Senate Hearings

Before the Committee on Appropriations

Department of Defense Appropriations

Fiscal Year 1982

97th CONGRESS, FIRST SESSION

Part 3—OPERATION AND MAINTENANCE

(Pages 1-337)

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1982

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

PART 3—Operation and Maintenance

(Pages 1–337)

Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE

78-680 O WASHINGTON : 1981

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C. 20402

COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEE ON DEPARTMENT OF DEFENSE

TED STEVENS, Alaska, *Chairman*

LOWELL P. WEICKER, Connecticut
JAKE GARN, Utah
JAMES A. McCLURE, Idaho
HARRISON "JACK" SCHMITT, New Mexico
MARK ANDREWS, North Dakota
ROBERT W. KASTEN, JR., Wisconsin
ALFONSE M. D'AMATO, New York
WARREN RUDMAN, New Hampshire
MARK O. HATFIELD, Oregon
(Ex Officio)

JOHN C. STENNIS, Mississippi
WILLIAM PROXMIRE, Wisconsin
DANIEL K. INOUYE, Hawaii
ERNEST F. HOLLINGS, South Carolina
THOMAS F. EAGLETON, Missouri
LAWTON CHILES, Florida
J. BENNETT JOHNSTON, Louisiana
WALTER D. HUDDLESTON, Kentucky

Staff
DWIGHT E. DYER, SUSAN E. SHEKMAR, WAYNE A. SCHROEDER, AND SEAN O'KEEFE
Minority staff
FREDERICK W. RHODES

CONTENTS

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1982

THURSDAY, APRIL 2, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 8:04 a.m. in room 1223, Everett McKinley Dirksen Senate Office Building, Hon. Ted Stevens (chairman) presiding.

Present: Senators Stevens, Andrews, and Rudman.

DEPARTMENT OF DEFENSE

DEPARTMENT OF THE ARMY

OPERATION AND MAINTENANCE

STATEMENT OF LT. GEN. RICHARD L. WEST, COMPTROLLER OF THE ARMY

ACCOMPANIED BY:

BRIG. GEN. ROGER J. PRICE, DIRECTOR, OPERATION AND MAINTENANCE, ARMY, OFFICE OF THE COMPTROLLER OF THE ARMY

BRIG. GEN. HERBERT R. TEMPLE, JR., DEPUTY DIRECTOR, ARMY NATIONAL GUARD

JOHN T. ANDERSON, COMPTROLLER, OFFICE OF THE CHIEF, ARMY RESERVE

BUDGET REQUEST

Senator STEVENS. The hearing will come to order.

We are here this morning to hear the budget estimates for the Army's Operations and Maintenance request. With the March budget revisions submitted by President Reagan, these O. & M. estimates total $17.2 billion for the Army's active and Reserve Forces and for the Army National Guard. This is more than $3.5 billion over appropriations to date for the 1981 fiscal year. There is also $211.3 million requested for the Army stock fund for which there was no direct appropriation in fiscal year 1981.

SUPPLEMENTAL REQUEST

Further, the committee now has before it the amending supplemental appropriation request for Army O. & M. in fiscal year 1981. It totals $452.5 million for pay costs and $484.4 million for programs.

PROCEDURE FOR CLOSED HEARING

It may be necessary to close the hearing today due to classification of materials to be covered. In the event that such material is to be discussed, if the witnesses or members of the subcommittee will indicate their desire to close the hearing I will set a time for going into closed session. Most likely this will be for the period of 9:30 to 10 a.m. when a majority of members will be present. If this is the case, those individuals not cleared or not having the need to know will be required to leave.

General West, you may submit your detailed statement for the record and summarize your oral statement.

APPROPRIATIONS WITHIN O. & M. BUDGET

General WEST. Mr. Chairman, we are pleased to appear before this subcommittee today on the O. & M. budget and that will include addressing three separate appropriations: "Operation and maintenance Army," the largest one; "Operation and maintenance Army National Guard"; and "Operation and maintenance Army Reserve."

Senator STEVENS. Then there are six in 1981 as well as 1982.

INTRODUCTION OF ASSOCIATES

General WEST. On my left is Brigadier General Price, Director, Operation and Maintenance Army, Brig. Gen. Herbert Temple, Army National Guard, immediately to the rear; and Mr. John Anderson, Comptroller for the Army Reserve.

Two statements have been prepared. One is headed a reading version, and the other one is a longer statement. With your permission I would like to have the longer version entered into the record and make a few informal comments before proceeding with the questions.

