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Air Force Procurement Of Trainer Aircraft In Excess Of Needs

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UNITED STATES
GENERAL ACCOUNTING OFFICE

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*OSD Case #

SEPT. 18, 1972



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

FEDERAL PERSONNEL AND
COMPENSATION DIVISION

B-175773

Dear Mr. Secretary:

During a survey of selected Air Force policies and practices relating to personnel training, we noted that the Air Force had about 165 T-38A aircraft, representing an investment of about \$117 million, that were in excess of the projected needs of the Air Training Command (ATC). The aircraft became excess because the Air Force had decided in 1970 to reduce the flying time for each student pilot going through ATC's undergraduate pilot training (UPT) program and concurrently to go ahead with the purchase of additional T-38As then on letter contract. The Air Force made the decision to go ahead with the purchase of the additional T-38As without analyzing the possible cost savings of canceling the purchase. Recent reductions in the requirements for new pilots have further increased the quantity of excess aircraft to the level indicated above.

A similar situation has developed concerning the Air Force's purchase of T-43A aircraft and T-45 ground simulators for ATC's undergraduate navigator training (UNT) program.

We discussed our findings with Headquarters, Air Force, officials on June 8, 1972, and considered their comments in the information presented below.

PROCUREMENT OF T-38A AIRCRAFT
IN EXCESS OF NEEDS

The T-38A is a small supersonic jet trainer, similar to the F-5, used principally for flight instruction in ATC's UPT program. ATC is the principal user of the T-38A, but other Air Force commands, the Navy, and the National Aeronautics and Space Administration (NASA) also use it. The first procurement of T-38As was in 1958, and the latest was under a fiscal year 1970 contract. The Air Force has purchased over 1,100 of these aircraft. As of March 1972, 948 of the total Air Force inventory of T-38As were assigned to ATC.

Concurrent decisions to purchase additional
T-38As and to reduce student flying time

The Air Force requested and received funds in its fiscal year 1970 budget to procure 38 additional T-38A aircraft. In hearings before the Subcommittee on Department of Defense, House Committee on Appropriations, the Air Force stated that the additional aircraft were needed to provide for attrition in support of pilot training through fiscal year 1974. At that time, each student pilot going through the UPT program was required to fly 240 hours. The Air Force authorized total program funds of \$28.7 million for this procurement and awarded a letter contract to the Northrop Corporation in September 1969.

On March 6, 1970, in response to a request for suggestions on how training costs might be reduced, ATC proposed several possible changes in the UPT program to the Air Force Chief of Staff. One of ATC's proposals was to reduce the flying time for each student pilot from 240 hours to 208 hours. ATC concluded that the 208-hour program could be implemented without seriously degrading the quality of training. On April 28, 1970, the Air Force Chief of Staff approved ATC's proposal to implement the 208-hour program beginning on July 1, 1970. While the 208-hour program was being considered and approved, the Air Force was continuing to purchase the additional T-38As initially requested and approved on the basis of the 240-hour program.

The letter contract awarded to Northrop Corporation in September 1969 for the fiscal year 1970 procurement of T-38As was changed to a fixed-price contract on May 4, 1970, at which time contract quantities and prices were agreed upon. This action, which occurred 6 days after the approval to reduce training requirements, provided the Air Force with 47 additional T-38A aircraft. Of these aircraft, 38 were funded by the Air Force, five by the Navy, and four by NASA. The Navy and NASA aircraft were replacements for Air Force aircraft delivered to these agencies under prior production contracts. The aircraft purchased under this contract were delivered from December 1970 through January 1972.

Procurement decision questioned by
Air Force Audit Agency

On July 24, 1970, the Air Force Audit Agency, in an interim report to Headquarters, Air Force, questioned the need

for the additional T-38As being purchased for ATC. The report pointed out that the change from a 240-hour to a 208-hour program would reduce requirements by about 75 T-38A aircraft. The report stated that responsible program officials had not analyzed the possible termination cost.

