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MILITARY
EQUIPMENT

Selected Aspects of the
Army's Program to
Reuse Pershing Missile
System Equipment



142871

National Security and
International Affairs Division

B-242171

December 28, 1990

The Honorable Michael P. W. Stone
The Secretary of the Army

Dear Mr. Secretary:

We have completed an analysis of the Army's ongoing program to reuse over \$1 billion of Pershing missile system equipment. Our review focused on (1) assessing the program's effectiveness in filling the requirements of selected government activities and (2) determining the related budgetary savings; that is, reductions in spending of funds appropriated, requested in the President's budget, or programmed for future budget requests.

Results in Brief

The Army's program for the reuse of Pershing equipment addresses an unusual need—the management and allocation of relatively modern, high-cost equipment that originally had been procured to meet specialized requirements. Through mid-September 1990, the Army's reuse program had received 416 requests from 62 government activities for Pershing equipment that originally cost \$756 million. The Army had approved requests for equipment costing \$227 million.

Despite the demand for Pershing equipment, overall budgetary savings appear limited. For the 90 requests we examined, the requested equipment cost \$292.6 million, but our review disclosed that the estimated savings for the requesting activities amounted to only \$12.7 million, or about 4.3 percent of the equipment's cost. The specialized nature of the equipment could be a primary factor limiting savings. However, we believe that savings could also have been limited because the Army's reuse program did not emphasize, collect, and consider budgetary information in determining the priorities of requests.

Army reuse program officials acknowledged that consideration of budgetary information has the potential for increasing budgetary savings. They agreed to request and consider this information when making allocation recommendations involving competing requests.

Background

The Pershing is a ground-launched, intermediate-range nuclear missile system consisting of a two-stage missile, launcher, and associated ground support equipment. The Pershing is deployed in Europe, but the

deployment will end on June 1, 1991, to comply with the Intermediate-Range Nuclear Force treaty between the United States and the Soviet Union. The treaty requires that the United States destroy certain Pershing equipment, but other equipment, which the Army estimates cost over \$1 billion, will be available for other needs.

To coordinate the allocation of equipment, the Army established the Pershing reuse program. The reuse program office provides information to potential users on equipment capability and availability, receives requests for equipment, and recommends approval or disapproval of the requests to the Deputy Chiefs of Staff for Logistics and Operations. When duplicate requests are submitted for an item, the reuse program office recommends the priority for allocating the equipment, but the Deputy Chiefs of Staff make the final determinations. The program provides the equipment free of charge to approved activities as it becomes available.

Reuse Program Coordinates Disbursal of Equipment

The Army's reuse program appears to contribute to the disbursal of potentially excess, relatively new, and complex equipment. The program provides (1) centralized control over treaty-related activities such as readiness, treaty compliance, and reuse; (2) more time than permitted under excess-property procedures to accumulate requests before equipment is scrapped; and (3) personnel familiar with the Pershing equipment to act as advisers in determining how equipment can be reused.

The program will continue until at least the Pershing system's deactivation. Reuse program officials estimated that more than \$500 million worth of Pershing equipment will become available during the last 6 months of the system's permitted deployment—December 1, 1990, through June 1, 1991. At the completion of the program, the Army plans to declare the uncommitted equipment excess and process it under excess-property disposal procedures.

Activities Report Benefits, but Budgetary Savings Have Been Limited

Reuse program documents, except in one case, did not include specific data on the requesting activities' expected or actual budgetary benefits from obtaining the Pershing equipment. However, officials from the 14 government activities whose 90 requests we evaluated estimated budgetary savings of only \$12.7 million, or about 4.3 percent of the equipment's \$292.6 million cost.

Eight activities requested equipment that was expected to result in budgetary savings. The equipment originally cost \$95.4 million, and requesting officials estimated budgetary savings of \$12.7 million, or 13.3 percent, from obtaining the equipment. Six of the eight activities that identified budgetary savings believed that savings of \$10.1 million would result from filling requirements programmed for funding in future years. The other two activities reported that Pershing equipment filled requirements for which \$2.6 million had been appropriated or requested. According to requesting officials, one used the funds made available for other requirements, and the other activity planned to cancel procurement actions upon receipt of the equipment and apply the savings to other program needs.