Senator STEVENS. Very well, that is fine.

BUDGET REQUEST

General WEST. With the March submission, with the supplemental and amendment, we now have both a revised 1981 budget before Congress and a revised 1982 budget, both reflecting changes in the operation and maintenance accounts.

First fiscal year 1981. Fiscal 1981 O. & M. is now $14.5 billion which includes a net increase of $936 million in the supplemental request. That is the net of two supplemental requests. It includes pay raises, inflation, and some program changes, both program increases, and some savings and offsets.

From this level of $14.5 million I will move to the 1982 column. In 1982 the overall, as you stated, is $17.2 billion. That is an increase of $2.7 billion over the 1981 estimate. Of that, $870 million is cost growth, and $1.9 billion is program growth.

O. & M. ARMY APPROPRIATION

Now I will make a few comments on each of those appropriations.

First is "Operation and maintenance, Army." Our request presently is for $15.6 billion which is $2.6 billion over the 1981 level of $12.97 billion. One key item is an increase in civilian personnel; it has increased the Army a total of 10,000 spaces for 1981 and we have another 11,800 increase for 1982, so the total now in the 1982 column for civilian personnel for the Army is 381,700.

Other highlights for 1982 include increases for individual training, unit training, force modernization, maintenance of real property and depot maintenance—there is sufficient money in the 1982 column in depot maintenance to eliminate all of the executable backlog.

Senator STEVENS. All in 1 year?

General WEST. Well, we call it an "unfinanced backlog." Normally we carry a 3-month level, which is not considered an unfinanced backlog, it is normal. Anything over that is considered unfinanced, and this will allow us to work off everything except what we can't physically execute.

There are a few things we don't have the capacity to do.

Senator STEVENS. Was that an increase over the Carter budget in that item?

General WEST. Yes; it was.

Senator STEVENS. How much?

General WEST. $68 million.

O. & M. NATIONAL GUARD

Next, we have the National Guard for fiscal year 1982. The O. & M. request for the National Guard is $1 billion, which is a $92 million increase over 1981. Special emphasis is on readiness supplies for early deploying units.

O. & M. ARMY RESERVE

The Army Reserve for 1982 totals $617 million. That is $94 million over the 1981 level and includes some increases for equipment and supplies for early deploying units to include chemical defensive equipment and cold weather clothing.

So, Mr. Chairman, in conclusion, the O. & M. accounts support near term readiness for the total Army force. We are here to answer your questions.

PREPARED STATEMENT

Senator STEVENS. Your full statement will be printed in the record at this point.

[The statement follows:]

PREPARED STATEMENT OF LT. GEN. RICHARD L. WEST

COMPTROLLER OF THE ARMY

BIOGRAPHICAL SKETCH

Lieutenant General Richard L. West is a 1945 graduate of the United States Military Academy where he was commissioned a second lieutenant in the Corps of Engineers. His early assignments in the Army were as an Army engineer, including duty at the Engineer Research and Development Laboratories at Fort Belvoir, Virginia.

Following graduate study at Princeton University, where he received a Master's Degree in Engineering, General West was reassigned as an Engineer in the Azores prior to moving to the U. S. Army Command and General Staff College, where he served, after graduation, as a faculty member.

Korean duty followed, where he was assigned to Headquarters, Eighth U. S. Army, before returning to the United States to command the 17th Engineer Battalion at Fort Hood, Texas.

Following his graduation from the Industrial College of the Armed Forces and duty at the Institute of Special Studies of the U. S. Army Combat Developments Command, he moved to the Pentagon in the Office of the Assistant Secretary of the Army for Financial Management.

His Vietnam duty included command of the 79th Engineer Group and, later, as Engineer for II Field Force before returning to New Mexico as District Engineer for the Albuquerque District where he became involved with water resources activities.

He was then assigned as Deputy Chief of Staff, Comptroller, at Headquarters, U. S. Continental Army Command. Upon reorganization of the Army in 1973, he was assigned to the U. S. Army Forces Command as Deputy Chief of Staff, Comptroller.

In 1974, he was assigned as Director of the Army Budget in the Office of the Comptroller of the Army.

General West became Comptroller of the Army in October 1977.

He holds three awards of the Legion of Merit, the Air Medal, the Bronze Star Medal, and the Army Commendation Medal.

INTRODUCTION

It is a pleasure to appear before the committee to present the budget request for the three Army Operation and Maintenance (O&M) Appropriations. The FY 1981 request totals $14.5 billion. The FY 1982 request totals $17.2 billion and comprises 33% of the total Army budget; along with 39% Investment and 28% Military Personnel.

