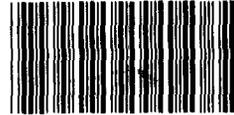


January 1991

NAVY BUDGET

Potential Reductions in Aircraft Procurement Budget



142963

**National Security and
International Affairs Division**

B-241307

January 16, 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

Responding to your requests, we reviewed the Navy's aircraft procurement budget request for fiscal year 1991 and appropriations for the preceding 2 years to identify potential budget reductions and rescissions, including amounts that are not being used for the purposes appropriated. This report was prepared before House and Senate conferees agreed to the terms of the fiscal year 1991 Defense Appropriations Act. In early July 1990, we briefed your staffs, and in late September 1990, we provided each of your staffs with a fact sheet on the results of our work so that the potential reductions and rescissions could be considered in the debate on the fiscal year 1991 Defense Appropriations Act. The House and Senate conferees agreed to the terms of this act in late October 1990.

We identified \$972.1 million in potential reductions and rescissions for congressional consideration. (See table 1.) If the proposed procurement of certain aircraft is reduced or deferred, \$658.8 million would be available from the fiscal year 1991 budget request. An additional \$313.3 million of fiscal years 1989 and 1990 appropriated funds could be rescinded since they are not being used for the original purposes identified in the budget requests. These funds were identified during our examination of definitized contracts, requirement changes, reprioritized uses of funds within the program offices, and funds reserved by the Department of Defense Comptroller or the Navy Comptroller for reprogramming to other programs.

Table 1: Potential Reductions and Rescissions to Navy Aircraft Procurement Budgets

Dollars in millions				
Program	Fiscal year			Total
	1991	1990	1989	
F-14	0	\$7.0	\$6.4	\$13.4
F/A-18	\$489.2	0	23.0	512.2
CH/MH-53	0	0	0.9	0.9
SH-60F	0	4.0	0	4.0
V-22	0	0	200.0	200.0
T-45	169.6	0	0	169.6
Aircraft Modifications	0	7.3	9.4	16.7
Initial Spares	0	42.3	3.0	45.3
Common Ground Support Equipment	0	10.0	0	10.0
Total	\$658.8	\$70.6	\$242.7	\$972.1

The potential reductions and rescissions are summarized and discussed in detail in appendix I.

We analyzed data relating to contract costs, program requirements, contract delays, and program status. In some cases, we relied on the information supplied by program officials. We did not obtain written agency comments, but we did discuss the contents of this report with officials from the Office of the Secretary of Defense and the Naval Air Systems Command, and have incorporated their comments where appropriate. Appendix II provides our objectives, scope, and methodology.

We are also sending copies of this report to the Chairmen, Senate Committee on Governmental Affairs, House Committee on Government Operations, Senate and House Committees on Armed Services; the Director, Office of Management and Budget; and the Secretaries of Defense and the Navy. We will make copies available to others upon request.

This report was prepared under the direction of Martin M Ferber, Director, Navy Issues, who may be reached on (202) 275-6504, if you or

your staff have questions. Other major contributors to this report are listed in appendix III.



Frank C. Conahan
Assistant Comptroller General

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Potential Reductions and Rescissions to Navy Aircraft Procurement Budget

We identified \$972.1 million in potential reductions and rescissions to the Navy aircraft procurement budget: \$658.8 million from the fiscal year 1991 budget request, \$70.6 million from the fiscal year 1990 appropriations, and \$242.7 million from the fiscal year 1989 appropriations. The following sections provide a brief program description and the results of our analysis for each of the programs we examined.

F-14 Tomcat Aircraft

Brief Description

The F-14 air superiority/fleet air fighter is designed for air-to-air combat and air-to-surface attack missions. It is a two-seat, variable sweep wing, supersonic twin-engine, carrier-based aircraft with visual attack and all-weather capability. The F-14 was first flown in 1970 and the last new production aircraft was funded in 1989. The program is now in the process of remanufacturing older serviceable aircraft into new models.

Results of Analysis

We identified \$13.4 million that could be considered for rescission because they were not being used for the purposes justified in the budget request. From fiscal year 1989 appropriated funds, the Navy redirected \$6.4 million to partially fund the aircrew escape seat and the ALR-67 computer that were not in the original budget. The budgeted amount includes \$4.3 million in F-14 funds budgeted for recurring costs, \$1 million from the ancillary equipment budget line, and \$1.1 million from the technical publications budget line. From fiscal year 1990 appropriated funds, the Navy redirected \$4 million budgeted for F-14 integrated logistics to fund airframe and avionics peculiar ground support equipment, and plans to use another \$3 million resulting from F-14 engine contract savings to cover various cost overages.

