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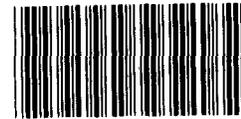
TUESDAY, MARCH 8, 1983

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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D. C. 20548

STATEMENT OF
WERNER GROSSHANS, DEPUTY DIRECTOR
PROCUREMENT, LOGISTICS AND READINESS DIVISION
BEFORE THE
SUBCOMMITTEE ON LEGISLATION AND NATIONAL SECURITY
HOUSE COMMITTEE ON GOVERNMENT OPERATIONS



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Mr. Chairman, I am pleased to appear before the Subcommittee on Legislation and National Security to discuss the Department of Defense's opportunities to achieve savings by improving the management of aircraft depot maintenance. This is an area which we have examined in the past and one which we believe can reduce defense expenditures. Our work has shown that the separate aircraft depot maintenance systems of the three military services have extensive redundancies and excess capacity which are costly. I would like to discuss what we see as the impediments to correcting these conditions and the specific actions that are needed to realize the potential savings. While DOD has taken some actions to improve the management of aircraft depot maintenance, I believe my testimony underscores the need for still further action.

WHAT IS AIRCRAFT DEPOT MAINTENANCE
AND WHAT DOES IT COST

When an aircraft needs extensive maintenance, it generally requires skills and equipment that are not available at lower maintenance levels (organizational and intermediate). This higher maintenance, called depot maintenance, is performed at either military depots or contractor plants. DOD spends about \$5.3 billion annually for aircraft depot maintenance in areas of major overhaul and repair or modification of components, engines, and air frames. About 70 percent is spent in military depots, while the remainder is spent in contractor plants.

All three services have depots to perform aircraft maintenance. The Navy has six depots, the Air Force five, and the Army two, with some work being performed at electronics depots.

The facilities and equipment at these depots is valued at \$6.6 billion. DOD plans to spend another \$1 billion to modernize the depots over the five year period ending in fiscal year 1986.

AIRCRAFT DEPOT MAINTENANCE
PROBLEMS ARE NOT NEW

As far back as 1958, the Congress mandated that the Secretary of Defense provide more effectiveness, efficiency, and economy and eliminate duplication in DOD maintenance. Since that time DOD and the military services have studied and restudied aircraft depot maintenance to stretch the maintenance dollar. Additionally, we have conducted numerous reviews of the area. Although many studies identified redundant depot maintenance capabilities and excess capacities, little has been accomplished DOD-wide in realigning organizations or consolidating workloads.

For example, in July 1973 we issued a report ("Potential For Greater Consolidation Of The Maintenance Workloads In The Military Services," B-178736, dated July 6, 1973) which included findings that (1) each military service had overemphasized developing its own maintenance capability rather than trying to use the other services' existing ones, and (2) although various DOD instructions have encouraged interservice maintenance, the services have circumvented the policy's intent and, consequently, have extensively duplicated and underused maintenance facilities.

In July 1978 we issued a comprehensive report ("Aircraft Depot Maintenance: A Single Manager Is Needed To Stop Waste", LCD-78-406, dated July 12, 1978) which for the first time dealt with the total depot concept and also consolidated the previous reports. We

stated that the separate aircraft depot maintenance systems of the three military services resulted in extensive redundancies and underuse of resources. We also stated that a primary reason for this situation was that aircraft depot maintenance was not managed at the DOD level; instead it was managed independently by each of the military services. Based on its desire to be self-sufficient, each service created, with its own assets, an industrial complex capable of performing virtually any kind of depot maintenance. Furthermore, DOD had not prepared a master plan for implementing an effective, efficient, and economical Defense-wide aircraft depot posture.

We concluded that the individual services had not demonstrated that they needed all of this capability in either a peacetime or wartime environment. We recommended that the Secretary of Defense either designate or establish a single manager over aircraft depot maintenance. The single manager would be responsible for (1) determining resource needs, (2) sizing the depot complex, and (3) workloading the depots efficiently.

In commenting on our report, DOD stated that there may be benefits from having a single manager for aeronautical depot maintenance but this matter required further study.

SUBSEQUENT ACTIONS BY DOD

In December 1978 the Joint Logistics Commanders chartered a study of DOD aeronautical depot maintenance to determine the organic and commercial industrial base necessary to meet mobilization requirements, and to use this base to evaluate economical and

efficient peacetime operations. The study recommended establishing a Joint Aeronautical Depot Maintenance Action Group (JADMAG) to provide the mechanism for joint resolution of aeronautical depot maintenance problems and for master planning.

