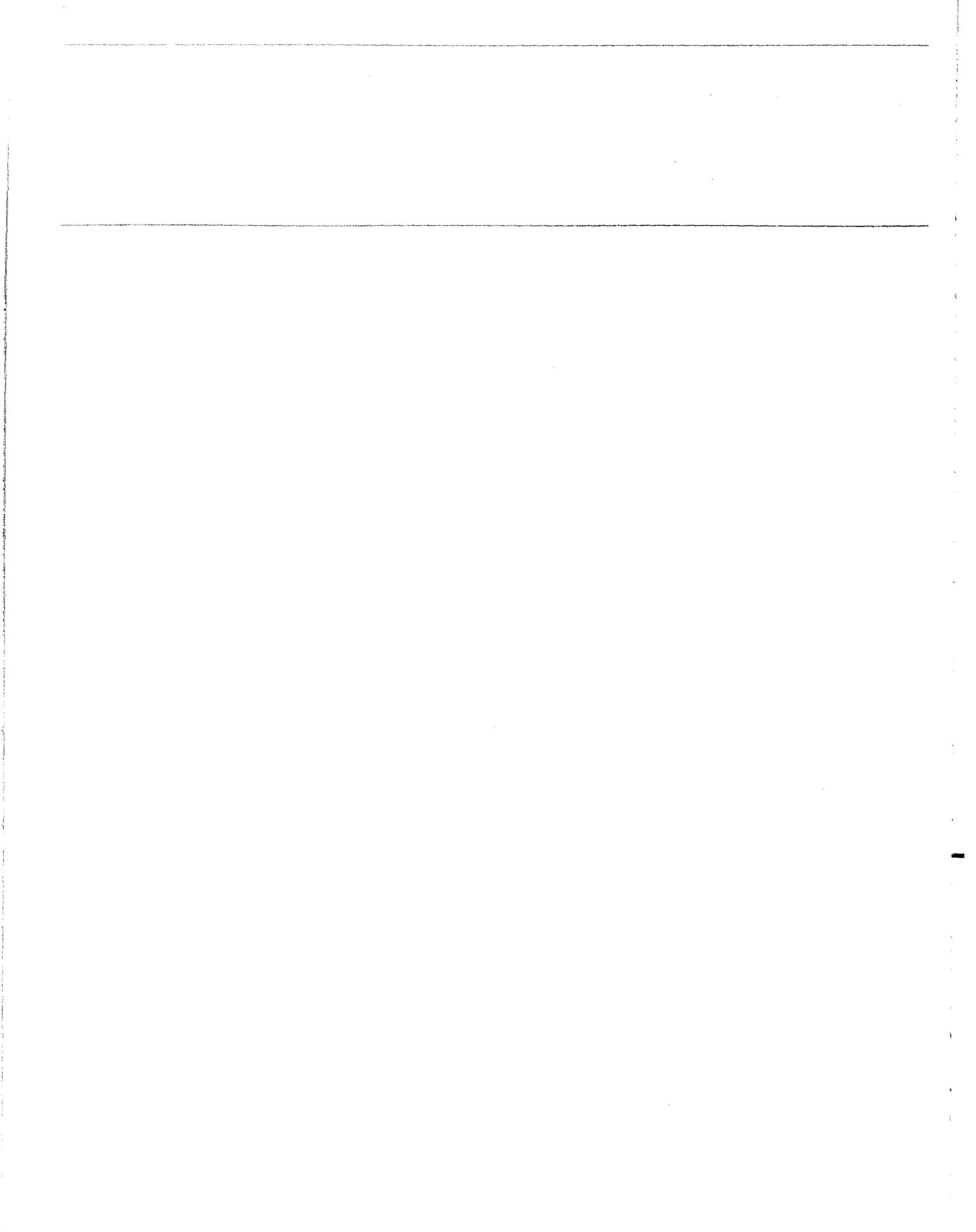


September 1991

1992 ARMY BUDGET

Potential Reductions in Helicopter, Heavy Equipment, and Tank Programs





National Security and
International Affairs Division

B-245303

September 27, 1991

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

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

This report is one of a series that examines defense budget issues. We reviewed the Army's justification for its fiscal year 1992 budget requests for the Reconnaissance Attack Helicopter (formerly known as the "Light Helicopter"), the Heavy Equipment Transporter, and the M1A1 Abrams tank to identify areas for potential reductions.