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**Table I.1: F-14 Tomcat Procurement
Funds Not Used for the Original
Specified Purposes**

	Fiscal year			Total
	1991	1990	1989	
Non recurring costs	0	\$0	\$4.3	\$4.3
Ancillary equipment	0	0	1.0	1.0
Technical publications	0	0	1.1	1.1
Engine	0	3.0	0	3.0
Integrated logistics	0	4.0	0	4.0
Total	0	\$7.0	\$6.4	\$13.4

F/A-18 Hornet Aircraft

Brief Description

The F/A-18 is a twin-engine, mid-wing, multimission, tactical aircraft employed in Navy and Marine Corps Strike Fighter Squadrons. The F/A-18, through selected use of external equipment, is designed for flexibility in fighter, attack, fleet air defense, and close air support roles. The Navy plans to procure a total of 1,157 F/A-18s. It currently has 620 on hand. It had been procuring 84 aircraft per year, but reduced procurement to 66 in fiscal year 1990 because of budget constraints.

Results of Analysis

We identified \$512.2 million, \$23 million in the fiscal year 1989 budget and \$489.2 million in the fiscal year 1991 budget request, as potential rescissions and reductions, respectively, to the F/A-18 budget. About \$23 million appropriated for fiscal year 1989 were not used for the original purposes identified in the budget request. The Navy redirected \$16.3 million to partially fund the computer for the ALR-67 radar: \$15.9 million budgeted for ancillary equipment, \$.2 million of savings from an airframe peculiar ground equipment contract, and \$.2 million of savings from an engine ground support equipment contract. The Department of Defense has reserved the remaining \$6.7 million for unspecified purposes.

The Senate Committee on Appropriations staff asked us to determine the funding impact if only 42 F/A-18 aircraft were bought instead of the 66 aircraft the administration requested for fiscal year 1991. A reduced procurement of 42 F/A-18 aircraft in fiscal year 1991 would allow a

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reduction of \$461 million from the budget request for aircraft procurement and initial spares. If the Congress intends to continue F/A-18 procurement at the rate of 42 aircraft per year, an additional reduction of \$28.2 million could be considered in fiscal year 1991 from advanced procurement. This would bring the total fiscal year 1991 F/A-18 reduction to \$489.2 million.

Table I.2: F/A-18 Hornet Procurement Funds Not Used for the Original Specified Purposes

Dollars in millions

	Fiscal year			Total
	1991	1990	1989	
Ancillary equipment	\$0	0	\$15.9	\$15.9
Airframe support equipment	0	0	0.2	0.2
Engine support equipment	0	0	0.2	0.2
Procurement funds	447.6	0	6.7	454.3
Initial spares	13.4	0	0	13.4
Advanced procurement	28.2	0	0	28.2
Total	\$489.2	0	\$23.0	\$512.2

CH/MH-53 Super Stallion Helicopter

Brief Description

The CH/MH-53 is a shipboard-compatible heavy-lift transport helicopter used for Marine Corps and Navy missions. Marine Corps missions include amphibious/heliborne assault to provide lift and movement of cargo and troops, plus a heavy-lift short operational requirement that includes tactical recovery of downed or damaged aircraft and equipment. Navy missions include vertical cargo delivery to ships and airborne mine countermeasures. According to the Navy, the MH-53 has significantly enhanced airborne mine countermeasures capability. The enhanced capabilities also increase the aircraft's capability to perform utility and special missions by significantly increasing range and navigation capability.

The total planned procurement of 161 aircraft would have been met with the fiscal year 1990 procurement. However, as a result of the Department of Defense's decision not to procure the V-22, additional CH/MH-53 aircraft are being requested to replace the V-22 in the force

level requirements. According to the Navy, both the CH/MH-53 and the V-22 provide amphibious vertical lift for movement of cargo and troops.

Results of Analysis

We identified \$900,000 in potential rescissions to the fiscal year 1989 CH/MH-53 budget. These funds were redirected for another purpose that was not identified.

Table I.3: CH/MH-53 Procurement Funds Not Used for the Original Specified Purposes

Dollars in millions

	Fiscal year			Total
	1991	1990	1989	
Procurement Funds	0	0	\$.9	\$.9

V-22 Osprey Aircraft

Brief Description

The V-22 Osprey is a tilt-rotor, vertical takeoff and landing aircraft designed to meet the amphibious/vertical assault needs of the Marine Corps, the strike rescue needs of the Navy, and the special operations needs of the Air Force. V-22 procurement is in the research and development phase with four aircraft available for operational testing. The Navy is currently restructuring program acquisition plans.

