROCUREMENT**.50 Caliber Cartridges, All Types (Line 4)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$0.782	\$6.813	\$8.588
Potential reduction	0	0	1.528

Basis for Reduction

The Marine Corps' \$2.613 million fiscal year 1996 request for 1,067,802 .50 caliber M33 ball linked cartridges can be reduced by \$1.528 million for 624,439 cartridges because the projected inventory will exceed the Marine Corps' needs. On the basis of the Marine Corps' projected annual use of 450,000 cartridges for program years 1994 through 1996, we believe the Marine Corps will have 2,438,402 M33 cartridges in its inventory at the end of the fiscal year 1996 funded delivery period. This projected inventory will exceed the Marine Corps' fiscal year 1996 inventory objective of 1,813,963 cartridges by 624,439 cartridges. Therefore, the fiscal year 1996 request can be reduced by \$1.528 million for 624,439 cartridges.

Marine Corps officials agreed.

MARINE CORPS, PROCUREMENT**120-mm M831 TP-T Cartridge (Line 11)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$4.371	\$4.902	\$3.314
Potential reduction	0	0	0.995

Basis for Reduction

The Marine Corps' fiscal year 1996 request for 4,607 M831 cartridges can be reduced by \$994,847 because the Marine Corps has overestimated its training needs. On the basis of the average usage for fiscal years 1992 through 1994 of 6,216 cartridges, we estimate that the Marine Corps overestimated its training requirements by 1,383 cartridges. Therefore, the fiscal year 1996 request can be reduced by \$994,847 for 1,383 cartridges.

Marine Corps officials disagreed with the reduction, stating that the Army, which procures this item for the Marine Corps, had recently negotiated a 4-year contract with its supplier to achieve cost savings and renegotiate this contract now would result in higher prices for the item.

Army officials said, however, that they negotiated 4-year contracts with two suppliers and that there are provisions in the contracts that allow the Army to adjust the quantities by 5 percent each year without affecting the unit price. Therefore, reducing the Marine Corps' fiscal year buy by 1,383 cartridges (which is less than 5 percent of the planned combined Army and Marine Corps fiscal year 1996 buy of 45,534 cartridges) would not affect the fiscal year 1996 unit price.

MARINE CORPS, PROCUREMENT**Items Less Than \$2 Million (Line 21)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$4.590	\$5.160	\$6.409
Potential reduction	0	0	0.851

Basis for Reduction

The Marine Corps' \$1.3 million fiscal year 1996 request for 229,753 M117 boobytrap flash simulators can be reduced by about \$851,448 because projected inventory will exceed the Marine Corps' needs.

The Marine Corps projected an average annual usage of 44,485 simulators through the end of the fiscal year 1996 funded delivery period. With a fiscal year 1996 procurement of 229,753 simulators, the Marine Corps will have 219,339 simulators in its inventory, or 150,479 more than its inventory objective of 68,860 simulators.

Marine Corps officials disagreed with the reduction, stating that the planned fiscal year 1996 buy is based on economical quantity considerations, satisfies their requirements for program years 1996-2001, and ensures the availability of certified producers of this item in the future.

Army officials told us, however, that the Army, which buys this item for all services, can buy these simulators in small quantities. Army records also show that the Army and the Navy plan to buy this item in the future, which should ensure the availability of suppliers. Therefore, the Marine Corps does not have to buy this item in fiscal year 1996 to maintain the industrial base, and we believe that the Marine Corps' fiscal year 1996 request can be reduced by \$851,448 for 150,479 simulators.

AIR FORCE, AIRCRAFT PROCUREMENT**F-16C/D Advance Procurement (Line 6)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$70.800	0	0
Potential rescission	49.854	0	0

Basis for Rescission

The Congress can rescind \$49.854 million appropriated in fiscal year 1994 for F-16 termination if additional F-16 aircraft are funded in fiscal year 1996. The Congress directed that all fiscal year 1994 funds be used for program termination costs because no further procurement of F-16 aircraft was anticipated.