In addition, we reviewed the Army's implementation of the fiscal year 1991 appropriations for the Reconnaissance Attack Helicopter and the fiscal year 1990 and 1991 appropriations for the Heavy Equipment Transporter and the M1A1 Abrams tank to identify potential rescissions if these programs had not been executed as planned.

Results in Brief

We identified potential reductions and rescissions of \$39.8 million in the amounts requested or appropriated for these programs—a reduction of \$27.8 million in fiscal year 1992 and rescissions of \$2 million in fiscal year 1991 and \$10 million in fiscal year 1990. These reductions and rescissions are possible because (1) excess funds were requested or appropriated, (2) cost estimates have decreased, or (3) funding is not needed until after fiscal year 1992. Table 1 shows the potential budget reductions and rescissions by program.

Table 1: Potential Budget Reductions and Rescissions to Selected Research, Development, Test and Evaluation and Procurement Programs

Program	Fiscal year			Total
	1992	1991	1990	
Reconnaissance Attack Helicopter	\$6.3	\$2.0	0	\$8.3
Heavy Equipment Transporter	21.5	0	0	21.5
M1A1 Abrams tank	0	0	10.0	10.0
Total	\$27.8	\$2.0	\$10.0	\$39.8

Reconnaissance Attack Helicopter

In April 1991, the Army awarded a contract to the team of Boeing and Sikorsky for the demonstration/validation/prototype phase of its program for the Reconnaissance Attack Helicopter (RAH). The new helicopter, designated the "RAH-66 Comanche," is intended to perform both scout and attack missions, including battlefield reconnaissance, finding and attacking armed targets, striking deep against enemy positions, and engaging enemy helicopters in air combat.

Results of Analysis

In fiscal year 1992, the Army requested \$550 million (included in its \$6.2 billion Research, Development, Test and Evaluation [RDT&E] budget) for the RAH-66 Comanche: about \$42 million for the engine and \$508 million for the airframe, the mission equipment package, and the integration of the Longbow—a mast mounted fire control radar with a passive radar detector and a Hellfire missile with a radio frequency seeker.

For fiscal year 1991, Congress appropriated about \$340 million in RDT&E funds for the RAH-66 Comanche: \$53 million for the engine and \$287 million for the airframe and mission equipment package.

We identified a potential reduction of \$6.3 million in the fiscal year 1992 budget and a potential rescission of \$2 million in the fiscal year 1991 RDT&E appropriation.

RDT&E Budget for Fiscal Year 1992

The Army included \$6.3 million in its fiscal year 1992 budget request to cover its contribution to the Small Business Innovation Research (SBIR) program. The SBIR program was established by Congress in 1982 to strengthen the role of small innovative firms in federally funded research and development and to utilize federal research and development programs as a base for technological innovation. Each federal agency with a research and development budget in excess of \$100 million must contribute 1.25 percent of its budget for the SBIR program. Our review of the law and its history indicates that the SBIR is to be funded from, not in addition to, the RDT&E budget, and therefore, the \$6.3 million is a possible reduction.

Program officials believe that the SBIR requirement is a legitimate RAH-66 Comanche budget expense and that without budgeting specifically for the SBIR program, the RAH-66 Comanche may not be able to meet its requirements.

RDT&E Appropriation for Fiscal Year 1991

The Army reprogrammed \$4 million of fiscal year 1991 appropriated funds from the engine line to the airframe line of the RAH-66 Comanche.

The Army planned to use the reprogrammed funds to pay the two competing contractor teams for additional airframe work done prior to the contractor selection and award. However, funds budgeted for the demonstration/validation phase of the RAH-66 Comanche airframe development covered \$2 million of these additional costs. Therefore, we believe the remaining \$2 million is not needed.

A program official stated that only \$2 million was used towards the demonstration/validation effort and the remaining \$2 million will be used to offset the increased costs incurred during the contractor selection process, which went on longer than planned.

