

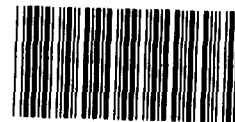
GAO

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

September 1990

DEFENSE BUDGET

Potential Reductions to Air Force and Navy Missile and Other Budgets



142165

264

**National Security and
International Affairs Division**

B-240708

September 7, 1990

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

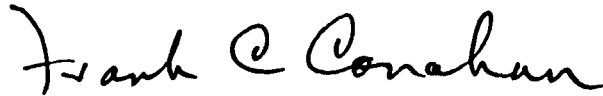
As you requested, we reviewed the Air Force's fiscal year 1991 procurement budget request and past appropriations for the Advanced Medium Range Air-to-Air Missile (AMRAAM), QF-106 target aircraft, AGM-130 guided bomb, and GBU-15 improved data link programs to identify potential budget reductions. We also reviewed the Navy's fiscal year 1991 missile procurement budget request for AMRAAM. In July 1990 we briefed your staff on the results of our review.

We identified potential reductions of \$1,338.4 million from the Air Force's and the Navy's fiscal year 1991 AMRAAM procurement requests. We also identified potential reductions of \$43.6 million from the Air Force's procurement budgets for the other programs we reviewed: \$37 million in the fiscal year 1991 budget request and \$4.3 million and \$2.3 million in appropriated funds for fiscal years 1990 and 1989, respectively. The reductions result primarily from development and production delays and lower-than-anticipated costs of negotiated contracts. Additional information on our review is discussed in appendix I.

As you requested, we did not obtain agency comments on this report. However, we discussed its contents with officials from the Departments of Defense, the Air Force, and the Navy and incorporated their comments where appropriate. Our objectives, scope, and methodology are described in appendix II.

As arranged with your offices, we are sending copies of this report to appropriate congressional committees; the Secretaries of Defense, the Air Force, and the Navy; the Director, Office of Management and Budget; and other interested parties.

This report was prepared under the direction of Nancy R. Kingsbury, Director, Air Force Issues, who may be reached at (202) 275-4268 if you or your staff have any questions concerning this report. Other major contributors to this report are listed in appendix III.

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

Frank C. Conahan
Assistant Comptroller General

Contents

Letter		1
Appendix I		6
Potential Reductions to the Air Force's and the Navy's Missile and Other Procurement Budgets	Advanced Medium Range Air-to-Air Missile	6
	QF-106 Target Aircraft	8
	AGM-130 Guided Bomb	9
	GBU-15 Improved Data Link	10
Appendix II		11
Objectives, Scope, and Methodology		
Appendix III		12
Major Contributors to This Report		
Table	Table I.1: Potential Reductions to the Air Force's and the Navy's Procurement Budgets	6

Abbreviation

AMRAAM Advanced Medium Range Air-to-Air Missile

Potential Reductions to the Air Force's and the Navy's Missile and Other Procurement Budgets

We identified potential budget reductions of \$1,338.4 million from the Air Force's and the Navy's fiscal year 1991 procurement budget request for the Advanced Medium Range Air-to-Air Missile (AMRAAM). We also identified potential reductions of \$43.6 million from the Air Force's procurement budgets: \$37 million in the fiscal year 1991 budget request and \$4.3 million and \$2.3 million in funds appropriated for fiscal years 1990 and 1989, respectively. Table I.1 shows these potential reductions by program.

Table I.1: Potential Reductions to the Air Force's and the Navy's Procurement Budgets

Program	Fiscal year			Total
	1991	1990	1989	
	Dollars in millions			
AMRAAM	\$1,338.4	\$0	\$0	\$1,338.4
QF-106 target aircraft	6.0	4.3	2.3	12.6
AGM-130 guided bomb	8.2	0	0	8.2
GBU-15 improved data link	22.8	0	0	22.8
Total	\$1,375.4	\$4.3	\$2.3	\$1,382.0

Advanced Medium Range Air-to-Air Missile

Brief Description of Program

The Air Force and the Navy are jointly developing AMRAAM to replace the Sparrow missile. AMRAAM will be compatible with both services' latest fighter aircraft—the F-14, F-15, F-16, F/A-18, and Advanced Tactical Fighter—and is expected to have some key improvements over the Sparrow, such as the capability for a pilot to engage several targets simultaneously and then maneuver the aircraft to avoid counterattack.

