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REPORT TO THE CONGRESS

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Financial Status Of Selected Major Weapon Systems

B-163058

Department of Defense

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-163058

To the Speaker of the House of Representatives
and the President pro tempore of the Senate

This is our second semiannual report to the Congress on the financial status of selected major weapon systems being acquired by the Department of Defense (DOD). All data included in this report was extracted from the selected acquisition reports (SAR) released by DOD. We have made no audit or verification of the reported data.

Systems are periodically added to and deleted from SAR on the basis of recommendations from the services or the Office of the Secretary of Defense and/or interest expressed by the Congress or GAO. This report details the cost changes of \$2,745.8 million reported on 45 major weapon systems between December 31, 1972, and June 30, 1973. Changes in the estimated costs of the new systems added to SAR during the 6 months ended June 30, 1973, will be included in our future reports. We expect that the cost estimates for many major weapon systems on the September 30, 1973, SAR will show significant increases based on recently published DOD escalation indexes.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Defense; and the Secretaries of the Army, Navy, and Air Force.

A handwritten signature in dark ink, appearing to read "James B. Stacks".

Comptroller General
of the United States

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ABBREVIATIONS

DOD	Department of Defense
GAO	General Accounting Office
RDT&E	research, development, test, and evaluation
SAR	selected acquisition reports

STATUS OF SELECTED MAJOR WEAPON SYSTEMS

In 1969 the Congress asked GAO to report periodically on the progress and status of various acquisition systems. This review was directed to compiling data on changes reported to the estimated costs of 45 major weapon systems on the selected acquisition reports (SAR) for the 6 months ended June 30, 1973. For the 6 months there was a net increase of \$2,745.8 million in estimated costs for these systems. We have made no audit or verification of the reported data.

Appendix I provides details on the cost changes that occurred between December 31, 1972, and June 30, 1973. Appendix II shows the cost data appearing on the June 30, 1973, SAR. This includes new systems in addition to the 45 originally included in our October 2, 1973, report.

ESTIMATED COST DATA COMPARISON FROM
DECEMBER 31, 1972, TO JUNE 30, 1973

Number of <u>systems</u>		Planning <u>estimate</u>	Development <u>estimate</u>	Cost change		Current <u>estimate</u>
				Quantity decrease (-)	Other	
(millions)						
Army	(10)	\$13,599.5	\$ 14,661.4	-\$1,378.4	\$ 2,874.8	\$ 16,157.8
Navy (note a)	(23)	41,038.9	49,352.2	205.0	6,751.1	56,308.3
Air Force	(12)	<u>34,997.7</u>	<u>43,887.3</u>	<u>-3,569.7</u>	<u>9,617.3</u>	<u>49,934.9</u>
Total at						
	12-31-72					
(note a)	(45)	<u>\$89,636.1</u>	<u>\$107,900.9</u>	<u>-\$4,734.1</u>	<u>\$19,243.2</u>	<u>\$122,401.0</u>
Army	(10)	\$13,599.5	\$ 14,661.4	-\$1,445.0	\$ 3,008.9	\$ 16,225.3
Navy	(23)	41,038.9	49,109.2	181.4	7,709.1	56,999.7
Air Force	(12)	<u>34,997.7</u>	<u>43,887.3</u>	<u>-3,569.7</u>	<u>11,604.2</u>	<u>51,921.8</u>
Total at						
	6-30-73					
(note a)	(45)	<u>\$89,636.1</u>	<u>\$107,657.9</u>	<u>-\$4,833.3</u>	<u>\$22,322.2</u>	<u>\$125,146.8</u>
Difference						
		<u>-</u>	<u>\$ -243.0</u>	<u>\$ -90.2</u>	<u>\$ 3,079.0</u>	<u>\$ 2,745.8</u>

^aThe cost estimates for the 23 Navy systems and the total 45 systems have been adjusted and differ by \$11,892.5 million from those used in our report on the Financial Status of Selected Major Weapon Systems, B-163058, dated Oct. 2, 1973. Adjustments were necessary because Trident costs were classified at Dec. 31, 1972, and therefore were excluded from our report. The adjustment is necessary to insure compatibility between the total cost estimates for 45 systems at December 1972 and June 1973.

APPENDIX I

Following is a summary by military service of cost changes during the 6 months ended June 30, 1973, for 45 major weapon systems as reported on SAR.

ARMY NET INCREASE OF \$67.5 MILLION:

SAFEGUARD:

Decrease of \$48 million:

Result of further refinement of change from a four-site to a one-site deployment and redesignating funds from the SAFEGUARD program to the Complementary Development program. This program is designed to provide support for Sprint II development firings and other research and development programs at the Kwajalein Missile Range.

