

GAO

Briefing Report to the Chairmen,
Subcommittees on Defense, House and
Senate Committees on Appropriations

August 1986

DEFENSE BUDGET

Potential Reductions to Army and Marine Corps Missile Budgets



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United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-205940

August 6, 1986

The Honorable Ted Stevens
Chairman, Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Bill Chappell, Jr.
Chairman, Subcommittee on Defense
Committee on Appropriations
House of Representatives

As requested, we examined the justifications for the Army's fiscal year 1987 appropriation request of \$2.099 billion for seven missile systems. These systems are the Multiple Launch Rocket System (MLRS), the TOW-2, the Stinger, the Patriot, the Hawk, the Chaparral, and the Air Defense System, Heavy. We also reviewed the Marine Corps' request of \$242.5 million to procure the TOW-2, the Stinger, and the Hawk missile systems.

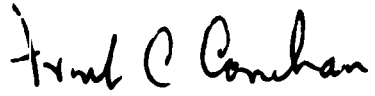
We identified \$156.1 million in the Army and Marine Corps' fiscal year 1987 requests and \$66.3 million in the programs for fiscal years 1984, 1985, and 1986 that we believe have a potential for reduction. These amounts are primarily the result of (1) our recalculations of estimates using more current contract information, revised Army estimates, and historical experience and (2) the Army's request for funds for procurements in fiscal year 1987 that could be deferred to future years. Details regarding these potential reductions are provided in appendix I.

As requested, we did not obtain agency comments on a draft of this report. However, we discussed its contents with Office of the Secretary of Defense, Army, and Marine Corps officials and have incorporated their comments where appropriate.

We are sending copies of this report to the Chairmen, House and Senate Committees on Armed Services; the Secretaries of Defense, the Army, and the Navy; the Director, Office of Management and Budget; and other interested parties.

B-205940

Should you need any additional information or have any questions on the contents of this document, please contact Mr. Thomas J. Brew, Associate Director, on (202) 275-4133.

A handwritten signature in black ink that reads "Frank C. Conahan". The signature is written in a cursive style with a large, prominent initial "F".

Frank C. Conahan
Director

POTENTIAL REDUCTIONS TO MISSILE PROGRAMS

The Chairmen, Subcommittees on Defense, House and Senate Committees on Appropriations, asked us to review the Army's fiscal year 1987 appropriation requests for selected missile systems to determine whether the missile programs should be funded in the amounts requested.

OBJECTIVES, SCOPE, AND METHODOLOGY

We examined the Army's fiscal year 1987 budget justifications for seven missile systems--the Multiple Launch Rocket System; the TOW-2; the Stinger; the Patriot; the Hawk; the Chaparral; and the Air Defense System, Heavy. The Marine Corps also requested funds for the TOW-2, the Stinger, and the Hawk missile systems, which were included in our review. Although the Navy requested funds for the Stinger, we did not review that request because the Navy did not provide us with budget justification documents in time to meet our reporting deadline.

In reviewing the budget requests, we (1) examined requirements documents to verify the requirements for selected systems, (2) reviewed production plans, improvement plans, and effectiveness analyses to determine if planned improvements would warrant delaying or reducing procurements, and (3) examined test reports and missile delivery status to evaluate the potential impact of production problems on missile delivery. In addition, we examined the methodology the Army used to compute missile costs, identified the most recent actual costs, and examined contractors' proposal costs. We also examined the status of prior years' funding for the missile systems to identify any excess funds.

Our review was made from October 1985 through April 1986 and was conducted primarily at the U.S. Army Missile Command, Redstone Arsenal, Huntsville, Alabama, in accordance with generally accepted government audit standards.

Although we did not request agency comments, we discussed our results with officials directly responsible for the programs and have incorporated their comments where warranted.

POTENTIAL REDUCTIONS
BY MISSILE SYSTEM

Our review of the justifications for the Army and Marine Corps' fiscal year 1987 budget requests for selected missile systems indicated that \$156.1 million in fiscal year 1987 funds and \$66.3 million in prior years' funds have a potential for

reduction. Table I.1 shows the amounts requested and the potential reductions for each system. Discussions of the systems and their potential reductions are in the following sections.

