



Highlights of [GAO-03-708](#), a report to the Subcommittee on Defense, Committee on Appropriations, House of Representatives.

Why GAO Did This Study

Since 1990, GAO has identified DOD inventory management as high risk because of long-standing management weaknesses. In fiscal years 2001 and 2002, Congress provided the Navy with more than \$8 billion in operations and maintenance funds to purchase spare parts in support of the service's operations. Nevertheless, spare parts availability has fallen short of the Navy's goals in recent years. GAO examined the extent to which Navy strategic plans address mitigation of critical spare parts shortages, the likelihood that key supply system improvement initiatives will help mitigate spare parts shortages and enhance readiness, and the Navy's ability to identify the impact on readiness of increased spare parts investments.

What GAO Recommends

GAO recommends that the Secretary of Defense

- develop a framework for mitigating critical spare parts shortages as part of either the Sea Enterprise Strategy or the Naval Supply Systems Command Strategic Plan, and
- implement, with a specific completion milestone, the Office of the Secretary of Defense's recommendation to report the impact of funding on weapon system readiness.

In written comments, DOD generally concurred with the intent of our recommendations, but not with the specific actions.

www.gao.gov/cgi-bin/getrpt?GAO-03-708.

To view the full report, including the scope and methodology, click on the link above. For more information, contact William M. Solis at (202) 512-8365 or solisw@gao.gov.

DEFENSE INVENTORY

Navy Logistics Strategy and Initiatives Need to Address Spare Parts Shortages

What GAO Found

The Navy's servicewide strategic plan does not specifically address means to mitigate critical spare parts shortages. Its 2001 plan contained strategic goals, objectives, and performance measures, but the service did not use it to systematically manage implementation of logistics reform initiatives. The Navy is developing a new logistics strategic plan, but this document has not yet been published. Consequently, the service presently lacks an effective top-level plan that integrates a specific focus on mitigating spare parts shortages into its logistics transformation initiatives. Without such a plan, the Navy lacks guidance necessary to ensure its logistics initiatives mitigate critical spare parts shortages.

GAO examined six of the key initiatives that the Navy has undertaken to improve the economy and efficiency of its supply system. While some of these initiatives have increased availability of select spare parts, GAO cannot determine their potential to mitigate critical spare parts shortages because they were not designed specifically to remedy this problem. For example, the Performance Based Logistics initiative aims to improve supply support at equal or lower cost by outsourcing a broad range of services. Though the initiative has increased availability of certain items, GAO could not measure the extent to which Performance Based Logistics contracts have mitigated critical spare parts shortages.

The Navy has determined that an additional investment of \$1.2 billion would be necessary to achieve supply availability levels that support the service's readiness objectives. However, the Navy did not ask for this funding in its fiscal year 2004 budget request, nor did it report linkages between resource levels and readiness rates for individual weapon systems, as recommended by the Office of the Secretary of Defense in 2002. The Navy did provide aggregate readiness data to the Office of the Secretary of Defense, but officials stated that they lacked information technology necessary to link readiness rates by weapon system to budget categories. DOD has an 85 percent supply availability goal, which means that 85 percent of the requisitions sent to wholesale supply system managers can be immediately filled from on-hand inventories. Navy supply system models are focused on achieving this goal in the aggregate. However, the Navy's overall wholesale supply system performance has fallen short of expectations in each of the last 3 fiscal years for both aviation- and ship-related repairable spare parts. Supply availability ranged between approximately 69 percent and 71 percent for aviation-related items, and between 79 percent and 84 percent for ship-related parts.