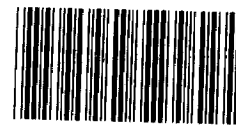




UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548



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PROCUREMENT, LOGISTICS,
AND READINESS DIVISION

FEB 14 1983

The Honorable Vincent Puritano
Acting Assistant Secretary of Defense
(Comptroller)

Dear Mr. Secretary:

Subject: Improvements in the Data Submitted to the
Congress to Justify Transportation Funding
Requirements (GAO/PLRD-83-44)

We have reviewed the data the Army, Navy, and Air Force submit to the Congress each year to justify their budget estimates for operation and maintenance (O&M) transportation funding. For fiscal year 1983, the combined Department of Defense (DOD) request was for \$2.15 billion, about 70 percent of which was to be used to reimburse the three transportation single managers--the Military Sealift Command, the Military Airlift Command, and the Military Traffic Management Command. The remainder was to be used to buy commercial freight transportation services or to exercise management over the procurement and use of transportation services.

We found that the data the military services provided to the Congress (1) lacked uniformity in interservice descriptions of requirement categories and in how those categories are quantified, (2) gave an incomplete picture of the total number of transportation units for which funding is being requested because all requirements are not shown in common terms, and (3) omitted most explanations of why the requested funding level is needed.

In our opinion the data submitted to the Congress makes it difficult to assess the reasonableness of the funding levels the military services are requesting. We could not, for example, make meaningful interservice comparisons in any year nor could we make adequate comparisons of any one service from one year to the next. Budget review and funding decisions both in DOD and in the Congress could be enhanced by submission of better descriptions of funding needs. In this regard, we offer several suggestions for your consideration.

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BACKGROUND

The Department of Defense budgets approximately \$2 billion a year for O&M transportation expenses. The funds are requested under O&M program 7, which covers central supply and maintenance, and are identified as first and second destination transportation. They are used to pay for transportation services, either as reimbursements to the DOD transportation single managers (the Military Sealift Command, the Military Airlift Command, and the Military Traffic Management Command) or as direct payments to thousands of individual transportation companies. The funds are also used to manage the procurement and use of transportation services.

Over the last several years transportation costs have been increasing at a rapid rate. The 1980 expenses increased over the previous year by 31 percent; the 1981 expenses increased another 23 percent. The amount appropriated for fiscal year 1982 was 21 percent greater than the amount spent in 1981. And, although the 1983 budget request was only 8 percent over the amount appropriated for 1982, it was still more than twice what was spent only 4 years earlier in 1979.

The transportation budget estimates submitted to Congress in January or February of each year as part of the President's budget are generally broken into two major programs--First Destination Transportation and Second Destination Transportation. First destination transportation is used to describe the requirement for transportation of items purchased from manufacturers, commercial suppliers, vendors, and others, either to the first point in the DOD supply systems where materiel is stored or to where it is used. Second destination transportation is used to describe any subsequent movement, that is, to the second destination for materiel once it is in the supply systems. Second destination also encompasses ancillary functions, such as the management function related to freight rate negotiation and routing that the Military Traffic Management Command provides to all DOD shippers.

The table below shows the size of the O&M transportation program from fiscal years 1979 to 1983. Its source is the Service Justification of Estimates books submitted to Congress the first of every year.

Fiscal Year O&M Transportation Funding

(thousands omitted)

	Actual			Funds	Funds
	Obligations			Appropriated	Requested
	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
<u>Army</u>					
First Destination					
Transportation	\$ 38,693	\$ 32,427	\$ 29,855	\$ 61,531	\$ 78,869
Second Destination					
Transportation	451,987	561,017	697,014	895,745	915,998
Overseas Port Units	<u>-</u>	<u>-</u>	<u>51,935</u>	<u>61,383</u>	<u>67,222</u>
Total	\$490,680	\$593,444	\$778,804	\$1,018,659	\$1,062,089
<u>Navy</u>					
First/Second Destination					
Transportation	\$233,805	\$334,796	\$393,270	\$412,938	\$476,294
<u>Air Force</u>					
First Destination					
Transportation	\$ 11,917	\$ 16,873	\$ 25,755	\$ 24,803	\$ 37,539
Second Destination					
Transportation	<u>284,830</u>	<u>392,239</u>	<u>450,866</u>	<u>539,868</u>	<u>580,017</u>
Total	\$ 296,747	\$409,112	\$476,621	\$564,671	\$617,556
Totals	<u>\$1,021,232</u>	<u>\$1,337,352</u>	<u>\$1,648,695</u>	<u>\$1,996,268</u>	<u>\$2,155,939</u>

LACK OF UNIFORMITY AMONG THE SERVICES
IN HOW THE BUDGET DETAIL IS DISPLAYED

One of the ways we reviewed the transportation requests was to compare the data submitted to Congress by each military service. Because the services used different categories and terms to describe their requests, however, we were not able to use comparative analyses successfully for our review purposes. This lack of uniformity is confusing and unnecessary.