As part of the fiscal year 1994 omnibus reprogramming, OSD reprogrammed \$20.946 million of the advance procurement funds. It is withholding the remaining \$49.854 million until the Air Force submits a program termination plan. The Congress is now considering buying more F-16s. House and Senate Appropriations Committees have added funds for six additional aircraft in fiscal year 1996. If additional aircraft are to be procured in fiscal year 1996, program termination costs will not be incurred. If these costs are not incurred, the remaining funds will not be needed for the purpose for which they were provided.

Air Force officials agreed with our suggested rescission if the funding is included in the fiscal year 1996 budget to acquire new F-16 aircraft. As an alternative to the rescission, if funds are provided to acquire more F-16s in fiscal year 1996, the added funding could be reduced by the \$49.854 million in fiscal year 1994 funds not needed for termination.

AIR FORCE, AIRCRAFT PROCUREMENT**C-17 Aircraft (Line 7)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$1,864.100	\$2,152.100	\$2,404.500
Potential reduction	0	0	12.600
Potential restriction	0	166.500	61.700

Basis for Reduction/Restriction

The Air Force's fiscal year 1996 request for C-17 procurement can be reduced by \$12.6 million. This amount is available from fiscal year 1995 appropriated funds because the production contract for fiscal year 1995 was awarded for less than was budgeted. In addition, \$166.5 million in fiscal year 1995 funds and \$61.7 million in fiscal year 1996 funds available for contractor cost reduction projects can be restricted until DOD decides on the number of C-17s to be acquired.

In June 1995, the Air Force and McDonnell Douglas, the C-17 prime contractor, completed negotiations on the fiscal year 1995 buy of six additional C-17 aircraft. After considering the cost of incentive fees and cost reduction projects, \$12.6 million remains that will not be needed for the fiscal year 1995 production contract. This amount can be used to reduce the fiscal year 1996 request.

In addition, because most of the anticipated savings will accrue to aircraft beyond the currently approved 40 aircraft program, the planned expenditure of \$166.5 million for contractor cost reduction projects should not be obligated until DOD makes a decision on the additional C-17s it will acquire. (Milestone IIIB is scheduled for November 1995.) Furthermore, the \$61.7 million in fiscal year 1996 funds requested for similar cost reduction projects can also be restricted.

AIR FORCE, AIRCRAFT PROCUREMENT**JPATS (Joint Primary Aircraft Training System) (Line 13)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	0	\$92.700	\$55.000
Potential restriction	0	0	55.000

Basis for Restriction

The Air Force included \$55 million in its fiscal year 1996 request to buy three aircraft (lot 3) for the Joint Primary Aircraft Training System (JPATS) program. The Congress can restrict use of those funds until the critical design review has been successfully completed to minimize the investment at risk.

The critical design review is not scheduled to be completed until August 1996. The purpose of this review is to determine whether the detailed design satisfies performance and engineering requirements. However, the Air Force plans to contract for lot 3 (three aircraft requested in the fiscal year 1996 budget) in May 1996.

Although the JPATS aircraft is a derivative of an aircraft in production, the contractor will be required to complete some development work related to the ejection seat and integration of avionics. The critical design review will be related to those developmental efforts.

Air Force officials disagreed with our suggested restriction. They said that delays in procuring the lot 3 aircraft could potentially cause a production line break with increased costs due to stopping and restarting production.

Because development work is required, we believe the critical design review should be completed before lot 3 aircraft are acquired. Critical design reviews are intended to provide assurances that products meet service requirements, and therefore it should be completed before production commitments.

AIR FORCE, AIRCRAFT PROCUREMENT**E-8B Joint STARS (Line 18)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$558.700	\$687.700	\$556.300
Potential reduction	0	0	2.300

Basis for Reduction

The Air Force's fiscal year 1996 procurement funding can be reduced by \$2.3 million because 4 of the 34 Joint Tactical Information Distribution System (JTIDS) class 2 terminals procured for the F-15 can be used to offset planned terminal procurements for the Joint STARS aircraft. Some of the remaining JTIDS terminals may be used to meet future Joint STARS requirements.