In March 1980 the action group (now Joint Depot Maintenance Analysis Group) was created to develop and recommend policy and actions necessary to assure effective and efficient aeronautical depot maintenance. Among other things, the group was to develop and maintain a consolidated aeronautical depot maintenance master plan, recommend realignments of maintenance workloads, and recommend actions to resolve duplication of maintenance facilities and equipment. A Depot Maintenance Study Directorate also was made a part of the group. The directorate and its predecessor organizations were responsible for identifying and screening new starts for their interservicing potential.

In September 1981 the Deputy Secretary of Defense established a DOD Aeronautical Depot Maintenance Management Task Force to oversee DOD efforts toward improving the capability and efficiency of both organic and contractual aeronautical depot maintenance. The task force was to assure that individual and joint service plans and their implementation adequately and promptly addressed (1) mobilization requirements and capabilities, (2) modernization of plant and equipment, (3) full use of interservice capabilities, (4) establishment of common management information systems, (5) elimination of excess depot capacity, and (6) an appropriate balance between organic and contract sources of repair.

In December 1982, DOD Instruction 4100.40 established a Maintenance Policy Council to replace the aeronautical task force. The Council's functions were essentially the same as the task force's. The role of the Council also was expanded to cover all depot maintenance, including ships and ground vehicles.

MANAGEMENT PROBLEMS
CONTINUE TO EXIST

The DOD actions thus far have not been as successful as they could be in increasing interservicing and eliminating redundancies and excess capacity. I now would like to discuss some of the problems that we identified during our follow-on review,

Depots have excess capacity

The DOD depots continue to have excess physical capacity for both peacetime and wartime workloads. The excess peacetime capacity amounts to 32 million direct labor hours or 32 percent of the gross peacetime capacity. The excess represents the difference between the gross peacetime capacity of 101 million direct labor hours and the peacetime workload of 69 million direct labor hours. The peacetime capacity is based on a one shift operation; obviously the capacity would increase if there were additional work shifts.

Excess capacity also is available in wartime. Although the wartime workload is larger than in peacetime, the wartime capacity also is larger because extended work shifts are used. Based on the average monthly workload for the three highest months, the excess wartime capacity for the organic depots amounts to 77 million direct labor hours or 41 percent of the gross wartime capacity.

The excess represents the difference between the gross wartime capacity of 187 million direct labor hours and the wartime workload of 110 million direct labor hours.

It is difficult to state how much the excess capacity costs DOD each year or what the potential savings would be by eliminating the excess. The Air Force attempted to do this in estimating the savings from the technology repair center realignment program and came up with a savings of \$3 for each direct labor hour realigned. On this basis, and we did not audit the Air Force figure, we estimate that eliminating the excess capacity would save a minimum of \$96 million a year. Additional benefits would accrue through better investment decisions, increased productivity, and improved work flow.

The excess capacity also can be deleterious to the \$1 billion modernization program if some of the funds are spent on unneeded facilities and equipment. In fact, in 1975 we reported that the Navy approved two modernization projects, costing \$2.2 million, for the Quonset Point depot shortly before the announced closure of the installation. And the Navy now has a \$9.4 million study underway to develop a 10-year modernization plan for the Navy depots which does not take into account the resources and capabilities of the other services. A more effective use of modernization funds would be to base the modernization program on total DOD needs rather than individual service needs. Dollars would be less likely to be spent on projects that have marginal future utility.

DOD-wide organizations
have not been effective

The DOD organizations which were established to improve aircraft depot maintenance have not accomplished their objectives.

The Joint Depot Maintenance Analysis Group published an Aeronautical Depot Maintenance Operational Master Plan in December 1982 but it did not present a full range of consolidation/reposturing alternatives as it was expected to. The master plan is basically a data bank. The only alternatives discussed in any depth relate to aircraft engines and helicopter maintenance. The master plan estimated annual savings of \$5 million by consolidating helicopter depot maintenance at three facilities. The plan also considered reducing the number of engine maintenance facilities from 8 to 6. No decisions were made and both the helicopter and engine alternatives were remanded for further study.

The DOD Aeronautical Depot Maintenance Management Task Force agreed on a series of joint actions that were needed to improve DOD maintenance capability over both the short and long term but implementation of these actions has been slow. For example, full use of interservice capabilities or elimination of excess depot capacity has not been adequately and promptly addressed. The only fully implemented action has been the establishment of the Maintenance Policy Council which took over the functions of the task force.