My statement will provide:

First, A review of our revised FY 1981 estimate from the President's Budget submission in January 1980, through the enactment of the appropriation to the adjustments required this fiscal year, including both the pay and program supplemental requests, and

Second, The FY 1982 appropriation requests, to include the thrust of our FY 1982 program as it supports the objectives of the Army budgets.

Before going into details of the FY 1981 and FY 1982 requests, I would like to discuss the O&M appropriations in more general terms. The appropriations finance of the myriad of activities related to operating and maintaining the Army except for the pay of military people. Major examples are the pay of civilian personnel; contract services for repair of equipment and buildings; and fuel, supplies, maintenance and repair parts for weapons and equipment. For your reference, I have provided a definition of the management structures as an attachment to this statement as well as the funds provided in FY 1980 through FY 1982. Although there are minor differences in the specific accounts titles, each appropriation performs the functions shown on the following chart:

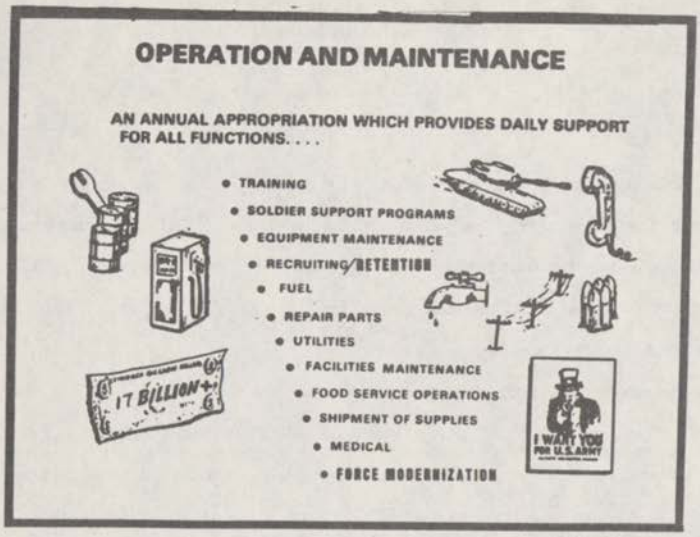


CHART 1

Since the O&M accounts furnish the daily support to the Army, each must be supportive and closely linked to decisions involving the military personnel and investment accounts. There is a very close and real-time link between the size and composition of the forces and the O&M accounts. For example, as military strength is increased or decreased, individual training, medical care, recruiting support and certain base operating funds vary in close relationship to the strength during the same year. Although the linkage between investment accounts and O&M is equally close, there is a time lag. For example, there are funds in the FY 1982 O&M budget request to purchase fuel, repair parts, and specialized training for the Abrams tanks which Congress authorized and appropriated two years ago. By the same token, procurement items contained in the FY 1982 request will not become available until the 1983 or 1984 timeframe. However, we are supporting with O&M funds the procurement actions, life cycle engineering support, initial provisioning and long lead-time training during FY 1982. An understanding of the linkages betweem the three accounts is critical to providing adequate Operation and Maintenance support to the Army.

As other Defense witnesses have stated in earlier testimony, O&M accounts support primarily the near-term readiness of the total Army force. I would like to emphasize the "force" aspects of readiness because Operation and Maintenance supports more than just the unit status condition (or C-rating) of a

specific unit or cluster of units. For example, O&M pays for shipping and storage of war reserve ammunition, which clearly improves readiness but is not a unit readiness reported item. There is subjectivity attached to assessing force readiness -- as I am sure you recognize. As I go through this statement, I will highlight improvements to force readiness supported in this budget request.

REVISED ESTIMATE - FY 1981

The current Fiscal Year 1981 estimate of 14.5 billion dollars includes a 936 million dollar supplemental request. The supplemental contains total increases of 1,071 million dollars: (1) 453 million dollars for civilian pay raises that were effective October 1, 1980; (2) 271 million dollars for cost growth in fuel, supplies and services; and (3) 347 million dollars for improved readiness, fact-of-life, and quality-of-life related programs--offset by 135 million dollars for economic assumptions and efficiencies. (Chart 2)

OPERATION AND MAINTENANCE
FY 1981 CURRENT ESTIMATE
($ IN MILLIONS)