The Air Force does not plan to buy more class 2 terminals for the F-15. On June 1, 1995, the Under Secretary of Defense for Acquisition and Technology directed the Air Force to meet its F-15 requirement with a variant of the Multifunctional Information Distribution System terminal, a multinational cooperative development. The F-15 class 2 terminals are being used for testing and tactics development. Combat Command officials told us that the 34 terminals meet unfunded operational requirements and will continue to be used until there is a higher priority or until they are replaced.

AIR FORCE, AIRCRAFT PROCUREMENT**F-15 Fighter Aircraft (Line 26)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$264.900	\$184.800	\$79.500
Potential reduction	0	0	40.500

Basis for Reduction

The Air Force's request for fiscal year 1996 modification funds for the F-15 can be reduced by \$40.5 million. This reduction includes \$23.5 million requested for the procurement of six of the ALQ-135 tactical self protection radar jammers that can be delayed until fiscal year 1997. The reduction also includes \$15.8 million requested to acquire the JTIDS class 2R radios that are no longer needed and \$1.2 million requested to install a landing gear wiring switch that will not be needed until fiscal year 1997.

-- The fiscal year 1996 request for six ALQ-135 jammers can be reduced by \$23.5 million with the understanding that the fiscal year 1997 request will need to be increased by \$19.1 million. The request can be reduced by this amount, if the six units that are to be procured in fiscal year 1996, at a unit cost of \$3.917 million, are added to the 11 units to be procured in fiscal year 1997. On the basis of the unit price the Air Force estimated for the fiscal year 1997 (\$3.182 million) procurement, we calculated that the cost of the six units added from fiscal year 1996 would decrease by \$4.4 million.

The F-15 program manager for the ALQ-135 jammer said that a point to consider in delaying the fiscal year 1996 buy is the potential impact to the contractor's staffing, learning curves, and personnel retention/hiring. According to this official, a complete production break would not occur due to foreign military sales, but a delay would affect the contractor's production planning. We believe that since the Air Force had been buying

60 units per year and reduced the fiscal year 1996 buy to 6, the additional impact on the contractor of delaying the 6 units until fiscal year 1997 would be minimal.

The ALQ-135 program manager also said that, as currently planned, the Air Force will buy ALQ-135 units through fiscal year 2001 at an estimated total cost of \$223.5 million. This official said that, if additional funding were available, the preferred Air Force plan and the most cost-effective program would be to buy all 63 units in fiscal years 1996 and 1997, which would require funds of \$63.7 million and \$71.1 million, respectively.

-- The fiscal year 1996 request can be reduced an additional \$15.8 million because funding for the planned JTIDS class 2R radio is no longer needed. On June 1, 1995, the Under Secretary of Defense for Acquisition and Technology terminated the 2R acquisition and directed that the Air Force requirement be met through the Multifunctional Information Distribution System architecture.

This program, which is presently in engineering and manufacturing development, is a multinational one. Other partners viewed the class 2R as a competing development, and there was concern that the U.S. commitment to the multinational program could be jeopardized.

-- The request can be reduced an additional \$1.2 million because the modification kits for a landing gear wiring switch are not scheduled to be delivered until fiscal year 1997. Therefore, funds requested to install the modification kits in fiscal year 1996 are not needed.

Air Force program officials agreed that the funds would not be needed in fiscal year 1996 to install the kits but said the \$1.2 million was needed to buy 28 additional kits to maintain the current programmed depot maintenance and contract field team installation schedules. However, a revised schedule that these officials provided shows the 28 additional kits planned for procurement in fiscal year 1996 are not needed to maintain the Air Force's installation schedule.

AIR FORCE, AIRCRAFT PROCUREMENT**Spares and Repair Parts (Line 58)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$415.691	\$485.494	\$603.619
Potential reduction	0	0	64.245

Basis for Reduction

The Air Force's fiscal year 1996 request for spares and repair parts can be reduced by \$64.245 million because the Air Force reduced its requirement for spare parts for the C-130J by \$0.9 million; the spares estimate for 40 C-17 aircraft was overstated by \$48.762 million; and the spares estimate for the T-1A Tanker, Transport Trainer System, was overstated by \$14.583 million.