Heavy Equipment Transporter

The new Heavy Equipment Transporter (HET) consists of the M1070 Tractor and the M1000 Semitrailer. The new HET is a modified version of the currently fielded HET, which consists of the M911 Tractor and the M747 Semitrailer. The HET moves tanks, fighting vehicles, self-propelled artillery, and other heavy equipment on highways, unimproved roads and trails, and across country. The Army says it needs an upgraded HET to transport the M1A1 Abrams tank, which weighs about 68 tons. The Army expects that the upgraded HET, with its 70-ton payload, will not break down as the currently fielded HET did when its 60-ton payload limit was exceeded. The Army also anticipates that the new HET will have reduced operating and support costs. The Army expects to equip the first unit with the upgraded HET in July 1992.

Results of Analysis

For fiscal year 1992 the Army requested \$182.9 million for the new HET as part of the Army's \$3.2 billion Other Procurement budget. We identified a potential budget reduction of \$21.5 million from the fiscal year 1992 HET program.

The Army has separate multiyear contracts to acquire the tractors and semitrailers. Its fiscal year 1992 budget request contains \$21.5 million to exercise the option clause for the production of additional tractors and \$13.5 million to exercise the option for the production of additional semitrailers. Both contracts provide that production of the option quantities will begin immediately after the production of the basic contract quantities ends.

The \$21.5 million reduction is possible because the Army can postpone its exercise of the option clause to acquire additional tractors from fiscal year 1992 to fiscal year 1993. The Army plans to exercise the option

clauses in both contracts during fiscal year 1992. However, our analysis shows the Army can exercise the deadline for the trailer option as late as January 1993 and still meet the planned delivery schedule. The semi-trailer acquisition option cannot be delayed until fiscal year 1993.

Program officials agreed that the option for the tractor could be exercised in fiscal year 1993. However, they said that forgoing the use of the currently budgeted fiscal year 1992 funding would introduce an element of risk into the program because (1) the Army has not requested funds for the new HET in the fiscal year 1993 budget and (2) the Army would acquire the new HET semitrailers during fiscal year 1992 without the assurance that fiscal year 1993 funding would be available for the companion tractors.

Army budget guidance provides that if funds can be deferred to a future fiscal year and still be available in time to support a scheduled production, the funds should not be requested in an earlier year. Since the funds to procure the additional tractors are not needed until fiscal year 1993, we believe that the fiscal year 1992 request can be reduced by \$21.5 million. The Army will need, however, to request the funds to procure the additional tractors in fiscal year 1993.

M1A1 Abrams Tank

The M1A1 Abrams tank is currently in production. The tank's mission is to destroy enemy forces on the battlefield using firepower, maneuver, and shock effect. The M1A1 Abrams has a 120-mm main gun, a 1,500-horsepower turbine engine, and specialized armor.

Results of Analysis

The Army's fiscal year 1990 appropriation included \$982.4 million to acquire 481 M1A1 Abrams tanks. The contractor is scheduled to deliver these tanks to the Army between July 1991 and June 1992. For fiscal year 1992 the Army requested \$43.7 million for the M1A1 tank program (as part of its \$839.1 million Tracked Combat Vehicles budget) to cover the cost of project management and government engineering support and delivery of equipment to units in the field.

We identified a potential budget rescission of \$10 million from the fiscal year 1990 Abrams tank program. Our review of the Army's records shows the acquisition cost of the tanks at \$972.4 million—\$10 million less than the \$982.4 million appropriation. The program records show \$10 million as contingency funds, and a program official agreed that

these funds were not needed to acquire the tanks funded in the fiscal year 1990 program.

We discussed the contents of this report with officials from the Office of the Secretary of Defense and the Department of the Army and have incorporated their comments where appropriate. Our scope and methodology are discussed in appendix I.

We are sending copies of this report to the Secretaries of Defense and the Army; the Director, Office of Management and Budget; the Chairmen of the House and Senate Committees on Armed Services; and other interested congressional committees. Copies will also be made available to others upon request.

This report was prepared under the direction of Richard Davis, Director, Army Issues, who may be reached on (202) 275-4141 if you or your staff have questions concerning this report. Other major contributors to this report are listed in appendix II.



Frank C. Conahan
Assistant Comptroller General

Scope and Methodology

We conducted our review at the Aviation Systems Command in St. Louis, Missouri, which manages the Reconnaissance Attack Helicopter program, and the Tank-Automotive Command in Warren, Michigan, which manages the Heavy Equipment Transporter and the M1A1 Abrams tank programs. These Commands are responsible for developing the budgets and for implementing prior-year funding programs.