	OMA	OMARNG	OMAR	TOTAL
• FY 1981 PRESIDENT'S BUDGET	12,137	848	469	13,454
AMENDMENTS/ADJUSTMENTS	+ 238	+ 26	+ 12	276
• BASIC REQUEST	12,375	874	481	13,730
CONGRESSIONAL ACTION	-72	+ 17	+ 7	- 48
(PLUS)	(+210)	(+18)	(+8)	(+236)
(MINUS)	(-282)	(- 1)	-1	(-284)
TRANSFERS: ARMY STOCK FUND	+ 5	—	—	+ 5
• ENACTED	12,308	891	488	13,687
TRANSFERS	-144	- 7	- 1	-152
- CURRENCY FLUCTUATION	(-144)	—	—	(- 144)
- OTHER	—	(- 7)	(-1)	(- 8)
SUPPLEMENTALS	+ 450	+ 49	+ 23	+ 522
- CIVILIAN PAY	(+315)	(+37)	(+ 17)	(+369)
- OTHER	(+135)	(+12)	(+6)	(+153)
• INTERIM ESTIMATE (15 JAN 81)	12,614	933	510	14,057
SUPPLEMENTALS (10 MAR81)	+ 382	+ 19	+ 13	+ 414
INCREASES	+ 512	+ 21	+ 16	+ 549
FACT OF LIFE	297	6	3	306
COST GROWTH	(99)			(99)
CIVILIAN PAY RAISE	(77)	(5)	(2)	(84)
[illegible]	(86)			(86)
SECOND DESTINATION TRANSPORTATION	(43)			(43)
FUEL	(22)	(1)	(1)	(24)
QUALITY OF LIFE	95			95
REAL PROPERTY MAINTENANCE	(45)			(45)
OTHER	(8)			(8)
READINESS	100	16	13	129
DEPOT MAINTENANCE	(53)			(53)
NATIONAL TRAINING CENTER	(20)			(20)
SUPPLIES: EARLY DEPLOYING NG/RESERVE UNITS		(15)	(11)	(26)
AFFILIATION OF RC/AC UNITS			(2)	(2)
INCREASED TRAINING READINESS	(22)			(22)
CAMOUFLAGE UNIFORMS	(15)			(15)
CARE OF SUPPLIES IN STORAGE	(12)			(12)
9th INFANTRY DIVISION TEST BED	(11)			(11)
RAPID DEPLOYMENT FORCE EQUIPMENT	(7)			(7)
OTHER (INTEL, WETEYE, COMMUNICATIONS)	(12)			(12)
DECREASES	-130	-2	-3	-135
- EFFICIENCIES	(-76)	(-2)	(-3)	(-81)
- ECONOMIC ASSUMPTIONS	(-54)			(-54)
• CURRENT ESTIMATE(10 MAR 81)	12,996	967	523	14,471

CHART 2

Examples of major Congressional actions are displayed below--resulting in a net decrease of $48 million or 0.3%.

CONGRESSIONAL ACTIONS FY 1981
($ IN MILLIONS)

OMA

INCREASE		DECREASES	
REAL PROPERTY MAINT.	15.5	SICK LEAVE DISABILITY	8.9
FUEL PRICE INCREASE	16.0	CONCURRENT COMPONENT REWORK	10.0
CIVILIAN PERSONNEL	35.0	COMMUNICATIONS	4.0
POMCUS SPARE PARTS	10.6	ADP	7.0
AMMO REWORK	14.0	PERSONNEL SVC CONTRACTS	10.0
MISSILE PROCUREMENT TRANSFER	4.7	FOREIGN NATIONAL PAY	29.0
HURRICANE ALLEN DAMAGE	1.7	COMMUNITY SERVICES	12.0
ROTC SCHOLARSHIPS	1.2	OVERSEAS PORT OPNS	7.5
DEPOT MAINT. BACKLOG	50.0	NEW SYSTEMS	10.0
FAMILY HOUSING TRANSFER	27.0	CURRENCY CHANGES	50.0
PER DIEM RATE INCREASES	25.7	MILITARY CONSTRUCTION	10.1
		M60A3 CONVERSIONS	23.2
		DEPOTS IN EUROPE	4.0
		RATE STAB. & CASH MGT	20.0
		LUXEMBORG STORAGE	0.1
		SPECIAL SKILL TNG	15.7
		RECRUIT TNG BUDGET ERROR	12.4
		ALL OTHER REDUCTIONS	34.4
TOTAL	210.2		282.2