The total number of AMRAAMS to be procured has decreased from 24,320 to about 15,500. The amount to be procured by the Air Force decreased from 17,108 to 12,000. The Navy originally planned to procure 7,212 missiles; the amount the Navy plans to buy was undetermined at the time of our review, but, for planning purposes, the Air Force estimates that the Navy will procure 3,500 missiles. A Navy program official told us that the number of AMRAAMS to be procured by the Navy will be discussed at a major program review scheduled for August 1990 with the Defense Acquisition Executive.

Because of continuing concerns about AMRAAM's reliability, the Defense Acquisition Executive has released only \$84.5 million of the \$687.8 million that the Congress appropriated in fiscal year 1990 for the Air Force to buy 815 missiles. Air Force program officials are reviewing various alternatives on how to proceed for fiscal year 1990 funding and their potential impact on the fiscal year 1991 budget request. A decision on how to proceed is expected in August 1990.

Results of Analysis

In May 1990 we reported¹ that the Congress should deny the \$1,338.4 million requested for the fifth year of AMRAAM procurement in fiscal year 1991 because the missile's performance, reliability, producibility, and affordability remain questionable. Funds totaling about \$3.2 billion had already been appropriated for the first four production years, three of which were fully under contract and the other had long lead items under contract. Missile deliveries, however, from the first production year were at least 6 months behind schedule, and the Air Force had stopped accepting missiles because of reliability problems.

The Air Force had drafted a plan to identify and correct reliability problems but, as of July 25, 1990, was still not accepting missiles from either contractor—Hughes Aircraft Company or Raytheon Company. If the contractors resolve their manufacturing problems and begin to produce quality missiles consistently, delivery schedules can be rephased so that a costly production gap does not occur. We believe that the procurement quantities and appropriations already provided are sufficient and that additional procurement funds will not likely be needed before fiscal year 1992.

Fiscal year 1989 appropriations provided \$795.4 million for the Air Force to buy 874 missiles. Production contracts were negotiated for \$19.4 million less than the appropriated amount. However, Air Force program officials told us that the \$19.4 million is needed for known and unknown contingencies. The \$19.4 million was transferred to a reserve for engineering change orders, thereby increasing the reserve from \$42.4 million to about \$62 million. Program officials told us that all but about \$7 million of the \$62 million reserve had been allocated to specific engineering and task change proposals to improve AMRAAM's reliability

¹Missile Procurement: Further Production of AMRAAM Should Not Be Approved Until Questions Are Resolved (GAO/NSIAD-90-146, May 4, 1990).

when carried on the F-15 aircraft. As of July 26, 1990, contract negotiations to incorporate the reliability improvements had not been completed. In view of the small amount of the unallocated reserve and continuing contract negotiations, we do not recommend any reduction in this area at this time.

QF-106 Target Aircraft

Brief Description of Program

The QF-106 program converts retired F-106 aircraft into targets that can be safely controlled from a ground station many miles away. The converted aircraft are used in various tests, such as targets for testing air-to-air missiles. After the aircraft are converted, they can still be flown by pilots for less hazardous tests and for relocating the aircraft to various test ranges. The 4-year procurement program, which began in 1989, will convert 48 aircraft each year and include related equipment, such as a new Missile End Game Scoring System now in development.

Results of Analysis

Our review showed a potential reduction of \$12.6 million: \$6 million from the fiscal year 1991 budget request and \$4.3 million and \$2.3 million in appropriated funds from fiscal years 1990 and 1989, respectively. The funds are excess because of delays in the development and planned production of the new scoring system and a reserve that is not needed.

The fiscal year 1991 budget includes \$5 million and the fiscal year 1990 appropriation includes \$4.9 million for production of the new test scoring system. However, the scoring system's development has been delayed, and current plans are to award the production contract in January 1992. Because of the delays, fixed-price contracts to continue buying the existing scoring system were awarded for \$1.6 million for fiscal year 1990. Therefore, the \$5 million requested for fiscal year 1991 and the remaining \$3.3 million appropriated for fiscal year 1990 will not be needed.

The Air Force's fiscal year 1991 budget request and fiscal year 1990 appropriation include \$1 million each year for a reserve to cover the

risk that the procurement cost estimate might be too low for the contract award. However, these funds also appear to be excess because the costs to modify the QF-106 aircraft are covered by firm fixed-price contract options. Moreover, the budget includes almost \$1 million for contingencies, such as engineering change orders that might be needed after contract award.