Table I.1: Summary of Potential Reductions in Current Dollars by Missile System

<u>Missile system</u>	<u>FY 1987 request</u>	<u>FY 1987 potential reductions</u>	<u>Prior years' potential reductions</u>
- - - - - (millions) - - - - -			
Army:			
MLRS	\$ 474.2	\$ 78.1 ^a	\$ -
TOW-2	150.1	53.6 ^b	12.6
Stinger	292.0	(c)	26.1
Patriot	996.8	(d)	14.5
Hawk	68.2	9.4	-
Chaparral	108.9	-	13.1
Air Defense System, Heavy	<u>9.1</u>	<u>9.1</u>	<u>-</u>
Total	<u>2,099.3</u>	<u>150.2</u>	<u>66.3</u>
Marine Corps:			
TOW-2	33.5	(b)	-
Stinger	69.3	-	-
Hawk	<u>139.7</u>	<u>5.9</u>	<u>-</u>
Total	<u>242.5</u>	<u>5.9</u>	<u>-</u>
Navy:			
Stinger	<u>51.9</u>	<u>(e)</u>	<u>(e)</u>
Total	<u>\$2,393.7</u>	<u>\$156.1</u>	<u>\$66.3</u>

^aPotential reduction is estimated at \$35.5 million if the launcher's production is continued at a minimum production quantity.

^bThe total potential reductions are combined for the Army and Marine Corps' requests and assume constant unit prices.

^cThe Army's request could be reduced if the Congress does not approve multiyear procurement for the system.

^dIf upcoming negotiations are as successful as previous negotiations, there may be a potential for reduction.

^eWe did not review the request because of delays in obtaining Navy budget justification documents.

Multiple Launch Rocket System

The MLRS is an unguided, multiple launch, surface-to-surface rocket system. It is designed for use against the enemy's artillery positions, air defense systems, light materiel, and personnel. The system consists of a self-propelled launcher and loader, disposable launch pods, and a fire control system. On September 15, 1983, the Army awarded a multiyear contract to LTV Aerospace and Defense Company to purchase up to 334,356 tactical rockets, up to 24,360 practice rockets, 149 self-propelled launchers/loaders, and other major MLRS components. The basic contract and options cover a 7-year period (fiscal years 1983 through 1989) and total \$1.766 billion.

The Army requested \$474.2 million for the MLRS in fiscal year 1987. We believe the \$78.1 million requested to procure 44 self-propelled launchers and associated equipment--carrier vehicles, trainers, and special tooling--is available for potential reduction. Army officials maintain that these launchers are needed to satisfy the requirements of a future fielding concept that involves increasing fire power and force effectiveness. However, the concept is not scheduled to be implemented before fiscal year 1990.

The Army also intends to use these launchers, if funded, for follow-on systems such as the Army Tactical Missile System, the MLRS terminally guided warhead, and the MLRS binary chemical warhead. The Army Tactical Missile System has just begun full-scale development and the MLRS terminally guided warhead and binary chemical warhead have not yet been approved for full-scale development and are not scheduled to begin production until at least fiscal year 1989. Since the launchers are not needed to support the basic MLRS multiyear contract or other fiscal year 1987 requirements, they could be procured in future years and still meet requirements associated with the planned follow-on systems.

Army officials continue to believe a requirement exists for the launchers. They stated that the launchers would be needed for a deployment strategy involving the Army Tactical Missile System which, as previously noted, is just entering full-scale development. MLRS project officials also stated that delaying launcher procurement until fiscal year 1988 would cause a break in production after completion of the fiscal year 1986 procurement and would increase cost. A break in production would likely result in additional costs, however; the Army had not arrived at cost information.

In our opinion, the launcher procurement could be deferred until at least fiscal year 1988 and still satisfy the Army's deployment strategy. However, to avoid a production break, the Army could schedule production at the contractor's minimum sustaining rate of two launchers a month, or 24 launchers in fiscal year 1987, rather than the 44 budgeted by the Army. Using the average of the Army's budgeted unit cost for 44 launchers, we believe about \$42.6 million would be needed for 24 launchers. Thus, if the Congress wants the Army to continue producing the launchers, the fiscal year 1987 budget estimate could be reduced by \$35.5 million, rather than the \$78.1 million, as shown in table I.1. This potential reduction assumes that the unit price would remain constant. However, actual unit prices for fewer launchers could vary.