NET - 72.0

OMARNG

CIVILIAN PERSONNEL	17.0	SICK LEAVE DISABILITY	.4
PER DIEM RATE INC	.1		
TOTAL	17.7		.4

NET - 17.3

OMAR

CIVILIAN PERSONNEL	1.4	SICK LEAVE DISABILITY	.1
PER DIEM RATE INC	3.0	PERSONNEL SERV CONTRACT	1.0
TECHNICIAN CONVERSION	4.0		
TOTAL	8.4		1.1

NET - 7.3

CHART 3

FY 1982 REQUEST

The current request for FY 1982 is $17,214 million -- an increase of $2,743 million from the FY 1981 estimate of $14,471 million. This increase consists of $870 million in cost growth and $1,873 million in program (or real) growth. Cost growth is measured by the additional dollars that must be added to accomplish what we are doing today (FY 1981) expressed in next year's (FY 1982) dollars. Program growth is the cost of doing more activities in FY 1982 than we are currently doing in FY 1981. The bulk of the cost growth is for purchases from the defense operated supply system and from the private sector.

OPERATION AND MAINTENANCE //
($ IN MILLIONS)

	FY 1980	FY 1981	COST GROWTH	PROGRAM GROWTH	FY 1982	CHANGE
OMA	11,023	12,996	810	1,747	15,553	2,557
OMARNG	840	952	37	55	1,044	92
OMAR	440	523	23	71	617	94
TOTAL	12,303	14,471	870 1/	1,873	17,214	2,743

1/ COST GROWTH 870

CIVILIAN PERSONNEL	50	STOCK FUND	240
TRAVEL	20	(FUEL)	(42)
TRANSPORTATION	111	OTHER PURCHASES (8.4%)	354
INDUSTRIAL FUND	95	(FGN NATL IND HIRE)	(99)
		TOTAL	870

// MARCH AMENDMENT/SUPPLEMENTAL

CHART 4

If the revised inflation rates exceed those reflected in the budget, there will be a corresponding decrease in the program growth in order to pay the cost of inflation. For the past two years, Congress has recognized the impact of inflation and appropriated the funds requested for cost growth in a timely fashion. We ask your continued support in this area.

Displayed below is a chart of the OMA appropriation, in constant and current dollars, since 1970. The high constant dollar values from 1970 to 1973 are due to the Viet Nam conflict. The neglect of O&M began in the mid-seventies and continues through 1980. The trend is reversed in FY 1981, and the recovery is strengthened in FY 1982.

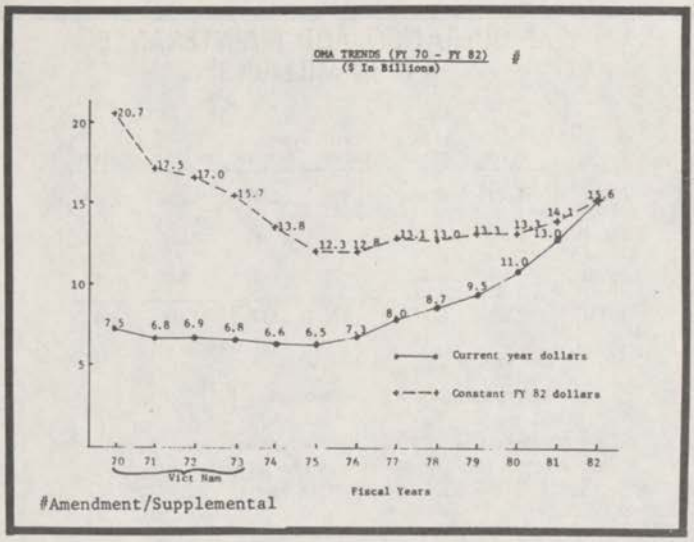


CHART 5

At this time I would like to present the FY 1982 Budget Objectives.

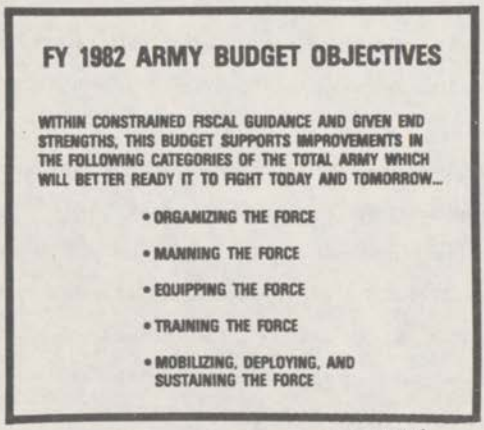


CHART 6

I will discuss each of these Army objectives, explaining how Operation and Maintenance contributes to the objectives, the improvements we have made, and the remaining requirements.