-- The Air Force requested \$17 million for initial spares for fiscal year 1996 for the C-130J program. However, Air Force officials now state that the current requirement is \$16.1 million for initial spares.

-- The currently approved program to buy 40 C-17 aircraft requires only \$68.738 million for initial spares instead of the \$117.5 million requested based on documentation the Air Force used to support its fiscal year 1996 request.

-- The Air Force's spares and repair parts requirements documentation for the T-1A system totals only \$27.829 million instead of the \$42.412 million in the fiscal year 1996 request.

Air Force officials agreed that the \$14.583 million was not required for T-1A spares and that, for a buy of 40 C-17 aircraft, the fiscal year 1996 request for C-17 spares could be reduced by \$48.762 million. These officials said they could not comment on the proposed reduction for a buy of 120 C-17 aircraft. If DOD decides to buy more than 40 C-17 aircraft, the Air Force can, through a subsequent budget request, justify the additional funds needed for spares and repair parts.

AIR FORCE, AIRCRAFT PROCUREMENT**Common Aerospace Ground Equipment (Line 59)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$190.500	\$225.600	\$216.000
Potential reduction	0	0	3.538
Potential rescission	3.400	3.924	0

Basis for Reduction/Rescission

The Air Force's common aerospace ground equipment budget request for fiscal year 1996 can be reduced by \$3.538 million because the Air Force reduced its requirements for the F-16 Improved Avionics Intermediate Shop by \$3 million, and based on past execution experience, \$0.538 million of the funds requested for the B-2 will probably not be needed. In addition, \$7.324 million, \$3.4 million in fiscal year 1994 funds and \$3.924 million in fiscal year 1995 funds, can be rescinded because a significant part of the B-2 funds has been withheld and is not needed for acquisition of B-2 common equipment.

The Air Force reduced its requirements for the F-16 Improved Avionics Intermediate Shop. The fiscal year 1996 request for common equipment includes \$48 million to buy eight F-16 avionics shops at \$6 million each. The fiscal year 1997 plan also includes a requirement for eight shops. According to Air Force officials, however, the fiscal year 1996 requirement has dropped to six shops and the fiscal year 1997 requirement to one shop. These officials said it is more logical and economical to purchase all seven F-16 shops in fiscal year 1996 than to purchase them over 2 years. They estimated they could buy the seven units for \$45 million. Therefore, the fiscal year 1996 request can be reduced by \$3 million. Air Force officials said if the budget request is not reduced, they could use the \$3 million for other unfunded common equipment requirements.

Due to the lack of obligation of the B-2 common equipment funds, \$3.4 million and \$3.924 million are being withheld in fiscal year 1994 and 1995 funds, respectively. Also, because only \$0.858 million of the \$2.3 million of fiscal year 1994 funds

released to the program has been obligated, the 1996 request of \$0.538 million can be deleted and the fiscal year 1994 funds could be used to meet the 1996 requirement.

AIR FORCE, AIRCRAFT PROCUREMENT**F-15 Post Production Support (Line 60)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	0	0	\$14.000
Potential reduction	0	0	4.000

Basis for Reduction

The Air Force's request for fiscal year 1996 can be reduced by \$4 million because the requirement has been reduced. The Air Force included \$7 million in its fiscal year 1996 request for post production support to meet the requirement of its hazardous material management program. In May 1995, F-15 program officials said their current requirement for these funds had been reduced to \$3 million.

Air Force officials said they want to use the \$4 million for other post production support requirements, not for the hazardous material management program for which it was justified.

AIR FORCE, AIRCRAFT PROCUREMENT**F-16 Post Production Support (Line 61)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	0	0	\$194.700
Potential reduction	0	0	47.673

Basis for Reduction

The Air Force's fiscal year 1996 request for the F-16 post production support can be reduced by \$47.673 million because (1) the Air Force's requirements have decreased by \$11.573 million and (2) if the Congress authorizes and appropriates funds to acquire F-16 aircraft in fiscal year 1996, \$36.1 million included for production line close down activities will not be needed.