TOW-2 Missile System

The TOW-2, the third generation of TOW missiles, is an antitank/assault wire-guided missile that can be employed from ground launchers or a variety of military vehicles, such as the Bradley Fighting Vehicle or the Cobra helicopter. While it is similar to its predecessors--TOW and Improved TOW--it differs in that it incorporates a more lethal warhead, a more powerful flight motor, and a thermal beacon to permit operation in certain battlefield environments. The first production contract for the TOW-2 missile system was awarded in December 1981, making the fiscal year 1987 procurement the system's sixth year of production.

The Army and Marine Corps requested a combined \$183.6 million for 15,400 missiles and related equipment and additional production surge capability (tooling and material), as summarized in table I.2.

Table I.2: Fiscal Year 1987 Budget Request for the TOW-2 Missile System

	<u>Quantity</u>	<u>Amount</u> (millions)
Army missiles	12,000	\$ 134.6
Marine Corps missiles	3,400	33.5
Army production surge capability	<u>-</u>	<u>15.5</u>
Total	<u>15,400</u>	\$ <u>183.6</u>

By limiting TOW-2 procurement to the minimum annual production quantity of 12,000 missiles, we believe the Army and Marine Corps' combined requests could be reduced by 3,400 missiles or up to \$38.1 million. In addition, eliminating the Army's request for additional surge capability (i.e., increase production in an emergency) would result in a \$15.5 million reduction. Finally, the Army's fiscal years 1984 and 1985 budgets contain \$12.6 million in excess funds that are available for potential reduction.

Potential Reductions to the
Fiscal Year 1987 Budget Requests

For reasons discussed in a separate classified information paper, we believe the combined Army and Marine Corps' requests for TOW-2 missiles could be limited to the contractor's minimum sustaining quantity of 12,000 missiles a year. However, because of foreign military sales, actual production could be greater. Using the Army's fiscal year 1987 average unit cost for 12,000 missiles we estimated the potential reduction at \$38.1 million and using the Marine Corps' estimate for 3,400 missiles, the potential reduction is \$33.5 million. According to an Army official, the cost estimates differ because of higher Army support costs. Therefore, depending on how the reduction is allocated between the Army and Marine Corps, there is a potential for a reduction of between \$33.5 and \$38.1 million. Also, the potential reductions assume constant unit prices. However, actual prices for fewer missiles could vary.

The Army requested \$15.5 million in surge funding to buy additional production tooling and material for producing an additional 500 missiles a month under surge conditions. Surge funding provided in fiscal year 1986 was for a capability to produce up to 2,500 missiles each month after a 6-month start-up period. Therefore, the fiscal year 1987 increment would increase the total surge capability to 3,000 missiles a month. For the reasons discussed in the classified information paper, we believe there is a potential for reducing the additional \$15.5 million in funding requested for surge capability.

Army Headquarters officials did not agree with the potential reductions because they believe a procurement quantity of 12,000 missiles is not economical. However, TOW-2 program officials told us that a total procurement quantity of 12,000 missiles is the contractor's minimum sustaining and economic rate. Army Headquarters officials also believe that if production quantities are reduced, the need for a surge capability becomes more important so that a greater quantity could be produced sooner during an emergency.

Potential Reductions to Prior Years' Budgets

The Army's fiscal years 1984 and 1985 TOW-2 missile program budgets contain \$10.6 million and \$2 million, respectively, in excess funds that are available for potential reduction. An April 1986 Army funding document on the program showed that \$10.6 million in the fiscal year 1984 budget was excess to program needs, making it available for reduction. This document also showed that \$2 million in the fiscal year 1985 budget had not been released to the TOW program office and remained unobligated. Army officials told us that the funds were released on May 12, 1986, and would probably be used for purposes other than for the TOW missile. Therefore, the funds are available for potential reduction.

Stinger Missile System

The Stinger is a portable, shoulder-fired, air defense weapon designed to engage low-flying enemy aircraft. The system includes a missile in a launch tube, a reusable gripstock, a device to identify friendly and enemy aircraft, and ancillary equipment. The Stinger is used primarily to protect combat units operating near the forward edge of a battle area, but it also can defend air bases and other high-value assets in rear areas. Initial production of the Stinger missile began in 1978; since then, the Army has made two major modifications--a new seeker and a reprogrammable microprocessor (RMP)--to combat countermeasure threats. It began producing the new seeker in September 1983 and incorporating the RMP capability into systems produced during fiscal year 1985.