ORGANIZING THE FORCE

The 24 Division Force (16 active and 8 reserve component) is the center of the basic force supported by the O&M Appropriations. Within this division structure, we continue to make internal improvements to better meet the cur-

rent and projected threats. This request includes numerous force structure changes designed to improve our capability to meet the threats. The major improvements are shown on the following chart.

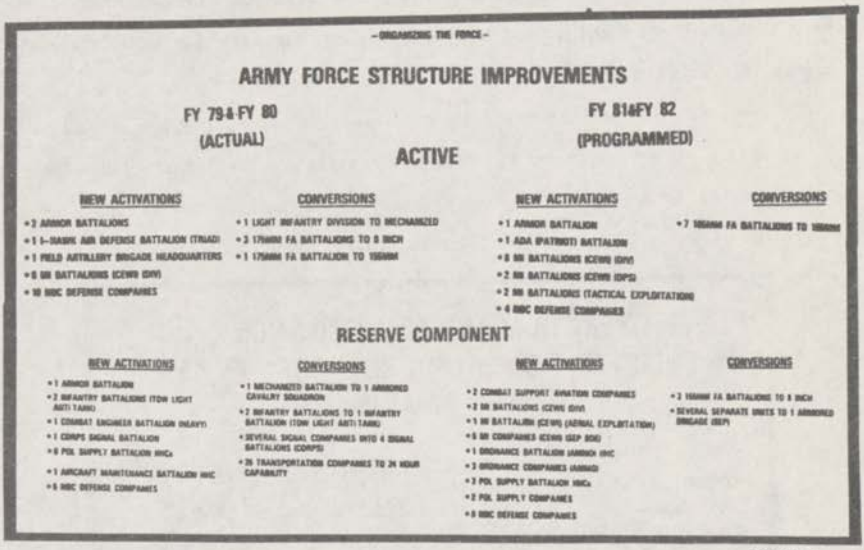


CHART 7

The Active Components and the Army National Guard emphasize combat and combat support-type units while the Army Reserve concentrates on combat service support units. The activation of nuclear, biological and chemical (NBC) defense companies supports both the active and reserve components.

In FY 1981, the Army is beginning a major initiative called the High Technology Test Bed (HTTB) using the standard Infantry Division as a base. Employing the emerging light Division 86 Study effort as a guide, the activities associated with the HTTB focus on developing a light division designed to facilitate rapid deployment, exploit technological opportunities, and meet the worldwide requirement for lean, hard-hitting forces. This request includes $16 million to develop this project in the 9th Infantry Division at Ft. Lewis, Washington.

MANNING THE FORCE

This request supports 786,300 active and 640,000 reserve military personnel. The Army has made great strides in the past year in overcoming the military strength shortfalls which existed at the end of FY 1979. The active component solved some of its manpower problems in FY 1980. However, it is now

faced with recruiting to Congressionally-mandated high school graduate content for men, and Armed Forces Qualification Test percentile for men and women. This constraint, plus a continuing decrease in the size of the available manpower pool, present a formidable challenge. To meet the challenge and increase the total Army end strength by 37,000, we must ask for a substantial increase in recruiting, advertising, and examining resources.

The Operation and Maintenance request to support recruiting activities is $308 million as shown on Chart 8. The active force is $249 million; the National Guard, $21 million; and the Army Reserve, $38 million. This represents an increase of $64 million over the current FY 1981 level.

OPERATION AND MAINTENANCE
ENLISTED RECRUITING SUPPORT - FY 1982 #
($ IN MILLIONS)

	OMA	OMARNG	OMAR	TOTAL
CIVILIAN PAY	22.3	2.1	6.3	30.7
ADVERTISING	67.8	5.7	14.2	87.7
RECRUITER AIDE SPT	88.1	-	-	22.3
RECRUITER SPT	92.3	11.2	16.2	115.5
HQ SPT (ADP)	5.8	0.2	-	6.0
COMMUNICATIONS	18.8	2.0	-	20.8
TRAINING	4.3	-	0.9	5.2
FACILITIES	19.9	-	-	19.9
TOTAL	249.3	21.2	37.6	308.1

AMENDMENT

CHART 8

With these funds we expect to recruit 308,573 enlisted personnel; 152,800 Active, 91,921 Guard and 63,852 Reserve. This will assist in improving readiness by adding 11,000 Active, 11,900 Guard and 14,100 Army Reserve soldiers to the end strength.