DRAGON:

Decrease of \$9 million:

Primarily the result of refinement of estimates based on latest contract data, further refinement of hardware costs and for redesigning and testing launch effects trainers.

SAM-D:

Increase of \$104.7 million:

Primarily due to the refinement of the launcher group cost estimate and to other vehicle costs.

TOW:

Increase of \$0.9 million:

Result of revised estimates for producibility engineering and planning for the night sight and refinement of estimates to reflect the current fiscal year 1973 research, development, test, and evaluation (RDT&E) program.

LANCE:

Decrease of \$3.3 million:

Primarily the result of deleting the radio command destruction system from the warhead, offset by increased cost estimates based on latest contract data and by increased support costs for test and handling equipment.

M60-A2:

Increase of \$5.2 million:

Primarily the result of revising program estimates and adjusting spares requirements.

IMPROVED HAWK:

Increase of \$1.2 million:

Due to an increase in product improvement proposals, offset by prior-year program adjustments.

TACFIRE:

Increase of \$35.5 million:

Result of the development and integration of new items and in-house contractual support during the 18-month extension in the development and test phase and of changes in peripheral equipment, engineering changes, and additional escalations.

UTTAS:

Decrease of \$19.7 million:

Primarily the result of reducing the number of engines to support development of prototypes, reducing other related support costs, and a future price escalation adjustment, offset by an increase in revised estimates based on negotiated airframe contracts.

NAVY NET INCREASE OF \$691.4 MILLION:

SSN-688:

Increase of \$5.2 million:

Result of identifying RDT&E nonnuclear costs directly related to the SSN-688 program.

LHA:

Decrease of \$22.8 million:

Resulted from applying the revised estimate for escalation based on the determinations contained in the contracting officer's decision.

A-7E:

Increase of \$0.8 million:

Primarily the result of negotiating final firm prices for previously issued items in prior-year contracts for airframe and initial spares.

APPENDIX I

HARRIER:

Decrease of \$7.9 million:

Primarily the result of an adjustment for firm pricing of aircraft and spares and the change in the exchange rate, offset by a cost increase for the stencil ejection seat.

E-2C:

Increase of \$4.6 million:

Primarily the result of recognizing peculiar ground support equipment costs funded in fiscal year 1970 and charged to the E-2B aircraft, adjustments of fiscal year 1971 and prior years' accounts, and other minor reprogramming actions.

F-14A:

Increase of \$691.9 million:

Net result of increased cost estimates for airframe, engines, and electronics as a result of program stretchout from fiscal year 1975 to fiscal year 1977 and increased cost projections for support equipment and initial spares, offset by deleting F-14B funding. F-14A was not included in SAR for December 1972 or March 1973, therefore this increase covers the period from September 1972 to June 1973.

P-3C:

Decrease of \$0.8 million:

Primarily the result of cost decreases for airframe and changes, engines and accessories, and electronics and communications, offset by cost increases for armament, ground support training equipment, and spares.

EA-6B:

Decrease of \$16.5 million:

Primarily due to decreases from the final negotiation of costs and the reprogramming of prior year's funds, offset by increases for additional spares requirements and pricing adjustments.

MARK-48:

Decrease of \$3.4 million:

Result of minor reprogramming adjustments and refinements of estimates, offset by an increase in military construction requirements for maintenance facilities.

PHOENIX:

Decrease of \$0.3 million:

Result of the final pricing of spares orders.

POSEIDON:

Increase of \$36 million:

Result of an increase for support costs beyond fiscal year 1975 primarily for the follow-on test program, offset by decreases for refinement of estimates, on the basis of recent cost experience, for missiles and other related equipment.

SPARROW E:

Decrease of \$0.3 million:

Resulted from minor internal reprogramming adjustments to fleet support costs for prior years.

HARPOON:

Increase of \$0.7 million:

Missile launcher for the PF class ship added to the program.

SPARROW F:

Decrease of \$4.6 million:

Primarily the result of a decrease in fiscal year 1973 procurement funds based on a more economic priceout and reduced funding to support the Navy development effort on an improved seeker.

VAST:

Increase of \$0.4 million:

Net result of reprogramming funds into the program in accordance with Chief of Naval Operations direction, offset by the reprogramming of fiscal year 1973 RDT&E funds to the vertical or short take-off and landing aircraft project.

APPENDIX I

AN/BQQ-5:

Increase of \$8.4 million:

Result of adding the requirements of the fixed-point-towed array to the program for 12 fiscal years 1970-72 submarines.