Each of the services has customarily displayed its transportation budget request in two ways: (1) a program basis-- various elements or categories under the first and second destination transportation programs and (2) a mode of shipment basis--a breakdown by requirements from each transportation single manager, a breakdown by mode of commercial transportation, and a list of various non-line-haul transport elements. Beyond the initial breakdowns, however, we found there is little uniformity in how the data is displayed or how individual categories are quantified. Why the differences exist is not apparent but it precludes meaningful analyses.

This lack of uniformity is apparent in how each military service displayed its fiscal year 1983 first destination transportation program requests. The Army showed an overall first destination transportation request as \$78,869,000. The supporting detail justified this request as a single type of requirement:

--\$70,445,000 for 627,648 short tons (shipping units of 2,000 pounds each) of commercial surface transportation.

The \$8,424,000 difference was not explained.

By comparison, the Navy request was for \$45,583,000 and was supported as follows:

--\$33,585,000 for 214,598 short tons of cargo.

--\$7,601,000 for 67,871 measurement tons (shipping units of 40 cubic feet each) of cargo.

--\$2,558,000 for 50 special assignment airlift missions.

--\$1,839,000 for 50,355 measurement tons of port handling.

The differences between the Army and Navy are that (1) the Army showed its requirements in short tons only and for a specific type of transportation; (2) the Navy did not show requirements in this manner but rather in three different units of transportation--short tons, measurement tons and missions.

Further, the Air Force request was for \$37,539,000 and was supported as follows:

--\$667,000 for 135 non-described units of transportation by the Military Airlift Command.

--\$928,000 for 650 non-described units by commercial airlift.

--\$32,216,000 for 159,514 non-described units by commercial surface transportation.

--\$420,000 for 434 non-described units by the Air Force's contract airlift (LOGAIR) system.

The \$3,308,000 difference was not explained.

The Air Force showed dollar figures, but not the type of units (such as short tons or measurement tons) that could be compared with the Army and Navy requests. These same problems were also found in the second destination transportation program.

We questioned the need for each military service to use different categories or units of requirements. The services told us that they prepared their detail in whatever manner was acceptable to the Office of the Assistant Secretary of Defense (Comptroller) and appropriate congressional committees, and they were not required to use standard or uniform terms. We believe comparative analyses would be useful for review purposes and this can only be done where standard or uniform terms are used throughout the budget detail.

PROBLEMS IN MEASURING THE OVERALL SIZE OF THE TRANSPORTATION PROGRAM

Although the military services' budget requests showed the overall dollar requirement for transportation, they did not show the total number of transportation units those dollars are expected to buy. Consequently, we could not compare the size of any service's requirements from one year to the next, nor could we compare the size of one service's request with another. This, in turn, prevented us from measuring how efficiently requested dollars were used for the transportation program.

The problem was created when a service identified its various requirements in different sets of terms. The Army, for example, displayed its overall fiscal year 1983 requirement of \$1,062,089,000 in the following manner:

- \$127,900,000 to ship 659,376 short tons of cargo.
- \$260,170,000 to ship 5,679,295 measurement tons of cargo.
- \$11,569,000 to buy 2,477 special assignment airlift mission flying hours.
- \$662,450,000 to buy an unquantified amount of transportation.

As shown, the Army request used three different units of transportation requirements to justify the Army budget while leaving the major portion (\$662,450,000, or 62 percent of the entire request) unspecified in terms of transportation units needed. Part of the budget was stated in terms of "short tons;" a part was in "measurement tons;" and another part was in "flying hours." The fourth part was stated neither in numbers of units nor in any particular unit of transportation. The Navy and Air Force requests likewise used different units as well as unquantified requirements.

Because of the various means used to justify each budget, we were unable to determine their overall size. How many units of transportation was the service asking funds for? How did the Army's fiscal year 1983 requirement compare with fiscal year 1982? How did it compare with the Navy's or Air Force's requirement for the same year?

The need to show the overall size of the request in transportation units is necessary to determine the planned efficiency in funds use. Because the size of the requests in units was missing, we could not measure efficiency. For example, we could not determine the average unit cost and then compare it with other services' costs or costs incurred in other years. Although the dollar amounts in each request were increasing from year to year, we were unable to attribute the rise to transfers from one appropriation or program to another, to program size increase, or to transportation unit price increase.