		Non-Prior Service		
	Total	Male	Female	Prior Service
Active:	152,800	110,200	25,600	17,000
Guard:	91,921	44,532	4,089	43,300
Reserve:	63,852	20,076	7,423	36,353
Total	308,573	174,808	37,112	96,653

The Army also funds the examining function of all Services, and this budget reflects $46 million to meet the workload.

Equally relevant to maintenance of the end strength is the retention of trained personnel. Two important aspects of retention provided by Operation and Maintenance are medical care and educational benefits. By offering the soldier the opportunity to improve his education throughout his career, we improve the likelihood that he will reenlist, as well as enhance his potential contribution to the Service. The active component has $129 million for educational programs: $20 million for the Basic Skills Education Program, $28 million for Tuition Assistance, $11 million for the Veterans Educational Assistance Program (VEAP) and $70 million for Education Center Operations.

The medical program in this request totals $1.1 billion and plays a vital role in meeting the health care needs of the soldiers and his family. This request will provide $6 million to support medical care for an increase in active stength of 11,000. Adequate medical care is a positive incentive to retention of skilled people although its relationship is less obvious. The soldier and his family expect to receive adequate medical care, and the Army has the responsibility to deliver. The request reflects an increase of 700 civilian personnel that will enable us to improve our medical care to both the soldier and his family.

Manning the force is more than acquiring and retaining military members. The civilian members are an integral component of the Army. The O&M Appropriations provide the direct pay and benefits for 287,200 civilians. The appropriations indirectly pay the salaries of 43,500 industrial fund employees through user purchases of goods and services from Army Industrial Fund activities. In total, the O&M accounts pay approximately 330,700 civilian personnel of the Army's 381,700 civilian personnel (87%) . This amount is $7.2 billion or 42% of the total O&M appropriations.

The shortage of civilian personnel has been one of the Army's most critical readiness shortfalls, Based on the original budget submission, we had stated requirements for an increase of 10,000 in FY 1981 and an additional 20,000 in FY 1982 (for a total of 30,000 in FY 1982)--moving toward a total of 425,000 by the end of FY 1986. This amended budget request will provide an increase of 10,000 in FY 1981 and an additional 11,800 in FY 1982 (for a total increase of 21,800 civilians in FY 1982). These increases will significantly improve the Army's force readiness. We will be able to return approximately 16,000 soldiers to their units to participate in unit training

activities. The additional 5,000 civilians for Depot Maintenance, Central Procurement, and Supply programs will increase the equipment available to the Army and increase the efficient use of procurement dollars appropriated by Congress.

The Army strongly supports the Department of Defense (DoD) initiative to seek repeal of the statutory constraints of the 1978 DoD Authorization Act which required a 6% reduction in the number of civilian high grade positions. The reductions are having a serious impact on our ability to man the civilian force necessary to support a variety of Army missions, including research and development, support of US Army Europe and military construction programs. Additional high grade authorizations are required to provide the civilian professional skills needed to support the military force structure of the "eighties" and to develop and manage the new and expanding procurement programs resulting from increased real spending for national defense.

EQUIPPING THE FORCE

Equipping the force is more than procuring the high-visibility items such as Blackhawk aircraft, Abrams Tanks, Patriot Missiles, etc. As I mentioned earlier, the O&M accounts must support (today) those systems approved by Congress several years ago and which are now being fielded. In the case of the reserve components, they will receive both new systems and selected hardware systems being replaced in the active force -- thus upgrading or force-modernizing their equipment.

The O&M force modernization costs take two thrusts: (1) those associated with the "new" item; and (2) those associated with the "old" or replaced items. O&M accounts pay for transportation from the plant to the using unit; the initial establishment of the repair parts stockage; transition costs to train personnel on the new equipment; net change in operating costs between the old and the new systems; and in some cases modifications that must be made to real property facilities or training areas in order to field the new system.

As the old system is replaced by the new in the active force, there are also substantial costs which O&M must cover: transportation costs from the old unit to the next location (depot for maintenance upgrade, to another active unit, or to a Guard or Reserve unit); and storage costs if the item is put into war reserves or POMCUS. The reserve components must essentially pay

for the same types of costs that represent the net changes in the operating appropriations, plus any maintenance costs that the replaced systems will incur before the system completely leaves the Army. There is no neat, concise cut-off that occurs when a new system comes into the inventory; rather, this is the start of a domino effect that may go on for years until a system finally leaves the Army. Given the equipment shortages within the total Army, few systems completely leave the Army.