AIR FORCE NET INCREASE OF \$1,986.9 MILLION:

B-1:

Increase of \$2,051.2 million:

Reflects the impact of the increased weight of the aircraft and the incorporation of the latest Office of the Secretary of Defense's inflation factors in the estimate.

C-5A:

Decrease of \$0.9 million:

Reflects the actual cost of military construction charged to the program support element.

F-111:

Decrease of \$4.2 million:

Due to refined estimates associated with the contract approaching completion.

A-7D:

Increase of \$3.2 million:

Result of a reduction in airframe-funding requirements and increased requirements for peculiar support.

F-5E:

Increase of \$4.7 million:

Result of the addition of funds for a preliminary effort on the F-5F, the reprogramming of initial spares, and the reinstatement of fiscal year 1972 procurement funds.

SRAM:

Decrease of \$4.7 million:

Reflects the settlement of two termination dockets, the refinement of estimates, and the Government's share of the fiscal year 1970-71 contract cost underrun.

MM II:

Decrease of \$3.4 million:

Result of adjustments to estimates for support items and equipment.

MM III:

Decrease of \$59 million:

Primarily the result of the Improved Digital Computer Unit termination, memory backup termination, and adjustments to the estimates for force modernization, training equipment, and hardware.

APPENDIX II

SUMMARY SCHEDULE OF PROGRAM COST DATA APPEARING ON

JUNE 30, 1973, SAR

System	Planning estimate	Development estimate	Cost change		Current estimate
			Quantity decrease(-)	Other	
(millions)					
ARMY (10):					
SAFEGUARD					
(note a, b)	\$ 4,185.0	\$ 4,185.0	\$ -763.0	\$2,046.0	\$ 5,468.0
DRAGON	382.2	404.2	-57.3	213.2	560.1
SAM-D	4,916.8	5,240.5	-432.6	-326.1	4,481.8
TOW	410.4	727.3	-174.6	272.6	825.3
LANCE	586.7	652.9	138.9	129.6	921.4
IMPROVED HAWK	335.5	588.2	-120.8	306.3	773.7
M60A2	162.1	205.6	-45.3	246.5	406.8
HLH (note b)	189.9	189.9	-	-	189.9
UTTAS (note b)	2,307.3	2,307.3	-22.0	40.4	2,325.7
TACFIRE	<u>123.6</u>	<u>160.5</u>	<u>31.7</u>	<u>80.4</u>	<u>272.6</u>
	\$13,599.5	\$14,661.4	\$-1,445.0	\$3,008.9	\$16,225.3
NEW SYSTEMS ADDED (3):					
MICV	209.4	245.4	-	6.8	252.2
SCOUT (note b)	244.6	244.6	-	-.3	244.3
STINGER (note b)	<u>473.8</u>	<u>473.8</u>	<u>-</u>	<u>11.0</u>	<u>484.8</u>
Total	<u>\$14,527.3</u>	<u>\$15,625.2</u>	<u>\$-1,445.0</u>	<u>\$3,026.4</u>	<u>\$17,206.6</u>

APPENDIX II

System	Planning estimate	Development estimate	Cost change		Current estimate
			Quantity decrease(-)	Other	
(millions)					
NAVY (23):					
DLGN-38 (note c)	\$ 769.2	\$ 820.4	\$ -	\$ 14.0	\$ 834.4
SSN-688	1,658.0	5,747.5	1,986.5	569.9	8,303.9
CVAN-68 Class	1,919.5	2,036.2	-	273.6	2,309.8
DD-963	1,784.4	2,581.2	-	223.9	2,805.1
LHA (note b)	1,380.3	1,380.3	-480.6	239.5	1,139.2
TRIDENT (note b)	11,892.5	11,892.5	-	-	11,892.5
F-14A (note d)	6,166.0	5,923.0	-1,116.5	1,187.9	5,994.4
A-7E (note b)	1,465.6	1,465.6	270.0	1,060.8	2,796.4
HARRIER (note b)	503.6	503.6	2.5	5.8	511.9
E-2C (note b)	586.2	586.2	-	290.5	876.7
P-3C (note b)	1,294.2	1,294.2	1,028.4	227.8	2,550.4
S-3A	1,763.8	2,891.1	-38.8	442.1	3,294.4
EA-6B	689.7	817.7	166.4	516.8	1,500.9
MARK-48	720.5	1,753.8	-498.4	243.9	1,499.3
PHOENIX	370.8	536.4	15.3	561.4	1,113.1
CONDOR	356.3	441.0	-146.6	229.0	523.4
HARPOON (note b)	1,071.4	1,071.4	-	23.3	1,094.7
POSEIDON (note b)	4,568.7	4,568.7	-134.2	348.2	4,782.7
SPARROW F (note e)	151.5	707.7	-270.7	649.7	1,086.7
AEGIS	388.0	427.6	-	56.5	484.1
VAST	241.1	312.0	-194.8	298.4	415.6
BQQ-5 (note b)	610.4	610.4	126.0	121.1	857.5
SPARROW E (note f)	687.2	740.7	-533.1	125.0	332.6
	<u>41,038.9</u>	<u>49,109.2</u>	<u>181.4</u>	<u>7,709.1</u>	<u>56,999.7</u>
NEW SYSTEMS ADDED (5):					
SIDEWINDER					
AIM-9L (note b)	233.4	233.4	21.4	56.2	311.0
PHALANX (note b)	568.5	568.5	-	-25.0	543.5
CHI-53E (note b)	578.4	578.4	-	-7.9	570.5
PF (note b)	3,244.5	3,244.5	-	-	3,244.5
PHM (note b)	726.2	726.2	-	.9	727.1
Total	<u>\$46,389.9</u>	<u>\$54,460.2</u>	<u>\$ 202.8</u>	<u>\$7,733.3</u>	<u>\$62,396.3</u>

