

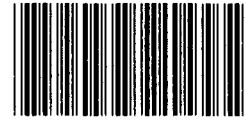
GAO

Briefing Report to the Chairman,
Subcommittee on Defense, Committee on
Appropriations, House of Representatives

September 1992

AIR FORCE BUDGET

Potential Reductions to Fiscal Year 1993 Air Force Procurement Budget



147768



**National Security and
International Affairs Division**

B-250180

September 25, 1992

The Honorable John P. Murtha
Chairman, Subcommittee on Defense
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

As requested, we reviewed the Air Force's aircraft procurement budget request for selected weapon systems for fiscal year 1993 and appropriations for the preceding 2 years to identify potential budget reductions and rescissions. In May and August 1992, we briefed your staff and provided fact sheets on the results of our work so the potential reductions and rescissions could be considered in your evaluation of the fiscal year 1993 Defense Appropriations Act.

We identified \$541.5 million in potential budget reductions and rescissions for congressional consideration (see table 1). Because the Air Force has reduced the number of KC-135 aircraft to be modified with new engines, the fiscal year 1993 budget request could be reduced by \$186.7 million. An additional \$354.8 million in fiscal year 1992 funds could be rescinded because they are not being used for the purposes intended when they were appropriated.

Table 1: Potential Reductions and Rescissions

Dollars in millions

Program	Fiscal year 1993	Fiscal year 1992	Total
B-2 bomber	\$0.0	\$260.0	\$260.0
F-15 fighter	0.0	85.3	85.3
C-135 aircraft modifications	186.7	0.0	186.7
F-16 fighter modifications	0.0	9.5	9.5
Total	\$186.7	\$354.8	\$541.5

The potential reductions and rescissions are summarized and discussed in detail in appendix I.

Objectives, Scope, and Methodology

This review is one of a series that examines budget issues. Our objectives were to review the Air Force's fiscal year 1993 aircraft procurement budget request and prior year appropriations and identify potential

reductions or rescissions. We examined the B-2, F-15, and F-16 aircraft procurement programs and the C-135, F-15, and F-16 modification programs.

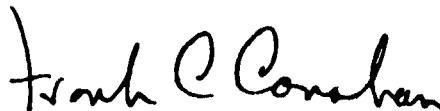
We interviewed budget and program officials and reviewed budget documents, data relating to contract costs, program requirements, contract delays, and program status at Air Force Material Command, Wright-Patterson Air Force Base, Ohio; and Oklahoma City Air Logistics Center, Tinker Air Force Base, Oklahoma. We performed our work from March to July 1992 in accordance with generally accepted government auditing standards.

As requested, we did not obtain written agency comments on this report. However, we discussed its contents with officials from the Office of the Secretary of Defense and the Department of the Air Force and incorporated their comments where appropriate.

As you requested, we plan no further distribution of this report until 10 days after its issue date. At that time, we will send copies to the appropriate congressional committees; the Secretaries of Defense and the Air Force; and the Director, Office of Management and Budget. Copies will also be made available to others on request.

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

Sincerely yours,



Frank C. Conahan
Assistant Comptroller General

Potential Reductions and Rescissions to Air Force Aircraft Procurement Budget

We identified potential reductions and rescissions of \$541.5 million from the Air Force's aircraft procurement budget: a reduction of \$186.7 million in the fiscal year 1993 budget request and rescissions of \$354.8 million from the appropriations for fiscal year 1992.

The following sections briefly describe the weapon systems we reviewed and the results of our analysis of each system.

B-2 Bomber

The B-2 aircraft combines conventional and state-of-the-art aircraft technology, such as radar absorbing materials, and is designed to precise specifications needed to meet stealth requirements. The Air Force and Northrop, the prime contractor, have agreed to a contract for development and testing of six B-2 aircraft (of which five are to be delivered as operational aircraft) and a contract for production of 10 aircraft that also provides authority to continue work on an additional five B-2 aircraft.

In a September 1991 report entitled B-2 Bomber: Status of Subcontract Options (GAO/NSIAD-91-295), we advised the Chairman of the House Armed Services Committee that the Air Force had, through fiscal year 1991, authorized Northrop to exercise options in subcontracts to acquire certain B-2 components substantially in advance of the time needed for installation in production aircraft. The objective of the subcontract options was to obtain better prices by ordering aircraft components in economic quantities. Through fiscal year 1991, we reported that the Air Force had provided funds and authorized Northrop to exercise options to procure certain components in sufficient quantity to support production of 33 aircraft.

Results of Analysis

Part of the fiscal year 1992 appropriations, \$310 million, was earmarked by the Department of Defense and the Air Force to authorize Northrop to exercise another series of fixed-price options in certain subcontracts. However, because the President reduced the B-2 program from 75 to 20 operational aircraft, the Air Force advised us that more of the components might not be needed and the fiscal year 1992 options would not be exercised. We believe \$260 million of fiscal year 1992 funds could be considered for rescission.

The Air Force reallocated \$260 million of the funds earmarked for exercise of the options to B-2 airframe advance procurement funding after the President's reduction in the B-2 program. Air Force officials told us they

did not reallocate the remaining \$50 million of earmarked funds because they expected that amount would be needed for termination or partial termination of the fiscal year 1991 fixed-price subcontract options.

Air Force officials advised us that the \$260 million previously earmarked for exercise of subcontract options is planned to be used to continue the advance procurement funding of the five aircraft on which work has begun. They stated the funding is essential for continuation of the program on an orderly basis. Because \$500 million of fiscal year 1992 funds have been rescinded already, and because there is a proposal that fiscal year 1993 funds be severely restricted until certain testing and reporting requirements are satisfied, they said the Air Force needs all available fiscal year 1992 and prior year funds to maintain the program until mid-July 1993. They said the balance of fiscal year 1992 restricted funds and fiscal year 1993 restricted funds may not be available for obligation until required certifications are completed.