Results of Analysis

We identified \$200 million in potential rescissions to the fiscal year 1989 V-22 appropriation. The Navy obligated \$333.9 million in advance procurement funds for 12 pilot production V-22 aircraft for fiscal year 1989. In December 1989, the Department of Defense decided not to buy the V-22, based on the availability of alternative aircraft (CH/MH-53 and CH-60) that could perform the marine amphibious lift mission at less cost and terminated the advance procurement contracts. Of the \$333.9 million, \$133.9 million has been used for termination and other liabilities, and \$200 million is available for other purposes. No funds were requested for procurement for fiscal years 1990 or 1991.

Table I.4: V-22 Procurement Funds Not Used for the Original Specified Purposes

Dollars in millions

	Fiscal year			Total
	1991	1990	1989	
Advanced Procurement	0	0	\$200	\$200

SH-60F Helicopter

Brief Description

The SH-60F helicopter provides antisubmarine protection for aircraft carrier battle groups. Secondary missions of the SH-60F are fleet support (including search and rescue, and medical evacuation); antiship missile defense; command, control, and communications; logistics; noncombat operations; and surveillance. The total planned procurement is 175 aircraft. The Navy began procurement in 1987 and has bought 18 aircraft per year until fiscal year 1990, when it did not procure any. It requested funds for 18 aircraft in fiscal year 1991.

Results of Analysis

We identified \$4 million in potential rescissions to the fiscal year 1990 budget. The Navy Comptroller has reserved these funds, originally intended for initial spares, for an unspecified purpose.

Table I.5: SH-60F Procurement Funds Not Used for the Original Specified Purposes

	Fiscal year			Total
	1991	1990	1989	
Initial Spares	0	\$4	0	\$4

T-45 Goshawk Aircraft

Brief Description

The T-45 is a tandem seat, single-engine derivative of the British Aerospace HAWK aircraft, being adapted for the Navy to perform carrier catapult takeoffs and arrested landings for pilot training. The Navy plans to procure 302 aircraft, 32 simulators, 4 training integration systems, and 49 computer-assisted instruction devices. It procured 12 aircraft in fiscal year 1988, and split the fiscal year 1989 procurement of 24 aircraft between fiscal years 1989 and 1990 (12 each year).

Development of the T-45 aircraft encountered technical problems in 1988 testing, particularly in the capability to make low speed

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approaches to the carrier. The Navy and the aircraft contractor identified corrections for the technical deficiencies, but have neither completed development, nor tested the corrected components as an integrated system.

Results of Analysis

We identified \$169.6 million in potential reductions to the fiscal year 1991 budget request. The Navy requested \$306 million for procurement in fiscal year 1991. We believe that this procurement should not be funded until operational testing is completed. This would defer \$169.6 million in fiscal year 1991 procurement funds.

Table I.6: T-45 Goshawk Procurement Funds Not Used for the Original Specified Purposes

Dollars in millions	Fiscal year			Total
	1991	1990	1989	
Procurement Funds	\$169.6	0	0	\$169.6

Aircraft Modifications

Brief Description

The aircraft modification budget line funds the installation of technical improvements that modernize; improve maintainability, reliability, and safety; and extend the service life of aircraft in the fleet.

Results of Analysis

We identified a total of \$16.7 million in potential rescissions: \$9.4 million to the fiscal year 1989 and \$7.3 million to the fiscal year 1990 budgets. The Navy reprogrammed \$16.7 million, originally identified in the budget for aircraft modifications, to aircraft procurement, aircraft modifications, or advanced procurement budget lines. These funds were made available from contract savings (\$6.1 million), cancellation of requirements (\$6.5 million), and funding that was excess to known requirements (\$4.1 million).