MISSING REFERENCES AS TO WHY
FUNDING IS NEEDED

The justification of estimates did not give reasons for why they needed the requested funding or why the need was at the specific levels cited. Most of the information in the justification data showed where the transportation would be used, either from the manufacturer of the material to where it would be stored or consumed (first destination transportation) or in a subsequent movement from storage or some using activity (second destination transportation). The data also showed how the material would be moved (Military Airlift Command, commercial

surface transportation, etc.). Little of the information related to a service program, mission, function or any other reason which justifies the size of the transportation program.

In our review of the transportation budget justification data, we attempted to identify the elements which explained why transportation funding was being requested and why it was being requested at the particular level identified. We were unable to determine these elements and instead found many different detailed items, mostly describing the type of transportation or other use not related to purpose.

Shown below are some of the named items which we have categorized as element types:

<u>Element type</u>	<u>Named items</u>
Transportation single manager	Military Sealift Command Military Airlift Command Military Traffic Management Command
Transportation mode	Commercial surface Commercial airlift
Type of service within a mode	rail transportation truck transportation barge transportation LOGAIR QUICKTRANS special assignment airlift missions per diem ships United Parcel Service
Accessorial transportation service	port handling container detention
Type of materiel to be shipped	cargo subsistence mail munitions missiles
Owner of the materiel	exchanges commissaries Stars & Stripes
Transportation function	traffic management overseas port units.

Our concern was in trying to relate these elements to reasons why transportation funding was being requested for them. For example, was "Military Sealift Command" a program or something that caused the transportation to be required? Why was funding needed for this element?

Through discussions with military budgeting personnel we learned that what necessitated the transportation program were few of these items. Instead, they were such programs as the flying hour program, the troop strength intended for that year, the planned ship sailing schedule, a force modernization program, a war reserve material stockage objective, an aircraft procurement program, the size and positioning of the Rapid Deployment Force, an upgrading of the aircraft maintenance effort, or some similar type program. Yet the budget justification data presented in support of these estimates seldom related transportation requirements to these finite programs. Although, the Air Force, for example, did prepare such information for its own estimates, it did not include the data as part of the justification of estimates when it was submitted to Congress. In the other services, some of this type information was also available, but again was not used in budget submissions.

We believe the identification of transportation requirements with these types of programs would be helpful in explaining the basis for increases or decreases in yearly funding needs. Were the changes from one year to the next caused by a change in the amount of the material to be shipped? Was it the distance it was to be shipped? Was it the price of the transportation? Or was it the efficiency of the planned use of the resources? We could not identify any of this information from the data presented in the justification of estimate books prepared by the services.

We also noted during our review that because the military services identify certain transportation elements in specific terms, they became immediate targets for congressional cuts. LOGAIR and QUICKTRANS, the Air Force's and Navy's contract airlift systems, respectively, are two examples. Congress has on a number of occasions taken exception to funding of these two systems and DOD has had difficulty responding to Congress' concerns.

From our discussions with the Air Force and Navy, we conclude that they are not well served by showing LOGAIR or QUICKTRANS as a specific detail item in the budget. LOGAIR and QUICKTRANS are simply modes of transportation that will carry out some programs. If DOD would explain those programs with the number of transportation units being budgeted and the overall cost of these units, we believe Congress would more easily understand what LOGAIR and QUICKTRANS funding is intended to support.

TYPES OF IMPROVEMENTS THAT
SHOULD BE CONSIDERED

There are a number of ways in which the data basis for justifying transportation estimates could be improved. To facilitate the review of each service's request, we believe, that DOD, as a matter of policy, should ensure that each service uses the same terms to describe its transportation program and the same types of units for like categories of detail. All the transportation requirements, to the extent they relate to the movement of materiel over some distance, ought to be stated in common terms. Showing some items as short tons and others as measurement tons is confusing and explains nothing about the distance materiel has to be shipped which is a significant factor in transportation costs. The generally accepted term to describe transportation in most practices is ton-miles, where a ton is either a unit of weight or a unit of measure, but not both. The entire display in the budget justification needs to show not only dollars, but a common unit measure, such as ton-miles. This is the only means by which the overall size of the request can be reviewed for reasonableness. It would also help improve DOD's and Congress's supervision of how the services use the resources provided.

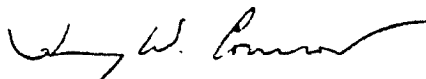
As a final step, we believe the budget detail categories ought to be related to reasons for the funding request. Requirements should be linked to a flying hour program, a force modernization objective, a type of procurement, a post exchange sales objective or similar program and be identified both in terms of units and dollars needed. Much of the present data broken down by single manager and mode, we believe, would be unnecessary for congressional budget approval purposes.

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We are not making formal recommendations to you at this time. However, we would like your comments on the matters discussed in this report.

Copies of this report are being sent to the Secretary of Defense, and the Secretaries of the Army, Navy, and Air Force.

Sincerely yours,



Henry W. Connor
Senior Associate Director