Although the Army plans to procure Stinger-RMP missiles under fixed-price type contracts awarded in fiscal year 1986, the contracts were not awarded in March 1986 as scheduled. The delay, according to project officials, was caused by (1) the prime contractor's temporary suspension from doing business with the government and (2) a congressional mandate that the Army obtain a sole-source strategy approval from the Office of the Secretary of Defense's Cost Analysis Improvement Group.

The Army, the Marine Corps, and the Navy requested procurement funds for the Stinger missile system in fiscal year 1987, as shown in table I.3.

Table I.3: Fiscal Year 1987 Budget Requests for the Stinger Missile System

<u>Service</u>	<u>Quantity</u>	<u>Amount</u> (millions)
Army missiles	4,180	\$251.7
Army advance materials	-	40.3
Marine Corps missiles	1,442	69.3
Navy missiles	<u>685</u>	<u>51.9</u>
Total	<u>6,307</u>	<u>\$43.2</u>

The Army's total fiscal year 1987 budget request for the Stinger missile system is \$292 million and is based on a multiyear procurement strategy. The Army is proposing to award a multiyear contract to General Dynamics in fiscal year 1987 to cover the next 5 years of Stinger-RMP production. While we did not evaluate the cost estimate or assess the Stinger's multiyear candidacy (we are performing a separate review of this subject), the justification package shows that the Army's estimated savings from this multiyear contract will total \$161.6 million over the 5-year period (\$120.6 million for the Army, \$39.2 million for the Marine Corps, and \$1.8 million for the Navy). However, according to the justification package, an annual contract for the fiscal year 1987 procurement would cost \$267 million, \$25 million less than the budget request. With an annual contract, the request of \$40.3 million for advanced materials (for future years) would not be needed and the total amount required for the missiles would increase by about \$15.3 million, resulting in the net reduction of \$25 million.

Potential Prior Years' Excess Funds

The Army's March 13, 1986, obligation plan for the Stinger missile system shows that \$5.8 million and \$5.9 million, respectively, for fiscal years 1984 and 1985, are being held to cover possible liabilities above the target price in the fixed-price incentive contracts. However, since these contracts are essentially on target, we believe the \$11.7 million in unobligated contingency funds is available for potential reduction. Army officials believe these funds are needed because contract deliveries will not be completed until 1988. We do not agree in this case since these contracts are essentially on target.

In addition, the fiscal year 1986 budget estimate includes \$14.4 million to procure 530 missiles that have not been authorized. If the Congress does not authorize the funds for these additional missiles, the budget for fiscal year 1986 could be reduced by \$14.4 million. According to Army officials, the \$14.4 million was appropriated but not authorized and thus funds cannot be obligated until after authorization. Army and Office of the Secretary of Defense officials believe authorization will be granted, but agreed that the funds are available for potential reduction if there is no authorization.

Patriot Missile System

The Patriot is an advanced surface-to-air guided missile system designed to engage multiple high-performance aircraft. The system consists of radar, ground support equipment, missile launchers, and missiles. It is intended for use primarily against enemy aircraft flying at high to medium altitudes and is being deployed to protect U.S. ground forces and specific high-value assets such as air bases in the rear combat zone.

Since beginning limited production in 1980, the Army has awarded seven production contracts to the Raytheon Company for the Patriot missile. The first three were cost type and the remaining four were fixed-price incentive. In fiscal year 1987, the Army plans to award the first multiyear contract to buy its remaining requirements.

The Army requested \$951.5 million to buy 700 Patriot missiles and associated ground support equipment and \$45.3 million for advanced procurement in fiscal year 1987. We believe the amount requested for missiles could be reduced by about \$31.5 million because historically the Army has negotiated the contractor's proposal downward by a greater percentage than that considered in estimating the fiscal year 1987 cost. Also, the fiscal years 1985 and 1986 budget estimates contain a total of at least \$3.5 million in excess funds related to lower contractual unit costs and the fiscal year 1985 budget contains another \$11 million for contingent liability funding that is available for potential reduction.

