



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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PROCUREMENT AND SYSTEMS
ACQUISITION DIVISION

B-196096

OCTOBER 1, 1979

The Honorable Harold Brown
The Secretary of Defense

Attention: Assistant for Audit Reports
Room 3A336
ASD (Comptroller)



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Dear Mr. Secretary:

Subject: Review of the Navy's Requirements to Buy Contractor Services to Maintain, Support, and Test the C-12 Aircraft
(PSAD-79-108)

In response to Senator Barry Goldwater's request, we have obtained information on the need for and the costs of the Navy's practices for procuring contractor tests and evaluations, data and publications, and logistics support of the C-12 aircraft. The Army and the Air Force have also purchased this utility aircraft and have been obtaining logistics support from Beech Aircraft Corporation for about 4 years.

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Although the Navy has developed detailed requirements to be followed by the contractor in providing logistics support, the other two services are obtaining such support on the basis of performance specifications. Also, the Navy's plan appears to be significantly more costly than those of the other services although no cost breakdowns were available for the services involved. Under the Army and the Air Force contracts, the contractor is responsible for providing all of the maintenance and supply support needed to sustain specified monthly flying hours at an 80-percent operational readiness rate. The contractor has actually been achieving over a 90-percent readiness rate. The Navy, on the other hand, has imposed a series of detailed requirements on the contractor.

The following comparison of the Navy requirements with those of the Army and the Air Force is based on documents from and discussions with service and Beech officials.

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In providing the 80-percent operational readiness rate for the Army and the Air Force, we understand the contractor is using one maintenance technician per C-12 aircraft. In contrast, the Navy is requiring the contractor to provide a ratio of technicians averaging 1-1/2 per aircraft. There is some indication, however, that the Army and Air Force may make greater use of military personnel than the Navy plans to do.

The Navy is requiring the contractor to implement a corrosion control plan in accordance with a Naval Air Systems Command Manual. The Army and Air Force have no similar contractual requirement.

While all three services require the contractor to maintain the C-12 aircraft in a Federal Aviation Administration approved airworthiness condition, the Navy, unlike the Army and the Air Force, is requiring the contractor to perform airworthiness inspections at intervals of not less than 1,800 nor more than 2,400 flight hours.

The Navy is also requiring the contractor to include a program of engine trend monitoring in accordance with the engine manufacturer's recommendations. This involves readings during ground runup by the onsite mechanic every 25 flight hours. The engine trend monitoring analyses are to be used at the depot level of repair. The Army and Air Force contracts have no similar requirement.

The Navy will require the contractor to establish and maintain, in a specified manner, material requirements lists at various sites and to establish a specific tool control plan citing the actions that should be taken in the event of a missing tool. Such requirements do not exist in the Army and Air Force contract.

The Navy is requiring the contractor to maintain or submit 20 records or reports. Army and Air Force data requirements involve about half as many documents.

Although the Navy will be receiving 66 aircraft costing about \$1 million each from Beech, it is not sure the aircraft will be able to roll over arresting cables found on Navy airfields. Therefore, it is currently negotiating with the contractor to conduct a test of the aircraft's high-flotation landing gear to determine this capability. The landing gear has been certified by the Federal Aviation Administration.

The Navy is requiring the contractor to provide data and test requirement results in accordance with military specifications at an estimated cost of \$238,000. This cost is also under negotiation. The Army and Air Force obtained similar data based on the contractor's commercial practice and avoided much of the additional cost to be incurred by the Navy.

The Navy is requiring the contractor to place its flight and maintenance manuals in Navy format. As a part of this formatting requirement, the Navy plans to have 39 maintenance manuals reproduced for its technical libraries at 31 sites. The remaining eight are to be kept at other Navy offices. There appears to be some duplication in this area because the contractor will be maintaining its own library of maintenance manuals at the same 31 sites. The Navy's formatting and reproduction cost is estimated to be \$560,000. This too is in negotiation with the contractor. The Army and Air Force have mostly used the contractor's commercial manuals, which are available at a considerable saving.

Navy officials have emphasized that their added requirements were made in the interest of safety and were based on their previous experience with logistics support contracts for other aircraft. However, the experience of the Army and the Air Force in using the aircraft for the last several years does not seem to support the Navy's argument. Therefore, ~~we are concerned that~~ the Navy may be overreacting in its maintenance requirements for the C-12 aircraft.

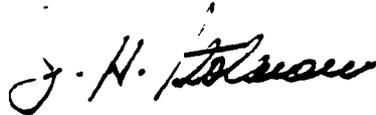
Rec. to Sec. of Defense - General
We recommend that the above differences between the services in testing, maintaining, and supporting the C-12 aircraft ~~be~~ reviewed to determine whether the Navy is justified in placing these added costly requirements on the contractor. Any additional contract awards should be deferred until your evaluation is completed.

We would appreciate your informing us of the results of your review as soon as possible.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Director, Office of Management and Budget; the Secretaries of the Army, Navy, and Air Force; the chairmen, House Committee on Government Operations, Senate Committee on Governmental Affairs, House and Senate Committees on Appropriations, and House and Senate Committees on Armed Services; and other interested parties.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "J. H. Stolarow".

J. H. Stolarow
Director