Headquarters, Air Force, agreed that the new 208-hour program would result in additional advanced attrition aircraft. However, they supported their decision to go ahead with the fiscal year 1970 procurement on the basis that it would provide enough aircraft to meet training needs through 1980 and would allow them to defer a decision on the new replacement aircraft for the T-38A until 1979. The reply to the audit report stated that the overriding need for a long-term UPT training capability had eliminated the need for an analysis of termination cost.

Current status of T-38A aircraft

As of March 1972 the Air Force had 165 T-38As--136 in ATC's inventory and 29 in long-term storage--that were in excess of UPT program requirements for fiscal years 1973 through 1977. Considering an allowance for aircraft losses, an estimated 103 aircraft will be excess at the end of fiscal year 1977. The excess T-38As resulted principally from failure of the Air Force to cut back the 1970 contract without delay when it was known that flying hours had been reduced. Subsequent reductions in requirements for new pilots further contributed to the quantity of excess aircraft. In addition to having 29 excess T-38As placed in storage at Davis Monthan Air Force Base, Arizona, the Air Force estimated that 66 additional aircraft, or a total of 95, would be in storage by January 1973. The Air Force estimated also that the man-hour cost of conditioning these aircraft for long-term storage and for removing them from storage would be between \$850,000 and \$1.3 million.

Alternative uses for excess T-38A aircraft

We did not fully explore the possible alternative uses for the excess T-38As. However, in view of (1) the similarity of the T-38A and the F-5, including the new F-5E international fighter, and (2) the needs of other services for training aircraft, there may be viable alternatives to placing the excess T-38As in long-term storage. The Navy, for example, has requested \$31.3 million in fiscal year 1973 for the purchase of 24 T-2C aircraft for its pilot training program.

BEST DOCUMENT AVAILABLE

During fiscal years 1967 through 1971, some Marine pilots were trained in the Air Force UPT program, which included training in T-38A aircraft. The Navy took over this training in fiscal year 1972, and all Marine pilots are now trained in Navy aircraft. It may be possible to reduce the purchase of the new aircraft for the Navy if T-38As were again used to train the Marine pilots.

Air Force comments and GAO evaluations

We met with Headquarters, Air Force, officials on June 8, 1972, to discuss the findings presented in this report. Outlined below are pertinent comments of the officials concerning the T-38A aircraft and our evaluations of their comments.

Air Force comment

The decision to go ahead with the fiscal year 1970 procurement is considered to have been a wise decision in view of the long-term requirement for T-38A aircraft.

GAO evaluation

The fiscal year 1970 purchase of T-38As for the UPT program was justified and approved on the basis that these aircraft would be needed to support pilot training through fiscal year 1974. However, the reduction in the UPT program from 240 to 208 flying hours per student significantly reduced aircraft requirements and meant that the T-38As already in the inventory could support the program until well beyond 1974. Considering the reduced aircraft requirements, the decision to go ahead with the 1970 purchase could reasonably have been expected to result in (1) less than optimum utilization of the total T-38A fleet or (2) storage of aircraft until needed.

Air Force comment

The fiscal year 1970 procurement of T-38As was expected to have been the last production order of this aircraft. T-38As purchased under this contract--at the end of a long production period--could be purchased at a lower price than would have been possible after the production line had been closed.

GAO evaluation

We recognize that the price paid for the T-38As under this contract might well be considered a bargain price when

compared with the price if a purchase had been made after the production line had closed. However, we believe that the overriding consideration should have been whether the T-38As were needed within the time frame on which the procurement was originally justified.

Air Force comment

Headquarters, Air Force, is presently considering an ATC proposal to increase the required flying hours per student in the T-38A to the number of hours required under the previous 240-hour UPT program. This proposal is being considered to overcome indicated deficiencies in the quality of training under the current 208-hour program. If ATC's proposal is approved and implemented, many of the currently excess T-38As will be needed to support the increased flying-hour program.