The Air Force requested \$15.79 million for pollution prevention projects. Several of these projects were accomplished with other funds so the Air Force reduced its requirement by \$2.073 million. In addition, depot automated test equipment requirements for fiscal year 1996 were reduced by \$4.4 million from \$20.3 million. Also, \$5.1 million for other tasks will no longer be required until fiscal year 1997. Air Force officials agreed that the fiscal year 1996 request could be reduced by \$11.573 million due to the reduced requirement.

The Congress is now considering providing additional funds to acquire more F-16s. The House Authorization Committee authorized \$175 million in additional funds to buy six F-16 aircraft in fiscal year 1996. An Air Force official stated that \$158.6 million of the fiscal year 1996 request of \$194.7 million will be needed even if the Congress funds additional aircraft in fiscal year 1996. According to F-16 program officials, if the Congress approves acquisition of F-16 aircraft in the fiscal year 1996 budget, \$36.1 million of the amount requested for production line close down activities will not be needed because the production line will still be open.

AIR FORCE, AIRCRAFT PROCUREMENT**Other Production Charges (Line 65)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$607.195	\$234.870	\$157.096
Potential rescission	0	6.999	0

Basis for Rescission

The Congress can rescind \$6.999 million in fiscal year 1995 funds unless it approves OSD's request to reprogram the funds. The funds were provided to acquire improved data link pods for use with AGM-130 munitions, which are no longer required. The pods are not necessary because the Air Force reduced planned quantities for the AGM-130 from 4,048 to 502. Of the 502, only 120 will have the improved data link and require the improved aircraft pods. According to program office officials, the Air Force bought 22 improved data link pods, and this quantity is sufficient for the reduced quantities of AGM-130.

Air Force officials agreed and stated that the number of pods was sufficient for the current munition quantity. The Air Force included \$6.78 million of the \$6.999 million in the fiscal year 1995 omnibus reprogramming request.

AIR FORCE, MISSILE PROCUREMENT**Advanced Medium Range Air-to-Air Missile (Line 7)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$458.875	\$287.400	\$190.672
Potential reduction	0	0	22.306

Basis for Reduction

The Air Force's fiscal year 1996 request can be reduced by \$22.306 million because (1) the Air Force overestimated its requirements by \$3.952 million and (2) \$18.354 million in excess fiscal year 1995 funds can be used to offset the fiscal year 1996 request. If the Congress approves OSD's request to reprogram \$10 million, then the remaining \$12.306 million in excess funds can be used to offset the fiscal year 1996 budget request.

The Air Force overestimated the amount required for engineering change orders in fiscal year 1996 by \$3.952 million. In addition, about \$18.354 million in fiscal year 1995 funds--\$14.511 million provided for engineering change orders and \$3.843 million provided for the missile contract--is not needed for the purpose provided.

The program office identified \$10 million of the fiscal year 1995 excess engineering change order funds as being available for other, unspecified program requirements. According to program officials, these funds are no longer available to the program office because the Air Force withdrew obligational authority and included them as a source of funds in the fiscal year 1995 omnibus reprogramming request.

AIR FORCE, MISSILE PROCUREMENT**Navstar Global Positioning System (Line 22)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$58.800	\$55.400	\$38.400
Potential reduction	0	0	38.400

Basis for Reduction

The Air Force's fiscal year 1996 request for advanced procurement of the NAVSTAR GPS block IIF satellites can be reduced by \$38.4 million to delay contract award by 1 year, thus reducing program acquisition risk associated with concurrent development and procurement of the block IIF satellites. The 1-year delay also allows time to launch the first satellite from the existing block IIR design and assess its performance for potential effects on the block IIF design.

The Air Force plans to initiate development and advanced procurement for block IIF satellites in the first quarter of fiscal year 1996. Concurrent development and procurement such as this adds risk in system acquisitions and forces officials to make decisions without adequate information.

