

UNITED STATES GENERAL ACCOUNTING OFFICE

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WASHINGTON, D.C.

FOR RELEASE ON DELIVERY
EXPECTED TUESDAY
JUNE 8, 1976

STATEMENT OF
ELMER B. STAATS
COMPTROLLER GENERAL OF THE UNITED STATES
BEFORE THE
SUBCOMMITTEE ON PRIORITIES AND ECONOMY IN GOVERNMENT
JOINT ECONOMIC COMMITTEE

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We are pleased to appear here this morning at your request to discuss our current and planned work involving major weapons system acquisitions. In particular, we will discuss certain recommendations of the Commission^{AGC} on Government Procurement, and the process within the Department of Defense relating to the generation of requirements for new weapon systems.

The General Accounting Office has been deeply involved in reviews of the acquisition of major weapon systems since 1970 growing out of the interest in the Congress in independently developed data on the cost, schedule and performance of systems for which funding was being requested. I have attached to this statement a letter which I sent to the Chairmen of the House and Senate Armed Services Committees in 1969 on this subject. During the past 6 years we have issued several hundred studies on individual systems, primarily for the use of the Armed Services and Appropriations Committees.

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In recent years it has become evident to many members of the Congress, and others who are concerned with the acquisition of weapon systems, that the Congress and senior management officials in the Department of Defense cannot evaluate the need for new systems without considering their relationship to other weapons systems and the military missions to be accomplished.

In 1972, in hearings before the House Armed Services Committee we also pointed out that the Congress and the Department of Defense should better identify needs for weapon systems.

COMMISSION ON GOVERNMENT PROCUREMENT

In December 1972, the report of the Commission on Government Procurement pointed out that Congress and agency heads lack adequate information on the basis for key decisions that lead to the acquisition of weapon systems. The Commission concluded that Congress is not provided the information necessary to interrelate the purpose of the new systems and the financial resources devoted to them, with national policies and programs. Instead, the data presented justifies requirements for already defined solutions and annual budget increments that finance development and production.

The Procurement Commission recommended that new system acquisition programs start with the agencies' statement of needs and goals that have been reconciled with overall agency capabilities and resources. It suggested that committees of the Congress begin budget and authorization hearings with a review of agencies' missions capabilities and deficiencies as they relate to requests for new acquisition programs.

CONGRESSIONAL ACTION

In 1974, Public Law 93-344, the Congressional Budget and Impoundment

Control Act, provided that starting with fiscal year 1979 the budget presentation covering the entire budget (not just defense programs) shall include:

- "(1) A detailed structure of national needs which shall be used to reference all agency missions and programs;
- (2) Agency missions; and
- (3) Basic programs."

In that legislation, Congress also directed GAO to evaluate agency programs to determine whether those programs are effectively achieving their objectives and, in cooperation with OMB and the Congressional Budget Office, to help strengthen the budgetary and information systems.

Congress, in passing this legislation, made clear its intentions to relate budget requests to national policies, to agency missions in furtherance of those policies, and to specific programs supporting agency missions.

This interest in a mission oriented structure is also evident in the report of the Senate Armed Services Committee authorizing appropriations for defense for fiscal year 1977. In that report the Department of Defense is requested to provide a comprehensive study of the strategic nuclear national policy and how the various weapons in existence, and proposed, further that policy, and the comparative cost/effectiveness of each.

OFFICE OF FEDERAL PROCUREMENT POLICY

On April 6, 1976, the Office of Management and Budget issued Circular A-109, entitled Major System Acquisitions, establishing a new policy for procurement consistent with both congressional desires and the recommendations of the Commission on Government Procurement. This policy provides for (1) the expression of needs and program objectives in mission terms rather than specific weapon systems to encourage innovation and competition in creating, explaining, and developing alternative system design concepts; (2) the placing of emphasis on the initial activities of the system acquisition process to allow competitive exploration of alternative system design concepts; and, (3) the communication with Congress early in the system planning and development process by relating major system acquisition programs to agency mission needs. These policies are to be followed by the civil agencies as well as the Department of Defense.

Senator Lawton Chiles, who served as a Member of the Commission on Federal Procurement, Chairman of the Subcommittee on Federal Practices, Efficiency and Open Government of the Senate Committee on Government Operations, has been monitoring the implementation of the Procurement Commission recommendations and the actions of the Office of Federal Procurement Policy. In July 1975, in testimony before the Subcommittee, Department of Defense officials stated that the Department had, in effect, implemented the key recommendations of the Procurement Commission in several recent acquisitions. At Senator Chiles' request, we are examining three of the acquisitions cited by the Department of Defense to evaluate the extent to which they conform to the concepts suggested by the

Procurement Commission. In particular, we are concerned with the identification of the need for the new systems, what alternatives were considered, and the extent of competition in the initial phase of the acquisitions. Our report to the Congress on this review should be available by August 31, 1976.