A potential reduction of \$2.3 million to the fiscal year 1989 appropriation exists because \$1.1 million was included for the reserve and fixed-price contracts for the existing scoring system were awarded for \$1.2 million less than the budgeted amount. Air Force program officials could not provide documentation to support the need for these funds.

AGM-130 Guided Bomb

Brief Description of Program

The AGM-130 guided bomb program provides improvements to the GBU-15 guided bomb, which is already fielded. The AGM-130 provides (1) an improved data link less susceptible to enemy disruption, (2) a rocket motor to extend the range of the current glide bomb, and (3) an autopilot and radar altimeter to maintain proper flight control and coordinate rocket motor ignition and ejection. In January 1990 the program office submitted a reprogramming request for \$32 million of fiscal year 1990 procurement funds to award the initial production contract in March 1990. However, as of July 24, 1990, the reprogramming request had not been approved, and contract negotiations between the Air Force and Rockwell International had not been completed.

Results of Analysis

Our review showed a potential reduction of \$8.2 million from the \$38.4 million fiscal year 1991 budget request to produce 63 AGM-130s in the second production year, if the reprogramming action is approved. As of June 30, 1990, the planned start of the first production year had been delayed from March to September 1990. If the reprogramming request is approved and the contract is awarded in fiscal year 1990, the Air Force expects the delay to cause the last 4 months of the fiscal year 1991 deliveries, totaling 28 missiles, to occur during the fiscal year 1992 delivery period. Therefore, on the basis of the Air Force's latest projected unit cost, which considers the increase resulting from buying

fewer missiles, \$8.2 million of the fiscal year 1991 funds will not be needed until fiscal year 1992. The Air Force program manager agreed that the \$8.2 million will not be needed if the reprogramming request is approved.

GBU-15 Improved Data Link

Brief Description of Program

The improved data link is part of an Air Force plan to upgrade the GBU-15 guided glide bombs that have been fielded. The data link enables a weapon systems officer in an aircraft to guide the weapon to its intended target. The new data link will be less susceptible to disruption in a dense electronic countermeasure environment.

Results of Analysis

Our review showed a potential reduction of \$22.8 million to the \$25.5 million fiscal year 1991 budget request. These funds were requested to produce 224 new data links during the first production year. However, according to the current program schedule, the development program has slipped more than 1 year. Development testing of the improved data link has been delayed and is not scheduled to begin until March 1991. As a result, the planned production contract award has also slipped to the end of fiscal year 1991, at the earliest, and could possibly slip well into fiscal year 1992.

An Air Force program official agreed that the schedule has slipped and that most of the funds will not be needed until fiscal year 1992. The official stated that only about \$2.7 million of the \$25.5 million requested will be needed to continue engineering support and for special tooling and test equipment to support initial production in fiscal year 1992.

Objectives, Scope, and Methodology

This review is one of a series that examines defense budget issues. Our objectives were to (1) review the Department of Defense's fiscal year 1991 budget requests for selected systems to determine whether the programs should be funded in the amounts requested and (2) examine selected aspects of prior year budgets for these systems to determine whether unused funds could be reduced. We examined selected aspects of the fiscal year 1991 procurement budget request and the fiscal years 1989 and 1990 appropriations for the AMRAAM, QF-106 target aircraft, AGM-130 guided bomb, and the GBU-15 improved data link.

We interviewed budget and program officials and reviewed pertinent program documents, audit reports, and budget support data obtained primarily from the individual program management offices located at Eglin Air Force Base, Florida.

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

Major Contributors to This Report

**National Security and
International Affairs
Division, Washington,
D.C.**

Norman J. Rabkin, Associate Director
Robert L. Pelletier, Assistant Director
William R. Graveline, Advisor

**Atlanta Regional
Office**

Jimmy R. Rose, Regional Management Representative
John L. Grant, Evaluator-in-Charge
Robert E. Kigerl, Evaluator
Frank S. Nagy, Evaluator
Starr T. Fielding, Evaluator

Ordering Information

The first five copies of each GAO report are free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20877**

Orders may also be placed by calling (202) 275-6241.

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

Official Business
Penalty for Private Use \$300

First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100