To achieve our objectives, we interviewed Army officials responsible for managing, developing, and acquiring the selected systems. We also reviewed and analyzed various documents, including budget justifications, contracts, and cost estimates to determine the degree to which they were supported by cost data, program requirements, and valid methodology. We performed our review from March to August 1991 in accordance with generally accepted government auditing standards.

Major Contributors to This Report

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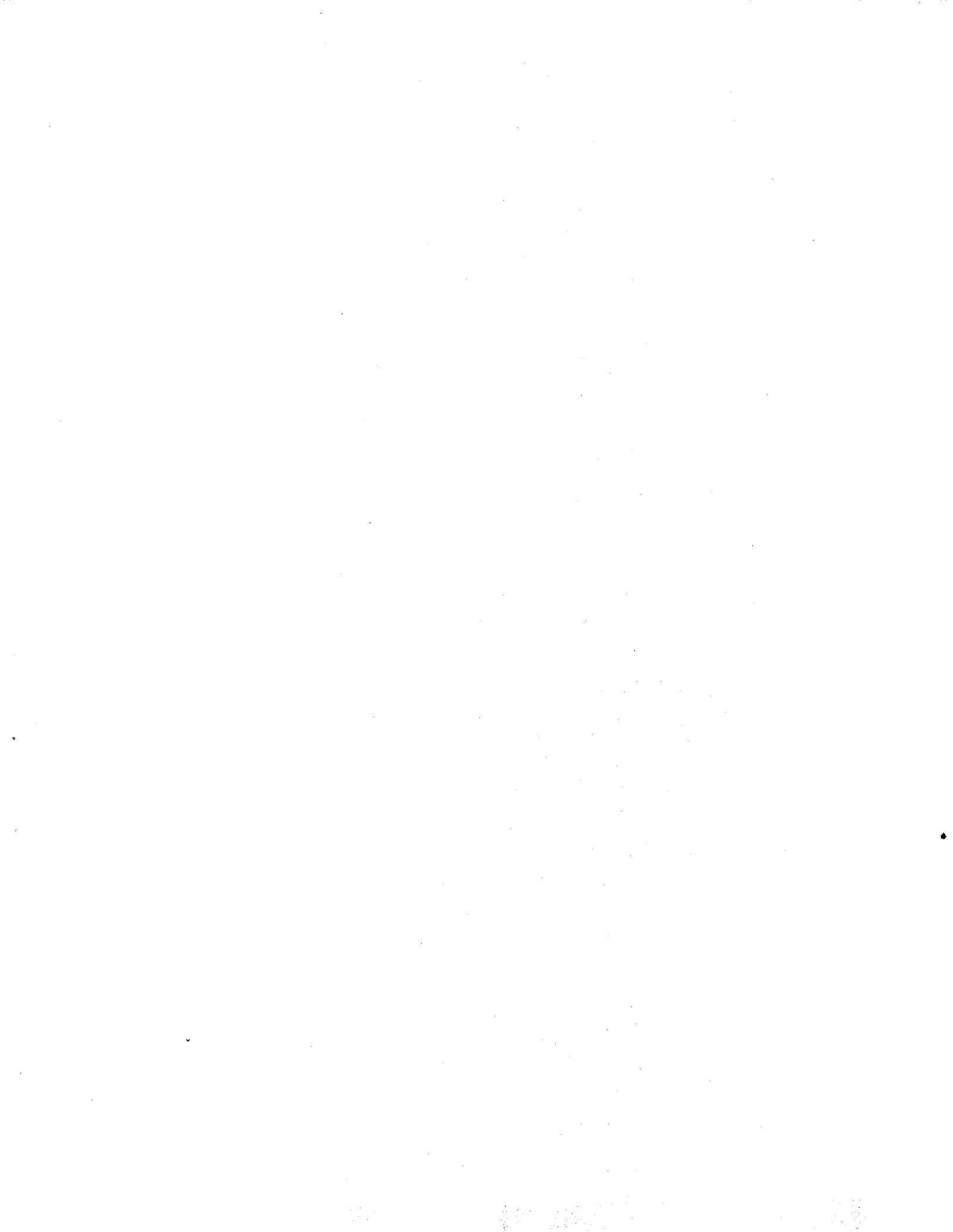
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