CURRENT GAO EFFORTS

We, in GAO, firmly believe that the congressional consideration of funding and requirements for new weapon systems should be made in the context of the agencies' overall objectives, systems already in the inventory or in development, and long-range budget implications. We also believe that it is the responsibility of the Department of Defense to make data available that would permit the Congress to examine proposed programs this way. Up to now, however, the Department of Defense has not generally presented such information to the Congress and weapon systems are reviewed by the various committees as individual items.

Because the Department of Defense has not been presenting information to the Congress in a broad mission-related format, GAO has undertaken to demonstrate, through a number of reports, the nature of the data required and the value to the Congress of having such information. We believe, however, that the Department of Defense has the basic responsibility for providing this information and that we could assist the Congress by analyzing the information presented by the Department.

The reports we are currently preparing are primarily compilations of information relating to the requirements for weapon systems obtained from various sources within the Department of Defense. For example, a typical report format includes:

- A description of a military mission area as prescribed by the Department of Defense.
- A summary of intelligence data available from DOD describing the enemy threat to be countered.
- Operational characteristics of current and proposed U.S. weapon systems, pointing out strengths and weaknesses identified in DOD test, operational and other studies.
- Short and long term funding impacts, and
- Suggested matters for congressional consideration.

One such report, on the Requirements for Strategic Airlift, was specifically requested by you and I would like to discuss it briefly:

INFORMATION ON REQUIREMENTS FOR
ADDITIONAL STRATEGIC AIRLIFT

Current United States conventional defense posture is based partly on the perceived necessity for a capability to transport troops and equipment to potential conflict areas throughout the world. National interests and policies pinpoint the European theatre as the most critical area of concern. Specifically, military planners assume that Warsaw Pact forces, because of certain advantages in geography and conventional capability, would strike first by launching a surprise attack. Defense officials consider a rapid reinforcement capability critical in deterring the actual outbreak of hostilities and in limiting initial Warsaw Pact advantages if war should occur. Airlift of additional U.S. forces and equipment would be the initial method of reinforcing forces already in Europe.

The Department of Defense has proposed some, and plans to propose other new programs to the Congress to increase the current airlift capability. These programs are estimated to cost in excess of \$13 billion through the mid 1980's.

The Department of Defense, however, has not provided sufficient data, in our opinion, to enable the Congress to properly consider the needs for new and/or alternative airlift programs. The pertinent facts are that:

- The current stated "requirement" to move 180,000 tons in 30 days is derived, in GAO's opinion, not from a demonstrable military need for 180,000 tons of cargo, but from the Air Force estimate of its current airlift capability. Defense's airlift "requirement" is, in reality, to move as much as possible in as short a time as possible.
- The Defense Department desires to increase its capability to 370,000 tons. The estimated cost of programs to attain that capability is more than \$3.5 billion.
- Other airlift programs being proposed or considered will cost about \$9.5 billion.

In addition to the fact that the Department of Defense has not fully documented its needs, it is possible that the airlift program may not be attainable because:

- There is a serious question whether aircraft can operate for the number of hours per day projected by the Air Force.
- The number of aircraft estimated by the Air Force to be available may be substantially overstated because of the

number that would be grounded at any one time for modification, overhaul, and maintenance.

--The availability of sufficient airfields in Europe to accommodate a massive airlift during a conflict situation is open to question.

--It is not clear that there would be sufficient fuel available in Europe to refuel aircraft for the return trip to the United States. During the last Arab-Israeli War, U.S. airlift aircraft took on as much fuel (in pounds) in Israel as the weight of the cargo delivered.

There is no question of the need for United States military forces to be able to respond quickly to real or potential conflicts in various parts of the world. Airlift, while providing rapid response, however, is expensive and can transport only a relatively small portion of the total requirements.

It has been a long-standing policy of the Joint Chiefs of Staff not to provide congressional committees or GAO with specific data on airlift requirements on the grounds that such data was too sensitive. In order for the Congress to be able to properly evaluate the \$13 billion in programs relating to airlift, however, it is essential, that a comprehensive study of the alternatives of airlift vs. sealift, vs. prepositioning be accomplished and presented to the Congress. We are recommending that, as a minimum, the Department of Defense should identify (1) the airlift requirement in terms of specific items and weights and required delivery dates, (2) the costs, and the advantages and disadvantages of alternatives such as increased prepositioning of supplies and equipment; and (3) the timeliness and availability of sealift.