F-15 Fighter

The F-15A through D model fighter aircraft are twin engine, swept wing aircraft designed for high maneuverability in air-to-air combat. They are equipped with a mix of medium- and short-range missiles and a 20mm cannon. The F-15E model is an all weather/night ground attack aircraft that retains its full air-to-air combat capability. The first aircraft were delivered in the mid 1970s and the last three aircraft, acquired in fiscal year 1992, are to be delivered to the Air Force by late 1994.

Activities related to Operation Desert Storm resulted in a number of changes to the F-15 program that were unanticipated at the time the fiscal year 1992 F-15 budget was submitted. These changes included congressional authorization to acquire replacement F-15 aircraft using proceeds from the sale of F-15s to Saudi Arabia and authorization to acquire additional aircraft and support equipment in fiscal year 1992 using Desert Storm supplemental funding.

Results of Analysis

The Congress appropriated \$505 million for fiscal year 1992 to acquire F-15 support equipment. Appropriation of fiscal year 1992 funds for the program was influenced by activities relating to Desert Storm, sale of F-15s to Saudi Arabia, and replacement of aircraft using supplemental funds made available from the Defense Cooperation Account. Appropriations for support equipment using fiscal year 1992 funds substantially exceeded the Air Force's initial budget request, which was submitted before those

activities occurred. After analyzing the funding requirement to carry out the program as directed, the Air Force concluded that \$85.3 million of funding for support equipment would not be required.

The entire \$85.3 million is no longer needed for the original intended purpose and could be considered for rescission. As of August 1992, the Air Force had declared \$77.4 million of this amount to be excess and the Department of Defense is pursuing reprogramming authority. They said the authorizations committees and the Senate Appropriations Committee have approved the reprogramming. Air Force officials believe the remaining \$7.9 million may be necessary for engineering change orders.

C-135 Aircraft Modifications

C-135 aircraft were designed to provide aircraft aerial refueling, cargo, passenger, and reconnaissance mission support. The tanker versions are designated as KC-135s, and the reconnaissance versions are designated as RC-135s. The first C-135 aircraft were placed into service in 1957. Some of these aging aircraft are being upgraded through modification programs (e.g., KC-135 engine modifications) and others are being retired.

Results of Analysis

The fiscal year 1993 budget request includes 13 modification programs for C-135 aircraft totaling an estimated \$526.7 million. Our review of the two reengine modifications identified \$186.7 million in potential reductions from the fiscal year 1993 budget request.

This KC-135 reengine modification increases the off-load potential of the modified KC-135—designated the KC-135R—to 1.5 times that of present tankers and 1.3 times that of the KC-135E. The Air Force will not fund the KC-135R program after fiscal year 1993. The fiscal year 1993 budget request includes \$293 million to modify 11 aircraft. Oklahoma City Air Logistics Center officials currently estimate the 11 modification kits will cost \$263.7 million. However, because of recent force structure changes, 7 of the 11 aircraft originally intended for modification are now planned for retirement. Thus, the Air Force currently plans to procure only four modification kits.

According to Air Force data, the cost to procure four modification kits is \$106.3 million. Therefore, the Air Force has requested \$186.7 million (\$293.0 million - \$106.3 million) more than needed for reengine modification. Air Force officials did not dispute this calculation.

The RC-135 reengine program uses basically the same engine used in the KC-135 reengine program. The fiscal year 1993 budget request contains \$133.7 million for the RC-135 reengine modification. The Air Force currently plans to use the funds saved by reducing the number of KC-135 reengine modifications to reengine additional RC-135s. We believe reengining RC-135s can produce savings over the life cycle of the aircraft. We recently reported to you about the cost and performance advantages of reengining RC-135 aircraft, Intelligence Programs: New RC-135 Aircraft Engines Can Reduce Cost and Improve Performance (GAO/NSIAD-92-305, Aug. 25, 1992).

F-16 Fighter Modifications

The F-16 fighter is a single engine, lightweight, high performance aircraft that is capable of delivering both air-to-air and air-to-surface weapons in performing a broad range of tactical air warfare missions. The first aircraft were delivered to the Air Force in 1978, and the last 24 aircraft to be ordered in fiscal year 1993 are to be delivered by late 1994. The Air Force received \$251.0 million in fiscal year 1992 for a series of modifications to the F-16 aircraft, including \$43.6 million to upgrade the ALR-56M Advanced Radar Warning Receiver (ARWR).

The F-16 ARWR is a passive system designed to enhance F-16 survivability by detecting and identifying current and advanced enemy surface and air threats and providing improved threat detection accuracy, range, and response time. The ARWR program installs the ALR-69 RWR in new (known as block 50) F-16 production aircraft and in older block 40 F-16s through modification and retrofit.

Results of Analysis

Although installation in the production aircraft began in October 1991, scheduled installation in the older F-16 was changed from the second quarter fiscal year 1992 to the second quarter 1994 to consolidate several modification programs into one effort. As a result, the Air Force calculated that 28 fewer ARWR sets needed to be purchased in fiscal year 1992, which reduces the fiscal year 1992 funding requirements by \$23.5 million.

The Congress has approved re-obligation of \$14 million of this amount for other F-16 applications. The balance of \$9.5 million is not required for fiscal year 1992 F-16 ARWR requirement and should be considered for rescission. The Air Force is holding this sum for possible reprogramming to uses outside of the F-16 program.

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