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Table I.7: Modification of Aircraft Procurement Funds Not Used for the Original Specified Purposes

	Dollars in millions			
	Fiscal year			
	1991	1990	1989	Total
A-4 aircraft	0	\$1.5	\$0.4	\$1.9
EA-6B aircraft	0	0	1.2	1.2
F-14 aircraft	0	0	0.3	0.3
ES-3 aircraft	0	0	0.2	0.2
F/A-18 aircraft	0	0	0.8	0.8
CH-53 helicopter	0	0	0.9	0.9
VH-60 helicopter	0	3.5	0	3.5
H-3 helicopter	0	2.3	0	2.3
SH-3 helicopter	0	0	3.0	3.0
P-3 aircraft	0	0	2.1	2.1
S-3 aircraft	0	0	0.4	0.4
C-130 aircraft	0	0	0.1	0.1
Total	0	\$7.3	\$9.4	\$16.7

Aircraft Spares and Repair Parts

Brief Description

The aircraft spares and repair parts budget provides for the procurement of spare equipment and repair parts necessary to support Navy and Marine Corps aircraft. Items procured under the initial spares category include engines, equipment spares, and recently acquired parts that have been newly introduced and have no adequate demand history.

Results of Analysis

We identified \$45.3 million from the initial spares subprogram of the spares and repair parts budget that were not used for their intended purposes. The Navy redirected \$3 million from fiscal year 1989 appropriated funds and \$42.3 million from the fiscal year 1990 appropriated funds to the E-2C and F-14 procurement programs.

Table I.8: Spares and Repair Parts Procurement Funds Not Used for the Original Specified Purposes

	Dollars in millions			
	Fiscal year			
	1991	1990	1989	Total
Initial Spares	0	\$42.3	\$3.0	\$45.3

Common Ground Support Equipment

Brief Description

The common ground support equipment budget line provides funds for automatic test equipment, various aircraft systems trainers and training aids, the consolidated automated support system, support equipment for the rapid deployment force, and mobile maintenance facilities for the Marine Corps expeditionary forces. It also provides other aircraft support equipment that is either peculiar to out-of-production aircraft or common to more than one aircraft.

- The automatic test equipment budget line provides for the acquisition of common avionics automatic test equipment.
- The support equipment budget line, managed by the inventory control points, funds the procurement of peculiar support equipment for out-of-production weapon systems and all common support equipment.
- The gas turbine compressor budget line provides for the replacement of old mobile airstart units at all Navy and Marine Corps activities with more reliable easily maintained units. These new units provide compressed air for starting main aircraft engines.
- The avionics support equipment budget line provides for the acquisition of common avionic support equipment items that are too technically complex for the inventory control point to acquire. The Naval Air Systems Command headquarters manages this equipment, which is supported through its Aviation Supply Office.
- The Rapid Deployment Force budget line supports the Marine Corps' maritime prepositioning ships program. The program provides equipment to support three air combat elements, each with a preselected mix of fixed-winged and rotary-wing aircraft. Deployed air combat elements provide tactical air support for a marine expeditionary brigade.

Results of Analysis

Within the common ground support equipment budget program, we identified \$10 million that could be rescinded for fiscal year 1990. That was the amount not being used for its intended purposes. The Navy redirected \$1.9 million from contract savings for automatic test equipment: \$1.1 million was retained within the common ground support budget line and \$.8 million was redirected to partially fund the consolidated automated support system. It also redirected \$8.1 million from deferred requirements in four other programs to partially fund the same system.

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**Table I.9: Common Ground Support
Equipment Procurement Funds Not Used
for the Original Specified Purposes**

Dollars in millions

	Fiscal year			Total
	1991	1990	1989	
Automatic test equipment	0	\$1.9	0	\$1.9
Inventory control point	0	3.5	0	3.5
Gas turbine compressor	0	3.1	0	3.1
Avionics support equipment	0	1.1	0	1.1
Rapid deployment force	0	0.4	0	0.4
Total	0	\$10.0	0	\$10.0

Objectives, Scope, and Methodology

We reviewed the Navy's aircraft procurement budget for the Subcommittees on Defense, House and Senate Committees on Appropriations. Our objective was to review the Navy's aircraft procurement budget request for fiscal year 1991 and appropriations for fiscal years 1989 and 1990 to identify potential budget reductions and rescissions from reduced or deferred requirements, contract savings, and schedule slippages, or from funds redirected to other needs from the needs identified for the Congress during prior year budget requests.

We analyzed budget justifications for procurement of combat aircraft, trainer aircraft, and other aircraft; modifications of aircraft; aircraft spares and repair parts; and aircraft support equipment and facilities. In conducting our evaluation, we discussed the selected procurements with respective program managers and program budget analysts. Although we did not obtain written agency comments, we discussed the results of our work with officials from the Office of the Secretary of Defense and the Naval Air Systems Command. We performed our work at Navy program offices in Arlington, Virginia.

We conducted our review from January to October 1990 in accordance with generally accepted government auditing standards.

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