We recently issued two other reports presenting information on requirements in the areas of field army air defense and sea control.

FIELD ARMY AIR DEFENSE

The systems acquired for field army air defense are intended to deter or defeat airborne threats, in the form of enemy missiles and planes, to U.S. forces in the forward and rear areas of the war theater. The Air Force shares this responsibility with the Army.

The report presents DOD's description of the nature and scope of the threat, the air defense environment, the strengths, and weaknesses of present capabilities and the plans for upgrading the defenses.

Since no one system can be completely effective, an array of short-range and longer range systems are needed. The short-range systems are the Chaparral and Redeye Missiles, and the Vulcan Gun. The longer range systems are the Basic Hawk, Improved Hawk, and Nike Hercules. Systems are now in development which are due to replace each of the current systems.

The Roland II, a system developed jointly by the West Germans and French, is to replace the Chaparral. The Stinger Missile will replace the Redeye. Prototypes are to be developed to determine the configuration for a new gun. The SAM-D is slated to replace both Hawks and the Nike Hercules. Funds continue to appear in defense budgets to improve some of the current systems until they can be replaced.

Through Fiscal Year 1975 the Army spent nearly \$5 billion to acquire its current systems. Army planning documents project about another \$11 billion to modify the existing systems and complete the acquisition of the new systems. The most expensive of the new systems is SAM-D,

estimated at \$6 billion, followed by Roland - \$2.1 billion; the new gun program - \$1 billion; Stinger - \$840 million, and a Command and Control system - \$140 million. Modification costs of existing systems are projected at over \$700 million.

The issues we suggested for consideration by the Congress are the following:

- Whether the Department of Defense should present a comprehensive overview of the mission area to the Congress, rather than just data on individual systems,
- Whether realistic requirements, both as to performance and quantities have been established,
- Whether both Army and Air Force capabilities were taken into consideration in formulating air defense requirements,
- Whether, in view of anticipated budget levels, it is reasonable to anticipate being able to fund the number of new systems planned.

SEA CONTROL

According to the Department of Defense, the primary mission of the Navy is to control waters essential to the operations of U.S. forces and to sea lanes of communication. Sea control functions include fleet air defense, antiship and antisubmarine warfare.

Our report provides an overview of how the DOD views the mission, describes the strengths and weaknesses of the U.S. and Soviet navies and includes the costs involved in sea control.

Present major procurement programs include about \$14 billion for fleet aircraft, \$16 billion for surface ships, \$8 billion for submarines and \$6.2 billion for shipboard combat systems.

The Navy places more emphasis on sea control than any other non-nuclear mission. The FY 1976 budget, for example, requests \$17 billion. In our opinion, the information required by the Congress in reaching its judgments about the sea control forces needed are:

- Whether the Soviet Navy is a defensive force or whether it constitutes a worldwide threat to the United States,
- How the Soviet naval forces compare with the U.S. forces.
- What the most likely conflict situations are, and what the least likely are.

* * *

As you can see, our aim in this type of reporting is not to make military judgments, but to help assure that the information furnished to the Congress is complete, objective, and in the proper perspective.

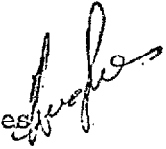
We hope that information on requirements for related systems will be useful to the Congress in reviewing the "front end" of the system acquisition process. This is the most appropriate time for the Congress to become involved, as the Commission on Government Procurement pointed out. The front end is the stage when new systems are still conceptual, requirement statements have not yet been fully developed and alternate solutions are still viable.

Memorandum

August 31, 1976

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TO : Deputy Comptroller General - Robert F. Keller

FROM : Assistant Comptroller General - Phillip S. Hughes 

SUBJECT: Mission-Oriented Budgets

I think Harry Havens' attached memo of August 30 is a good discussion of function/mission structural problems and, generally speaking, I agree with his conclusions. I have not done as much thinking or as clear thinking about the problems of mission-oriented budgets as he has.

For the foreseeable future, however, it seems that the answer, both from Senator Chiles standpoint and from ours, is to more or less solve the problem by definition or redefinition, whether Senator Chiles originally meant it that way or not.

In short, I would identify missions as broad groupings under which I would list functions, subfunctions, etc., and attempt to get consensus on this basis. Whether this will achieve anybody's objectives I am not sure, but it's the only way I see to get there from here within the next few years.

cc: Mr. Havens
Mr. Crowther
Mr. Hunter

Memorandum

August 31, 1976

TO : Deputy Comptroller General - Robert F. Keller

THRU: Assistant Comptroller General - Phillip S. Hughes *PHughes*

FROM : Director, PAD - Harry S. Havens *HS Havens* AUG 30 1976

SUBJECT: Mission-Oriented Budgets (Your
Memorandum of August 24, 1976)

In retrospect, I believe the June 8, 1976, statement before the JEC was too strong on endorsement of mission-oriented budgets.