Potential Reductions to the Fiscal Year 1987 Budget Request

We believe the fiscal year 1987 budget request of \$951.5 million for missiles has a potential for a \$31.5 million reduction. The budget request was derived, in part, from the contractor's initial proposal for the multiyear contract. On the basis of historical negotiation experience, we believe the

project office understated the potential reduction that could result from negotiations. On the average, the Army has negotiated reductions averaging 14.7 percent to the contractor's proposals for the past seven production contracts for this missile, but, according to a project office official, the fiscal year 1987 budget request assumes only about a 10.2-percent reduction. If the previously experienced negotiated reduction were to be achieved, the fiscal year 1987 estimated contract amount of \$700 million could be reduced by an additional 4.5 percent, or about \$31.5 million.

Army officials stated that any potential reductions would be on the basis of future negotiations and that it would be risky to assume such reductions would occur. They also said the fiscal year 1986 negotiation reduction of 15.5 percent was unusually large and that a comparable reduction could not be predicted. In addition, they said the contractor would be assuming full risk under a firm fixed-priced multiyear contract and thus the contractor would be less willing to negotiate reductions comparable to those negotiated in fiscal year 1986. We agree that it is not possible to accurately forecast the results of future negotiations, but we believe that the historical negotiations indicate that a potential for reduction exists.

More importantly, according to Army officials, the Office of the Secretary of Defense inflation indices decreased after the contractor had submitted its initial proposal for the fiscal year 1987 program. If the contractor's proposal was based on the earlier indices and the decrease is considered in the contractor's final proposal or during negotiations, the inflation adjustment alone could result in about a \$40 million reduction from the initial proposal.

Potential Reductions to
Prior Years' Budgets

We believe the fiscal years 1985 and 1986 Patriot missile budgets have a potential for a \$14.5 million reduction. This amount includes

- \$11 million currently retained for a fiscal year 1985 contingent liability and
- \$3.5 million in excess funds resulting from downward adjustments to the fiscal years 1985 and 1986 contracts.

The Army's obligation plan for the Patriot missile system shows that \$11 million for fiscal year 1985 is being retained for a contingent liability which, according to project

officials, is for potential contract overruns. However, since the fiscal year 1985 production contract is on schedule, we believe these contingency funds will not be needed and are available for potential reduction. Although Army officials acknowledged this potential excess, they said the funds may be needed because the fiscal year 1985 contract deliveries will not be completed until December 1987. We do not agree in this case since this contract is essentially on target.

In addition, the fiscal years 1985 and 1986 budgets have a potential for a \$3.5 million reduction because of decreases in contract costs. Army officials said the fiscal year 1985 contract is being reduced by \$1.7 million on the basis of revised subcontractor labor rates and unit cost savings. They also said the government's liability under the fiscal year 1986 contract is expected to be reduced by at least \$1.8 million because the amount paid for the engagement control station is high when compared to the amount foreign customers paid.

Army officials agreed that the fiscal years 1985 and 1986 contracts could be reduced by \$1.7 million and \$1.8 million, respectively.

Hawk Missile System

The Hawk is a mobile, day and night, all-weather surface-to-air guided missile system designed to destroy high-performance aircraft in the low to medium altitude range. The system consists primarily of an assault fire unit that has three launchers with three missiles each and various support equipment. It is deployed at U.S. bases and logistics complexes in central Europe and is also intended to provide air defense coverage for the rapid deployment forces.

The Army and the Marine Corps requested \$207.9 million for the Hawk missile system in fiscal year 1987, as shown in table I.4.

Table I.4: Fiscal Year 1987 Budget Requests for the Hawk Missile System

	<u>Quantity</u>	<u>Amount</u> (millions)
Army modification kits	23	\$ 68.2
Marine Corps modification kits	10	24.3
Marine Corps missiles	430	<u>115.4</u>
Total amount		<u>\$207.9</u>

The Army and Marine Corps' fiscal year 1987 budget requests could potentially be reduced by \$15.3 million for the reasons discussed in the following sections.

Potential to Delete Funding
for First Article Tests

The Army's fiscal year 1987 budget request includes \$7.7 million for first article testing in support of the fiscal year 1986 program. In accordance with the full funding policy, budget requests are supposed to contain sufficient funds to cover the total estimated cost for completing delivery of budgeted items. However, the Army did not request funds for first article testing when it requested funds for the phase III modification kits in the fiscal year 1986 budget. Thus, the Army is requesting funds for these tests in the fiscal year 1987 budget. According to the Army's latest phase III development milestone, this testing is scheduled to begin in the last quarter of fiscal year 1988 when the fiscal year 1986 production delivery begins. Therefore, the funds will not be needed in fiscal year 1987.