The Depot Maintenance Study Directorate (formerly Maintenance Interservice Support Group-Central), the group responsible for interservicing studies, reported aircraft depot maintenance savings

(cost avoidances) of only \$53 million from its efforts over the five year period from July 1977 to September 1982. The limited success of the interservicing efforts has been a long standing DOD problem. As far back as 1973 we reported that, although various DOD instructions have encouraged interservicing, the individual services have circumvented the policy's intent and consequently have extensively duplicated and underused maintenance facilities. Our current work identified similar problems. One problem was that the DOD guidance on submission of items for interservicing study were unclear or were not followed by the services. The F-16, S-3A and AV-8B aircraft were not submitted at all and other weapon systems were submitted only piecemeal. For example, the Navy submitted only 7 of the 105 major subsystems in the F/A-18 aircraft. Instructions were recently issued to clarify and strengthen the submission requirements, but in view of the past record it remains to be seen if the services will follow the revised instructions.

Another indication of the lack of service commitment to the interservicing program is that the interservicing decisions are not always followed. For example, in September 1981 the Defense Audit Service reported that a limited review identified 48 items where interservicing decisions had been made but more than one service continued to maintain the items.

The fact that interservicing isn't working is further illustrated by the recent Navy "baseline" study. This study proposes a core workload for Navy aircraft maintenance depots which will be a set aside and not subject to interservicing study. A Navy official

stated that the core workload represents the workload needed to sustain the current organizational structure.

Compounding the above problems is that the interservicing studies sometimes are limited in scope or based on inaccurate or incomplete data. The interservicing studies do not consider like or similar items. For example, each service's version of the H-60 helicopter was studied separately, and the LN-39 inertial navigation system study did not consider the similar LN-38 system. Also, the initial cruise missile engine study looked only at the air launched cruise missile. Only after we made a recommendation in May 1982 were all three cruise missiles (air, sea, and ground) restudied as a group.

The interservicing studies utilize data provided by the services. If this data is inaccurate or incomplete, it can influence the interservicing decision. We found examples of large increases between the costs originally submitted for the interservicing study and the final cost to establish the maintenance capability. For example, the Air Force was assigned the workload for the AVQ-25 laser target designator on the basis of an investment cost of \$1.1 million. The Air Force later actually spent \$5.5 million on equipment, or \$4.4 million more than its estimate. These data problems at best indicate difficulties in developing accurate cost information and at worse give the impression the services are attempting to "buy in" to get the interservicing recommendation.

I have spent quite a bit of time on the subject of interservicing because our prior and current work shows that it just isn't working.

WHY HASN'T DOD MADE MORE PROGRESS

Since our 1978 report, DOD has made studies and established various joint service and central organizations to assure effective and efficient aircraft depot maintenance. They have not succeeded. The current complex of aircraft maintenance depots has not been effectively matched with peacetime and mobilization requirements. Extensive redundancies and excess capacity still exist. Yet the services are continuing to invest in facilities and equipment to modernize the depots, which already provide more gross capacity than needed.

In view of the large savings potential, why hasn't DOD moved more quickly to eliminate the redundancies and excess capacity and to make management improvements? We think the major reasons are

1. Parochial interests of the individual services.
2. Lack of centralized responsibility and authority.
3. Absence of meaningful goals and milestones, and DOD-wide planning.

DOD and the military services have created many organizations--such as an action group, analysis group, interservice support group, study directorate, task force, and policy council--to correct this situation but their efforts have not created the necessary improvements. At the time of these hearings a meaningful master plan still has not been developed and possible realignments are even more remote.

WHAT NEEDS TO BE DONE

The DOD actions do not go far enough to overcome the problems we have identified. Little has transpired since 1978 to cause us to change our belief that DOD should create a management structure which centralizes responsibility for aircraft depot maintenance. Therefore, we continue to believe that the Secretary of Defense should either designate or establish a single manager over aircraft depot maintenance. The single manager should be responsible for;

- managing resources to include (1) determining DOD depot resource needs in light of peacetime and potential mobilized operations and (2) tailoring the depot complex to efficiently meet those needs which cannot be viably accomplished by private industry.
- managing workloads input by the military services to include (1) consolidation to take advantage of similar or common capabilities and (2) distribution to the most economical activity which can effectively perform the work.
- developing, within specified time frames, a master plan and program as the basis for future actions toward optimum matching of resources with requirements considering commercial and military resources, peacetime and wartime operations, and efficiently sized military depots.

The military services would continue to be responsible for determining their depot maintenance needs. The single manager

basically would be responsible for effectively, efficiently, and economically accomplishing the service identified needs.

By going to a single manager we do not envision immediate depot consolidations and closures. Rather we anticipate that this process will be based on a viable master plan and the excess capacity reduced through attrition over an extended period of time. In this way there will be a minimum disruption of the current work force.

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Mr. Chairman, that concludes my prepared remarks. I will be happy to respond to any questions you may have at this time.