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The Navy's CH-53E helicopter program is a good case study of some of the ills the Procurement Commission and the principles embodied in OMB Circular A-109 sought to correct. No clear mission need was apparent and there was no competition during its development. The Navy, however, has done an excellent job of testing the helicopter. A report on the status of the CH-53E Helicopter Program centered on a recent decision to extend the research and development effort and plans to award a production contract. Navy and contractor testing disclosed that the Automatic Flight Control System was not operationally suitable and that a new transmission is needed to improve reliability and maintainability. Several deficiencies were disclosed that affect airworthiness, mission effectiveness, and safety. Since September, 1974, estimated program cost has increased over \$266 million (about 48 percent). In September, 1976, \$20 million of fiscal year 1977 procurement funds were reprogrammed for research and development to finance the extended development effort. The Secretary of Defense should monitor the program to ensure that significant amounts of procurement funds are not committed until further testing establishes that production is warranted. (RRS)

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STATEMENT OF
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PROCUREMENT AND SYSTEMS ACQUISITION DIVISION
BEFORE THE
SUBCOMMITTEE ON FEDERAL SPENDING PRACTICES,
EFFICIENCY, AND OPEN GOVERNMENT
COMMITTEE ON GOVERNMENT OPERATIONS
UNITED STATES SENATE
ON THE
CH-53E HELICOPTER PROGRAM

We are pleased to appear here this morning to participate in another of your hearings designed to emphasize the need for reform in the acquisition process for major systems.

As you know, the General Accounting Office has strongly supported the recommendations of the Procurement Commission and the principles embodied in OMB Circular A-109--particularly with respect to needed improvements in the so-called front-end of the acquisition cycle. Since your hearings in August 1976, we issued our final reports analyzing three programs that the Department of Defense believed complied with the intent of the Commission's recommendations. These were the Army's Pershing II, the Navy's SIRCS, and the Air Force's NAVSTAR program. We found

that (1) one of these programs did not resemble the Commission's plan, (2) another only slightly resembled the plan, and (3) the effort to date on the remaining program was generally consistent with the Commission's plan. Some reasons for our conclusion that two of the programs did not meet the desired criteria were that they did not:

- Begin with a statement of mission capability, cost, and time goals stated independently of a specific system solution.
- Follow a Secretary of Defense assignment to a service or services for responding to a statement of needs and goals.
- Use industry initiative and innovativeness to identify alternative system concepts.
- Maintain competition by exploring rival systems.

This morning, at your suggestion, we will discuss the Navy's CH-53E helicopter program. This program was started before the issuance of the Procurement Commission's recommendations and A-109, and we are not here to criticize the Department of the Navy for its CH-53E acquisition policy. This program, however, is a good case study of some of the "ills" that the Commission sought to correct. Specifically, we have not been able to find a clear mission need and there was no competition during its development. We do believe, however, that the Navy has done an excellent job of testing-- has identified its major problems, and, as a result, has delayed production pending resolution of the technical problems.

While it is difficult to speculate on what the outcome of a program such as this would have been if the acquisition policy had been different--this current program has been plagued by controversy over the need for the helicopters, by significant cost growth (the current estimated unit cost is \$11 million as opposed to the original estimate of \$7.8 million), and significant technological problems. I would like to discuss several points in some detail.

Mission Need

The mission of the CH-53E has not been specifically defined and, as a result, the program was subjected to much debate. In our February 1972 study we reported that elements of OSD questioned the need for the CH-53E in view of the capability of existing helicopters to support the Marine Corps amphibious assault operations.

In 1973, Department of Defense system analysts, based on extensive review, believed the described missions for the CH-53E did not represent firm requirements nor did they justify a 16-ton lift capability because the missions could be satisfied by a less capable helicopter.

Competition

The Navy planned the CH-53E to be a derivative of the CH-53D and to have a high degree of parts commonality with the earlier model. This would supposedly have reduced development risk and provided lower operating costs. As a result, there was no competition--a development contract for the CH-53E was awarded to Sikorsky on a sole source basis.

Development

As I mentioned, the Navy planned for the CH-53E to be an outgrowth of the CH-53D and to lift over twice the payload of the D model while occupying only slightly more deck or hangar space. Plans called for three instead of two engines, more powerful engines, and use of seven main rotor blades and a canted tail rotor to accomplish these objectives. The acquisition plan was described by the Navy as a low risk program that would benefit from an estimated 60 percent commonality with the CH-53D helicopter.

During development the CH-53E has undergone significant design changes which makes it almost a completely new aircraft rather than a modified CH-53D. Because of these changes the CH-53E imposes different training requirements than those for the CH-53D maintenance personnel and the CH-53E's are now planned to be assigned to independent squadrons for support rather than CH-53D units.

Our latest report "Status of the CH-53E Helicopter Program", dated February 10, 1977, centered on the recent decision to extend the research and development effort and plans to award a production contract. Highlights of our report are:

- Navy and contractor testing disclosed that the Automatic Flight Control System was not operationally suitable and that a new transmission is needed to improve reliability and maintainability.

- Testing disclosed several deficiencies that affect airworthiness, mission effectiveness, and safety.
- In August 1976 the Navy restructured the CH-53E development program to allow for required additional development effort. The scheduled full-scale production decision milestone of November 1976 was canceled and replaced by a limited production decision planned for January 1978 and a full-scale production decision planned for August 1978.
- Since September 1974 estimated program cost has increased over \$266 million (about 48 percent) to a total of \$815.8 million. Economic escalation and development of improvements were the primary causes of the cost increase. The program unit cost of CH-53E is now estimated at \$11 million.
- In September 1976 \$20 million of fiscal year 1977 procurement funds were reprogrammed for research and development to finance the extended development effort.

We believe that the Navy has taken appropriate action, based on its test reports, to delay production in order to resolve the difficult technical problems that have surfaced. We have recommended that the Secretary of Defense monitor this program to ensure that the significant amounts of procurement funds are not committed until further testing establishes that production is warranted.

In summary, Mr. Chairman, the CH-53E program has progressed almost to the point of a production decision although

- there is a questionable need for an aircraft with its characteristics,
- the consideration of alternatives was limited, and

--there was no competition in the developmental phase.

Its current status can best be described as excessively high cost and a fair degree of risk because of the problems being encountered.

This concludes my prepared statement, Mr. Chairman. I will be happy to answer any questions you may have.

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Prior to joining the General Accounting Office in 1958, he was associated with public accounting firms and private industry. Mr. Stolarow served in the Army from 1951 to 1953. He received a Bachelor of Business Administration degree from the University of Oklahoma in 1951 and a Juris Doctor degree from Georgetown University Law School in 1955.

In 1964, Mr. Stolarow attended the Program for Management Development, Harvard Business School. From 1969 to 1970 he attended the Industrial College of the Armed Forces. He is a certified public accountant in the State of Oklahoma and the District of Columbia. He has also been admitted to the bar in the District of Columbia and is a member of the American Institute of Certified Public Accountants.