GAO evaluation

On June 9, 1972, 1 day following our meeting, Headquarters, Air Force, notified ATC that the approved UPT program had been further reduced by 390 students for fiscal year 1974 and directed ATC to use the new level for planning purposes through fiscal year 1977. On the basis of ATC's estimate, the reduction of 390 students under the current 208-hour program would mean there would be 75 additional excess T-38As. However, ATC estimated that, if the ATC proposal to increase the flying hours in the T-38A is implemented, 60 of the 75 aircraft would be required to support the additional flying hours. We were subsequently advised by an Air Force official that the Air Force plans to request approval for increases above the June 9, 1972, training level for fiscal years 1975 through 1977.

PROCUREMENT OF T-43A AIRCRAFT AND T-45
GROUND SIMULATOR IN EXCESS OF REQUIREMENTS

The T-43 is essentially a Boeing 737-200 commercial aircraft modified to incorporate Government-furnished navigator training equipment. The T-43A will be used in ATC's new UNT program scheduled to start in fiscal year 1974. The T-45 ground simulator is designed to simulate actual flight and will be used in the UNT program in conjunction with the T-43A aircraft.

In April 1970 the Air Force determined that it needed 16 new aircraft and 46 simulators to support the new UNT program. In March 1971 the Air Force revised the student load

from 1,304 to 1,504 students per year and determined that this increase would require three additional aircraft and six additional simulators, or a total of 19 aircraft and 52 simulators.

On May 27, 1971, the Air Force awarded an \$81.7 million multiyear contract to the Boeing Company for 19 aircraft. Funding of the procurement will be spread over fiscal years 1971 through 1973. Funds for eight aircraft are included in the Air Force's 1973 budget request. The Air Force estimated that the total program cost for the new aircraft and installed navigational equipment would be \$124.7 million, or an average unit cost of about \$6.5 million. The simulators are being purchased under an \$18.8 million contract awarded in April 1971. The Air Force estimated that the total program cost would be \$29 million, or an average unit cost of about \$0.5 million. ATC is scheduled to receive the first T-43A aircraft in September 1973 and the first simulator in August 1973.

Reduction in UNT program not
reflected in equipment purchases

On November 1, 1971, the Air Force reduced the number of students in the UNT program from 1,504 to 1,429 students per year, a reduction of 75 students below the level used as the basis for establishing the requirement for 19 new aircraft and 52 simulators. In March 1972 ATC determined that the new level of 1,429 students per year would require only 18 T-43As and 49 simulators. We found, however, that the Air Force had not taken or planned any action to reduce the procurement of equipment.

Air Force comments

Air Force officials advised us that the additional T-43A aircraft and T-45 simulators would be needed to support an anticipated increase of 110 students in the UNT program. The major portion of this increase is based on a foreign country's request for training 80 additional students per year. We were advised that the Air Force was discussing this training request with the country involved but that a final agreement had not been reached.

CONCLUSIONS AND RECOMMENDATIONS

We believe the significant impact of the 208-hour UPT program on aircraft requirements should have caused a

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comprehensive examination of the possible savings through cancellation of the fiscal year 1970 purchase of T-38As. The 208-hour program was approved in April 1970 while the procurement was still under a letter contract. Because of the relatively early stage of production at that time, savings might have been realized if the quantity of aircraft on contract had been canceled or substantially reduced.

In view of the substantial investment in the excess T-38As, we recommend that the feasibility of utilizing the excess aircraft to meet other Department of Defense requirements be fully explored. Consideration of the total requirements of the Department is especially important since utilization of the excess aircraft may make it possible to reduce the procurement of new aircraft and, at the same time, to avoid storage costs.

Further, in view of the reduction in the number of navigators to be trained, we believe that, until such time that the anticipated increases in the UNT program materialize, appropriate reductions should be made in the quantities of T-43A aircraft and T-45 simulators under contract.

Copies of this letter are being sent to the Secretaries of the Air Force and Navy; the Commandant of the Marine Corps; the Director, Office of Management and Budget; the House and Senate Committees on Appropriations, Armed Services, and Government Operations; the Comptroller of the Air Force; and the Comptroller of the Navy. 5.1.300
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Sincerely yours,

Thomas D. Morris

Thomas D. Morris
Acting Director,
Federal Personnel and
Compensation Division

The Honorable
The Secretary of Defense