Program officials stated, however, that the planned program acquisition risk is justified based on the need to provide assured support to system users. According to these officials, 21 of the 24 GPS satellites in the constellation are required to be available 98 percent of the time. However, they stated that constellation availability is projected to degrade to 92.5 percent in 2003 because no satellites are scheduled to be launched in that year. The effect of a 1-year delay in the advanced procurement would move the launch dates currently scheduled in 2001 and 2002 to 2002 and 2003, respectively. As a result, no launches would occur in 2001, and according to an Air Force analysis, constellation availability could degrade to about 87 percent in that year.

However, the Air Force Space Command's National Mission Model, which represents the official launch schedule, shows that four satellites are scheduled to be launched in 2001, four in 2002,

and three in 2003. Both Air Force Space Command and program officials stated that the difference between the launch schedule projected by the program office and the National Mission Model was due to the program office using a more conservative estimate to develop its launch schedule. Thus, based on the model, it appears that the risk of decreased availability projected by the program office may be overstated.

A 1-year delay in advanced procurement of block IIF would also allow the Air Force time to take advantage of (1) a systems level testing of hardware and software on the existing block IIR satellite design and (2) an in-orbit performance assessment of the first IIR launch, currently scheduled for August 1996, to determine any potential effect on the new block IIF design. A GPS program official stated that ground control software is considered a pacing item for the first launch. Recent software development problems resulted in the original software package being divided into two releases--the first for launch support and the second for mission support.

AIR FORCE, MISSILE PROCUREMENT**Defense Support Program (Line 29)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$220.400	\$361.400	\$102.900
Potential reduction	0	0	55.560

Basis for Reduction

The Air Force's fiscal year 1996 budget request for Defense Support Program missile procurement can be reduced by \$55.56 million because an equivalent amount in prior year funds is excess to program needs. These excess funds, \$20.4 million and \$35.16 million in fiscal years 1994 and 1995, respectively, can be used to offset the budget request unless the Congress approves OSD's request to reprogram the funds.

Fiscal year 1995 funds are available because of reduced contractor support requirements, revised estimates for the block 18 restructure, and reduced launch services requirement and inflation. Fiscal year 1994 funds are available due to cancellation of satellites 24 and 25. The Air Force is attempting to reprogram these excess funds to other Air Force requirements in a fiscal year 1995 omnibus reprogramming request.

AIR FORCE, MISSILE PROCUREMENT**30-mm Training Cartridge (Line 41)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$26.464	\$15.394	\$14.480
Potential reduction	0	0	14.480

Basis for Reduction

The Air Force's fiscal year 1996 request for 30-mm training cartridges can be denied because the funds are not needed to maintain the industrial base. Air Force documents supporting the fiscal year 1996 request state that, although inventory levels will exceed the Air Force's inventory objectives, procurement at the minimum sustaining rate is crucial to maintaining a viable medium caliber industrial base.

Air Force officials disagreed with the reduction, stating that fiscal year 1996 funds are needed to keep 25-mm and 30-mm production lines operating at the contractor's plant. However, the Army, which procures this item for the Air Force, plans to procure sufficient quantities of 25-mm cartridges in fiscal year 1996 to keep the production lines open.

We believe, therefore, that the fiscal year 1996 request can be denied because the suppliers of 30-mm cartridges will be producing other medium caliber rounds for the Army in fiscal year 1996.

AIR FORCE, MISSILE PROCUREMENT**Bomb, Practice, 25 Pound (Line 49)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$5.584	\$5.388	\$5.928
Potential reduction	0	0	5.928

Basis for Reduction

The Air Force's fiscal year 1996 request for 400,000 practice bombs can be denied because the Air Force overstated its training needs. The Air Force used a 26-month procurement lead time that it could not justify.

The Army procures this item for the Air Force. According to Army records, the actual procurement lead times for program years 1991 through 1994 ranged from 9 to 13 months. For the fiscal year 1994 and 1995 budget requests, the Air Force used a 20-month procurement lead time. For the fiscal year 1996 program, the Air Force based its calculations on a 26-month procurement lead time. Based on a 20-month procurement lead time, the Air Force will exceed its inventory objective by 480,093 bombs at the end of the fiscal year 1996 funded delivery period.