Army officials agreed that funding could be deferred until fiscal year 1988 and still meet the project office's needs, but were concerned that funds might not be available in fiscal year 1988 and thereby delay fielding of the phase III modification kits.

Outdated Inflation Factors

The Army and Marine Corps' requests for the modification kits have a potential for a \$2.8 million reduction--\$1.7 million for the Army and \$1.1 million for the Marine Corps--because of

projected lower inflation factors. The services used April 1984 inflation guidance to prepare their budget estimates even though January 1986 guidance was available. In February 1986 the Office of the Secretary of Defense issued revised guidance. Using the February 1986 guidance, we identified a potential reduction of \$2.8 million.

Army officials agreed they should have used the January 1986 inflation guidance to prepare the fiscal year 1987 budget request. Marine Corps officials said they used Army cost estimates to prepare their fiscal year 1987 budget request. Both Army and Marine Corps officials said they would use the funds to procure additional phase III modification kits in fiscal year 1987.

Overstated Unit Cost

The Marine Corps' budget request of \$115.4 million for missiles could be reduced by \$4.8 million because missile unit costs were overstated in the fiscal year 1987 request. Using fiscal year 1985 contract estimates, the Marine Corps requested \$256,200 for each Hawk missile. However, the actual fiscal year 1985 contract unit cost, which was established before the fiscal year 1987 request was submitted, was \$245,000, or \$11,200 less than the unit cost the Marine Corps used. We recomputed the Marine Corps' estimate using the actual contract unit cost with an allowance for inflation and identified \$4.8 million that is available for potential reduction. Marine Corps officials agreed with our calculations.

Chaparral Missile System

The Chaparral missile system provides short range, low altitude air defense for units in the forward area of battle as well as critical rear area assets such as air bases. It is intended to provide protection against enemy helicopters, cruise-type missiles, and jet aircraft at low to medium altitude during day, night, and adverse weather conditions. The self-propelled system consists of a tracked carrier, a launch station, and missiles. There is also a towed version of the system.

The Army requested \$108.9 million to procure 456 Chaparral missiles and modification kits in fiscal year 1987. We did not identify any potential reductions to the fiscal year 1987 budget request, but we did identify \$13.1 million in fiscal year 1986 funds for procurement support of the Chaparral rosette missile that is excess because no production of the rosette seeker is planned in fiscal year 1986.

Army officials agreed that the funds were excess, but said the Army plans to use the funds for a fiscal year 1986 unfunded requirement. According to an Army official, the \$13.1 million, together with a proposed reprogramming of funds provided by the Congress in fiscal year 1986 for a replacement of the Sergeant York system, would be used to complete procurement of Chaparral fire units for the Army National Guard.

Air Defense System, Heavy

The Air Defense System, Heavy, is to be one component of the Army's plan for forward area air defense. The system is intended to provide line-of-sight air defense to counter enemy helicopters and other aircraft at ranges less than six kilometers. Although the specific weapon system and its actual configuration have not been determined, the Army requested \$9.1 million to procure long lead items in fiscal year 1987 for the planned fiscal year 1988 limited production of this system. This request is available for potential reduction because the Army has not identified which system will be produced, the specific long lead time items needed, and the specific lead times involved.

As part of its efforts to improve forward area air defense capability, in January 1986, the Army issued a request for information, which asked industry to provide system proposals by March 6, 1986. The request stipulated that all proposed systems be essentially nondevelopmental items. According to Army officials, 27 contractors responded with a total of 38 different system alternatives.

The Army is evaluating these alternatives and plans to issue a request for proposal in September 1986 and to select a system by June 1987. Limited production is planned to begin between October 1987 and June 1988, depending on when the long lead items are received. Full-scale production is planned for fiscal year 1989.

Army officials told us that the Army requested \$9.1 million on the basis of the cost for long lead items required for earlier phases of other air defense systems. They acknowledged that the specific items required, lead times, and other requirements cannot be determined until after a system has been selected. Also, they stated that the cost of actual long lead items could be significantly less or more than the amount requested. They believe the request for funds is necessary because it supports an accelerated acquisition strategy, including limited production in fiscal year 1988.

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