There are certain parts of the government, notably DOD, where a mission-oriented budget structure would be a clear improvement over what now exists. I am entirely supportive of efforts to promote mission-oriented budgeting in those areas. Considering the history of resistance from the Services and their friends (resistance which neither OMB nor the White House has been willing to fight) I am not optimistic. But I find the logic sufficiently compelling to warrant the effort.

At the same time, I don't think the logic of pushing for mission-oriented budgeting in DOD should be generalized into a position of saying everything in the budget should be built around missions.

At present, the congressional budget process is built around functional categories. Resource allocation decisions are made in that structure. GAO (under Title VIII) is responsible for suggesting changes to that structure, as we did in our recent report. But changes can be implemented by OMB only after consultation with Budget and Appropriations Committees of both House and Senate. None of those four committees has shown any active interest in shifting the main decision process to a mission-oriented structure. Only one (House Budget) has shown much interest in changing the structure at all.

I believe significant change is needed in the budget structure which the Congress uses for making decisions. However, I do not think the four committees which control that structure are likely to agree to any change which they consider "radical." From the comments of the staffs on various occasions, they consider the Chiles approach radical. They don't object to OMB being required to produce it, but they would object to any suggestion that they were supposed to use it. Under these circumstances, I think we run a serious risk to losing any influence over the evolution of the budget structure if we are seen as single-mindedly pursuing an outcome which the relevant committees consider unacceptable. I think we would be much better advised to work incrementally, periodically reminding the Congress that the structure as a whole is still not adequate. But we should suggest only limited change at any one time, rather than claiming to have found a cure-all.

This leads me to why I don't consider mission-oriented budgeting to be a cure-all. First, it is not clear what the term means, except perhaps in DOD where the term has some historical foundation. One approach is to say that missions are synonymous with functions or subfunctions. That just defines the problem away by saying we already have a mission-oriented budget and that Title VI was largely superfluous. That is the interpretation I prefer, but it certainly is not Senator Chiles' view.

If, on the other hand, "missions" are intended to convey something more than functions (as Senator Chiles appears to believe) the difference lies in describing why the activity is being pursued, i.e., the end-purpose or objective. That additional bit of information, however, has a very high policy content. It is relatively easy to gain consensus that one of the functions of government is to support education. I doubt very much that there is a similar consensus on the objective.

I suspect that consensus is attainable only if the list of objectives is (a) long enough to cover everyone's favorite program, (b) general enough to be non-prescriptive, and (c) totally devoid of priorities. That is, it would be meaningless. I don't think the Congress could live with a structure which constantly forced it to be explicit about all objectives and about the priorities among them.

This is not to say that Congress should ignore objectives or priorities. The overall budget process requires a focus on priorities, but at a relatively high level of aggregation. Oversight, if done well, requires a focus on objectives, at a relatively detailed level. Congress can, and should, focus on both priorities and objectives. I am not yet convinced they should try to focus on both at the same time.

cc: Mr. Hughes - ACG
Mr. Crowther - PAD
Mr. Hunter - PAD

HSHavens:wsl: 8/30/76

HEARING NOTICE

Committee : Joint Economic Committee
Subcommittee on Priorities and Economy in Government

Subject : DOD procurement decisions in relation to defined mission requirements

Date : June 8, 1976

Time : 10 a.m.

Room : 5302 Dirksen Senate Office Building

Membership : Senator William Proxmire (D-Wis.), Chairman

Majority : Senators Proxmire, Sparkman (Ala.), Ribicoff (Conn.),
Humphrey (Minn.), Kennedy (Mass.)
Representatives Hamilton (Ind.), Long (La.), and
one vacancy

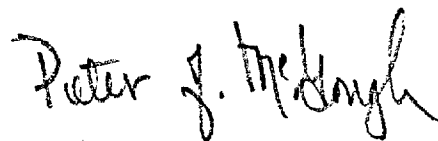
Minority : Senators Percy (Ill.), Taft (Ohio)
Representatives Roussetot (Calif.), Brown (Ohio), and
Brown (Mich.)

Principal Staff : Richard Kaufman, General Counsel

GAO Representative: Elmer B. Staats, Comptroller General

Accompanied By : Richard Gutmann, Director, PSAD
Jerome Stolarow, Deputy Director, PSAD
Peter J. McGough, Legislative Adviser, OCR

Car will leave G Street, First Basement at 9:40 a.m.



Peter J. McGough
Legislative Adviser, OCR