Air Force officials disagreed with the reduction, stating that a 26-month procurement lead time should be used because the Army plans to procure this item competitively in fiscal year 1996. According to Army officials, however, the fiscal year 1995 and prior year buys were also competitive buys. Therefore, we believe that based on a 20-month procurement lead time, the Air Force does not need the \$5.928 million requested for 400,000 bombs in fiscal year 1996.

DEFENSE-WIDE, PROCUREMENT**Defense Airborne Reconnaissance Program (Line 7)**

Dollars in millions

	Fiscal year		
	1994	1995	1996
Funding/request	\$87.859	\$332.707	\$179.307
Potential reduction	0	0	111.232

Basis for Reduction

The Defense Airborne Reconnaissance Program's fiscal year 1996 request for Hunter Unmanned Aerial Vehicle systems can be reduced by \$111.232 million, including \$106.032 million in fiscal year 1995 funds that can be used to offset the reductions to the fiscal year 1996 request. Of these fiscal year 1995 funds, \$81 million is for a second Hunter Unmanned Aerial Vehicle LRIP buy, which can be deferred until operational testing is completed in fiscal year 1997. The remaining \$25.032 million of fiscal year 1995 funds and the \$5.2 million from the fiscal year 1996 request are for shipboard Hunter vehicles that can be deferred until a decision is made whether they will be used on Navy ships.

Seven Hunter Unmanned Aerial Vehicle systems (56 aircraft) are already in production. DOD officials originally justified the second buy of three Hunter systems to prevent a production break and the loss of skilled workers. However, in response to our recent report on Unmanned Aerial Vehicles,¹¹ DOD officials now state that the contractor has successfully shifted these workers to other contracts. Thus, DOD's justification for a second buy before operational testing is no longer valid.

Furthermore, after several Hunter crashes led to the grounding of the Hunter system, DOD reviewed the program and decided to defer any further production decisions until after a Unmanned Aerial Vehicle user demonstration. Finally, the second LRIP contract, which was originally scheduled for a August 1995 award, is now planned for award in December 1995, while operational testing has slipped another 1-1/2 years, to June 1997. As we stated in our

¹¹UAVs: No More Hunter Systems Should Be Bought Until Problems Are Fixed (GAO/NSIAD-95-52, Mar, 1, 1995).

November 1994 report,¹² in numerous cases, production before operational testing has resulted in DOD acquiring systems that initially did not meet user operational requirements and required costly modifications and retrofits to try to achieve satisfactory performance.

Program officials continue to maintain that the second buy is necessary to prevent a prolonged production break. However, because these funds were appropriated for a second LRIP buy and because the Hunter system has not demonstrated its readiness for further LRIP, we believe that the \$81 million in fiscal year 1995 funds can be used to offset the fiscal year 1996 budget request.

In addition, in April 1995, the Commanders in Chief of the Atlantic, Pacific, and European fleets advised the Chief of Naval Operations that they did not support fielding the Hunter system on any Navy ship because it would adversely affect ship operations. Senior Atlantic and Pacific Fleet officials told us they consider the Hunter system unacceptable for Navy use for several reasons. First, the Hunter, if deployed on amphibious ships as planned, would be the only aircraft in the ships' inventory that could not land vertically on the ships' decks. Since Hunter can only land horizontally, the risk of an errant Hunter colliding with other aircraft would require clearing about half of the ship's flight deck and erecting a protective barrier at mid-deck. In many operational scenarios, Hunter landings would halt other ship operations because the area remaining for other operations would be too crowded for other aircraft to safely launch or land. Second, amphibious ships have no available storage space for Hunter without deleting other assets normally carried on amphibious ships, such as tanks and artillery. Ship space is currently so limited that some personnel have to be permanently housed in the ship hospital quarters.

Officials at the Chief of Naval Operations informed us that they are dedicated to the Hunter system until testing shows whether it can satisfy performance requirements. Naval officials of the Atlantic and Pacific fleets, however, informed us that they did not want Hunter, even if it satisfied all of its performance requirements. Thus, we believe that the \$5.2 million requested in fiscal year 1996 and the \$25.023 million in fiscal year 1995 funds are not needed.