APPENDIX II

<u>System</u>	<u>Planning estimate</u>	<u>Development estimate</u>	<u>Cost change</u>		<u>Current estimate</u>
			<u>Quantity decrease(-)</u>	<u>Other</u>	
(millions)					
AIR FORCE (12):					
B-1	\$ 8,954.5	\$11,218.8	\$ -33.8	\$ 2,142.8	\$13,327.8
F-15	6,039.1	7,355.2	-	480.0	7,835.2
C-5A	3,423.0	3,413.2	-710.3	1,805.1	4,508.0
F-111	4,686.6	5,505.5	-2,628.0	4,056.2	6,933.7
A-7D (note b)	1,379.1	1,379.1	-237.3	274.7	1,416.5
F-5E	698.6	315.5	94.2	11.8	421.5
A-10 (note g)	1,025.5	2,489.7	-	-	2,489.7
AWACS	2,656.7	2,661.6	-	-276.6	2,385.0
MAVERICK	257.9	383.4	-	97.2	480.6
SRAM	167.1	236.6	96.8	843.5	1,176.9
MINUTEMAN II	3,014.1	4,254.9	4.0	598.1	4,857.0
MINUTEMAN III	<u>2,695.5</u>	<u>4,673.8</u>	<u>-155.3</u>	<u>1,571.4</u>	<u>6,089.9</u>
	34,997.7	43,887.3	-3,569.7	11,604.2	51,921.8
NEW SYSTEM ADDED (1):					
AABNCP (note b)	<u>467.8</u>	<u>467.8</u>	<u>-</u>	<u>-</u>	<u>467.8</u>
Total	<u>\$35,465.5</u>	<u>\$44,355.1</u>	<u>\$-3,569.7</u>	<u>\$11,604.2</u>	<u>\$52,389.6</u>

- a The original planning estimate of \$4,185 million was for two sites. The current estimate of \$5,468 million covers one site in accordance with the Treaty on the Limitation of Anti-Ballistic Missile Systems ratified by the Senate on Oct. 3, 1972.
- b For those programs with only a development or a planning estimate available, we have made both estimates the same to prevent distortion between the totals of the column.
- c Before issuing the present contract, the Navy's long-range program included 23 ships of this class for a planning estimate of \$3,980 million in fiscal year 1970 dollars. In May 1971 DOD suspended the program for ships of this class beyond the first three. The present contract is for three ships with options for two more.
- d The requirement for the December and March SAR was waived pending the restructuring of the program. Beginning June 30, 1973, the F-14 SAR became the F-14A SAR because present Navy plans do not call for procurement of the F-14B version of the aircraft. The development estimate on the June 30, 1973, SAR was revised and decreased \$243 million to delete estimated costs related to the F-14B aircraft.
- e Estimates include Air Force costs for research, development, and procurement.
- f The Sparrow E was dropped from SAR reporting as of March 31, 1973, because production is substantially complete and the system is deployed.
- g The A-10 was formerly known as the A-X aircraft. The planning estimate of \$1,025.5 million represents the total program cost estimate as cited in the development concept paper. This planning estimate is stated in constant 1970 dollars, based on a 600 aircraft program, and considers a turboprop configuration.

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