In addition, six activities requested \$197.2 million in equipment but did not identify budgetary savings. Requesting officials said that the Pershing equipment provided additional capability relevant to their missions and useful to their programs, but they said that their programs could not have afforded to buy the equipment.

Specialized Equipment May Limit Budgetary Savings

The specialized requirements of the Pershing equipment may partly explain the limited budgetary savings when compared to the equipment's cost. For example, one activity requested 32 Pershing platoon control shelters costing \$18.1 million, but program officials estimated the budgetary savings to be \$770,880—the cost of procuring and modifying new shelters to fill their specific requirement. The program officials attributed the limited savings to the Pershing's specialized requirements, such as the need for the shelters to meet nuclear, biological, and chemical warfare specifications—a capability not required by the requesting activity.

Potential Budget Reductions Possible

Emphasizing, collecting, and considering budgetary information in making equipment allocation decisions could reduce budget requests in future years. At present, program officials give first priority (without obtaining or considering budgetary information) to requesting activities selected by the President or the Secretary of Defense to receive special attention.

The reuse program decides between competing requests without considering the requesting activities' funded requirements and the potential to use Pershing equipment to satisfy those requirements. Reuse program instructions provide for giving some preference to activities that will

make the best use of the equipment and will save money as a result of obtaining it. However, the Army obtained budgetary information for only 1 of 416 requests received through mid-September 1990. The program officials making reuse recommendations did not use the budgetary information and did not provide it to the Department of Army level for consideration in making final allocation decisions.

The limited information developed during our analysis showed that approving requests without considering budgetary information could have limited savings in at least one instance if the Department of Army officials had not intervened. In that case, based on an activity's special priority assigned by the President, reuse program officials recommended approving a request for four Pershing test station vans that, according to requesting officials, would yield budgetary savings of \$74,000, or \$18,500 for each \$1.9 million van. At the same time, reuse officials recommended denying a request for one of the vans submitted by another activity that did not have special priority. However, according to that activity's chief of systems engineering, the additional van would have satisfied a funded requirement of about \$500,000—more than 27 times the funding needed to fill the special priority activity's requirement for one van.

In the end, officials from the Offices of the Deputy Chiefs of Staff for Logistics and Operations denied both requests because they believed a better use could be made of the van. But, in taking this action, they did not know the relative potential budgetary savings of each request.

Reuse program officials said that budget savings may not be the only basis for allocating military equipment; however, they agreed that consideration of budgetary information has the potential for increasing budgetary savings.

Views of Program Officials

We did not obtain official agency comments on this report. However, we discussed the results of our work with Army reuse program officials. Reuse management officials agreed to (1) request budgetary information from requesting activities, (2) consider this information as a major factor when making allocation recommendations involving competing requests, and (3) notify potential requestors that the remaining Pershing equipment will be available to meet fiscal year 1991 requirements. In view of these planned actions, we are not making any recommendations.

Scope and Methodology

We examined the Pershing Reuse Plan, the Pershing inventory listing, other reuse program documents and reports, and the requests for Pershing equipment. We also reviewed pertinent Department of Defense and Army regulations concerning disposal of excess materiel. In addition, we interviewed Army officials concerning the priority process for competing requests and Department of the Army procedures for approving requests.

To examine program benefits, we reviewed 90 requests from 14 government activities asking for \$292.6 million in Pershing equipment. We generally selected the activities based on the value of the Pershing equipment requested and examined all requests from that activity. We accepted the activities' projections of budgetary or other benefits without independent verification.

In performing this review, we visited activities located at the U.S. Army Missile Command, the Strategic Defense Command, the Ballistics Research Laboratory, and the Naval Surface Warfare Center.

We conducted our review from May to October 1990 in accordance with generally accepted government auditing standards.

We are sending copies of the report to the Director of the Office of Management and Budget and to the Chairmen of the House Committee on Government Operations, Senate Committee on Governmental Affairs, and House and Senate Committees on Appropriations and on Armed Services. Copies will also be made available to others upon request.

Please contact me on (202) 275-4141 if you or your staff have questions concerning this report. Major contributors to this report are listed in appendix I.

Sincerely yours,



Richard Davis
Director, Army Issues

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