¹²Weapons Acquisition: Low-Rate Initial Production Used to Buy Weapon Systems Prematurely (GAO/NSIAD-95-18, Nov. 21, 1994).

EXCESS EXPIRING RDT&E AND PROCUREMENT FUNDS

During our review of the fiscal year 1996 defense budget, we identified about \$97.8 million in RDT&E and procurement obligational authority that will expire unless reprogrammed or rescinded by September 30, 1995. The expiring obligational authority includes about \$78.6 million in fiscal year 1994 RDT&E funds and about \$19.2 million in fiscal year 1993 procurement funds. A break down of these funds are shown in tables III.1 and III.2.

Table III.1 Excess Expiring Fiscal Year 1994 RDT&E Funds

Dollars in millions

Agency/program	Amount
Army	
Tri-Service Standoff Attack Missile (line 92)	\$18.242
Subtotal	18.242
Navy	
Ship Self-Defense (line 119)	3.913
Subtotal	3.913
Air Force	
B-2 Advanced Technology Bomber (line 74)	20.000
Tri-Service Standoff Attack Missile (line 139)	26.407
Defense Support Program (line 198)	10.000
Subtotal	56.407
Total	\$78.562

Table III.2 Excess Expiring Fiscal Year 1993 Procurement Funds

Dollars in millions

Agency/appropriation/program	Amount
Navy, Weapons	
Drones and Decoys (line 13)	\$9.253
Air Force, Missile	
Defense Support Program (line 29)	9.910
Total	\$19.163

SCOPE AND METHODOLOGY

We selected for detailed review DOD procurement and research, development, test, and evaluation programs that we identified from our ongoing assignments and the initial phase of this assignment as having cost, schedule, performance or programmatic concerns. To achieve our objectives, we interviewed program officials and reviewed program documentation such as budget requests and justifications, monthly program status reports, correspondence, briefing reports, and accounting and financial reports.

We performed our work at numerous DOD and military service locations. For example, we visited the Air Force Materiel Command Space and Missile System Center, Los Angeles, California; Air Force Materiel Command, Aeronautical Systems Center, Wright-Patterson Air Force Base, Ohio; Army Missile Command and U.S. Ballistic Missile Defense Organization, Huntsville, Alabama; Naval Sea and Air Systems Commands, Arlington, Virginia; Army Communications-Electronics Command, Fort Monmouth, New Jersey; Army Tank-Automotive Command, Warren, Michigan; U.S. Army Armament, Munitions, and Chemical Command, Rock Island, Illinois; Marine Corps Systems Command, Washington, D.C.; U.S. Army Aviation and Troop Command, St. Louis, Missouri; and Electronic Systems Division, Hanscom Air Force Base, Massachusetts. We also contacted program representatives in the Office of the Secretary of Defense and the Departments of the Army, the Navy, and the Air Force.

We conducted our review from October 1994 through July 1995 in accordance with generally accepted government auditing standards.

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Richard E. Silveira

CHICAGO/DETROIT FIELD OFFICE

David A. Bothe
Robert W. Herman
Michael J. Jones
Gregory A. Kalin
Gilbert W. Kruper
Lawrence M. Kubiak
Daniel J. Martin
Antanas N. Sabaliauskas

APPENDIX V

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CINCINNATI FIELD OFFICE

Donald L. Allgyer
Leonard L. Benson
Marvin E. Bonner
Edward R. Browning
Arthur L. Cobb
Jeffrey T. Hunter
Matthew R. Mongin
Richard L. Strittmatter
James R. Wilson

KANSAS CITY FIELD OFFICE

Christie M. Arends
Gary L. Billen
Lauri A. Bischof
Michael W. Buell
Charles O. Burgess
Robert G. Hammons
Gary L. Nelson
Karen A. Rieger
Robert D. Spence
Denise M. Wempe

LOS ANGELES FIELD OFFICE

Dorian R. Dunbar
Carlos M. Garcia
Noel T. Lance
Dale M. Yuge

NORFORK FIELD OFFICE

Robert L. Coleman

(707100)