



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

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SEPTEMBER 2, 1981

The Honorable Jamie L. Whitten  
Chairman, Committee on Appropriations  
House of Representatives



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Dear Mr. Chairman:

Subject: Alternatives are Available Which Can Reduce  
Costs of the LAMPS MK III Program (MASAD-81-40)

Your letter of January 27, 1981, requested that we review the program cost and, because of the inordinate cost growth experienced over the years, examine potential cost reduction alternatives to the Light Airborne Multipurpose System (LAMPS) MK III antisubmarine warfare system. We agreed to determine whether current estimates of the program's total cost are complete or whether additional cost increases can be expected.

In conducting this review, we examined Navy and contractor cost data, reviewed Navy and Army studies related to program and contractor costs, and interviewed Navy officials. Also, through an examination of LAMPS MK III mission requirements, technical capabilities, operating tactics, force levels, and the present and projected threats, we identified management actions and program alternatives which could be taken to reduce costs. Through discussions with Navy and Department of Defense (DOD) officials and reviews of various Navy and contractor studies, we analyzed these alternatives to determine their effect on mission capabilities and performance characteristics. We estimated the potential cost savings of each alternative based on the current program schedule and procurement rate. Because we could not foresee whether any or all of these alternatives would be undertaken, we did not attempt to evaluate what effect they would have on unit costs as determined by the current program schedule.

Program uncertainties still exist which could result in further cost increases of up to \$1 billion. On May 1, 1981, the Navy released a report on the causes of cost growth and indicated that program costs may still be underestimated. They identified potential growth of \$925 million due to underestimated helicopter and ship construction costs, contractor overhead, subcontractor costs, and use of optimistic inflation rates. The report also warned that an additional \$140 to \$300 million growth could result depending upon manufacturing learning curves experienced; the prices

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of critical metals, avionics, and shipboard electronics items; manufacturing control; and stability of production rates.

Several management actions which could be taken by DOD offer potential for cost reductions in the LAMPS MK III program. One such action is the use of multiyear contracting, while other actions relate to the consideration of lower cost alternatives to the system at some sacrifice in total mission capability.

The LAMPS program exhibits certain characteristics such as large quantity, high cost, and an extended procurement schedule which should make it a candidate for multiyear contracting. The LAMPS helicopter airframe and engines are derivatives of the Army's Black Hawk helicopter which is presently being considered as a candidate for multiyear contracting. While there presently are statutory restrictions which preclude multiyear contracting on a program of this magnitude, legislation has been approved with differing language in both the House and Senate authorization bills which would permit use of this practice. DOD indicates that multiyear contracting could result in average dollar savings of 10 to 20 percent in unit production cost. Based on DOD's most conservative estimate, a cost reduction of approximately \$388 million could be achieved if the LAMPS MK III airframe and engines were procured under multiyear contracting.

Regarding other actions which can be taken to reduce LAMPS MK III program costs, we analyzed a series of alternatives both in and outside of the program. Among the alternatives we considered were (1) purchasing fewer LAMPS MK III weapon systems, (2) purchasing less costly radar and electronic support measures equipment, (3) reducing the number of LAMPS MK III ships scheduled for retrofitting, and (4) eliminating the LAMPS MK III system from the CG-47 class cruisers. If these alternative actions were implemented, reductions in terms of reduced procurement costs of \$970 to \$1,850 million could be achieved. We feel that several of these alternatives deserve close scrutiny by both the Congress and DOD when contemplating the future scope and funding of the LAMPS MK III program. However, when considering these alternatives, it is essential that the trade-off of overall antisubmarine warfare capabilities and individual performance characteristics be carefully weighed against the potential cost savings.

We also analyzed other alternatives such as eliminating the LAMPS MK III procurement entirely or replacing it with the LAMPS MK I or Westland Lynx helicopters. In view of the identified threat, either one of these alternatives would be unacceptable because of the severe effect on antisubmarine warfare capability.

Although not directly related to your request, we are including a discussion of the updated threat the LAMPS MK III system will encounter when it is fully deployed. Recent threat analyses indicate the system will face a significantly greater threat than that which was envisioned when it was originally authorized. We believe

recent threat developments could seriously alter the antisubmarine warfare effectiveness of the LAMPS MK III system, and if so, may result in the need for fewer systems than presently planned. Also, because of changes in the threat, it appears that the balance between antisubmarine warfare and anti-air warfare assets needs to be reassessed.

RECOMMENDATIONS TO THE HOUSE  
COMMITTEE ON APPROPRIATIONS

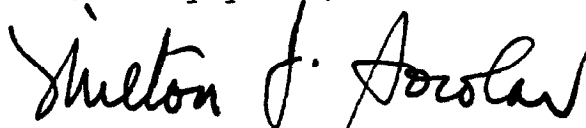
We recommend that the House Committee on Appropriations:

- Require DOD, if multiyear contracting is approved by the Congress, to make a determination regarding the appropriateness of LAMPS MK III for multiyear contracting. If cost savings can be validated, LAMPS MK III could then be funded on a multiyear basis.
- Explore with DOD the other cost reduction alternatives and encourage a final decision be made as to the future course of the LAMPS program.

Additional information on these issues is included in a classified supplement to this letter provided to your office under separate cover. (C-MASAD-81-20S)

As you requested, we did not obtain official comments on this report from the Navy; however, we discussed this report with officials associated with the program to obtain their viewpoint. Further distribution of this report will be restricted until after committee markup scheduled for September 22, 1981, as arranged with your office.

Sincerely yours,



Acting Comptroller General  
of the United States