Over the past two years, the OMA appropriation has experienced rapid escalation in force modernization -- not only in costs, but also in the numbers of systems being managed. The FY 1982 OMA request contains $977 million for force modernization, an increase of $556 million over FY 1981. The Reserves have a $2 million increase for force modernization.

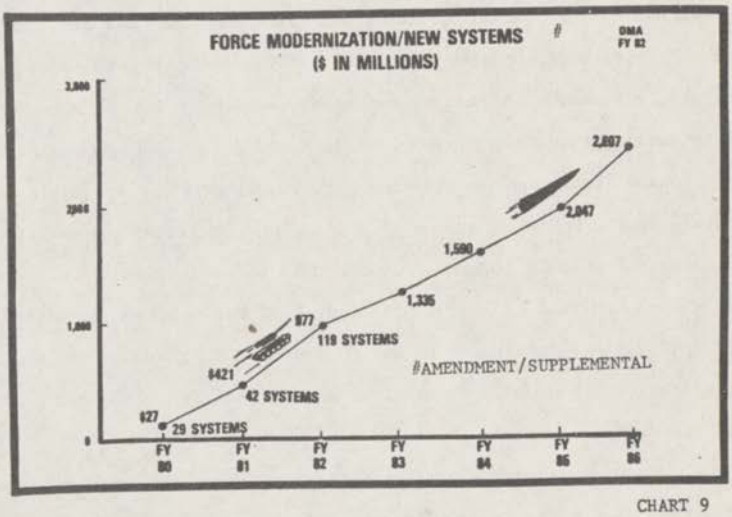


CHART 9

There are numerous other O&M funded items which the Army is buying to equip the force and improve its readiness, both in equipment and in individual clothing. The active force has: $12 million for the initial buy of approximately 41,000 sets of flame-resistant NOMEX combat vehicle crewman's uniforms; $47 million for camouflage screens; $18 million for cold weather clothing; and $7 million for nerve agent antidote. The Guard has $122 million for readiness supplies for early deploying Guard units. This will provide pre-mobilization stock fund procurement support to ready these units for deployment with Chemical Defensive Equipment and conventional clothing and equipment. The selected Reserves have: $11 million for chemical defense equipment; $5 million

for equipment and $7 million for cold weather clothing for Rapid Deployment Force units; over $1 million for equipment for a rapid deployment to NATO; $33 million for early deploying units, and $2 million for equipment concentration sites.

TRAINING THE FORCE

Individual Training:

This request includes $1.8 billion for individual military training activities conducted by the active force; $187 million for National Guard (unit and individual); $27 million for Army Reserve Schools; and $76 million for civilian training. This includes the base operations of training centers and supporting activities.

To produce tough, motivated soldiers with increased military skills, we have expanded initial entry training for all enlisted personnel and some officers. That, together with the funds for the partial restoration of the training base, amounts to an increase of approximately $23 million. Of the civilian personnel increase, approximately 2,200 have been allocated to the training base. This improves readiness by freeing soldiers to participate in unit training and improving the quality of individual training activities. The funds contained in this request are sufficient to conduct individual training for a projected training load requirement of 98,400 soldiers as well as the 77,066 ROTC average enrollment in FY 1982. The Army program for helicopter training remains essentially constant at the FY 1981 level and meets the requirement to produce 1,542 pilots.

This request contains $24 million for the professional development, education and training of the noncommissioned officer corps. The Noncommissioned Officer Education System (NCOES), which is institutionalized, and the noncommissioned officer development program, which is unit-based, will be expanded in both our active and reserve components. Both of these programs contribute to developing and retaining mid-level NCOs--our most serious unit readiness shortfall.

In this request, $75 million is for civilian personnel training programs. The largest element ($61 million) of the civilian training program is the career intern program in which we recruit, pay, and train civilians to fill positions in highly specialized occupations.

Unit Training:

For the active components we are requesting $1.3 billion in mission funds plus $3.1 billion in Base Operations funds to support training Army-wide. Highest priority is being given to establish a National Training Center (NTC). This center, located at Fort Irwin, California, will permit heavy battalion task forces to conduct realistic training that cannot be duplicated elsewhere in the United States or Europe. The total cost of the National Training Center in FY 1982 will be $174 million of which $68 million is Operation and Maintenance, Army. In FY 1982, 16 battalion task forces will train at this center.

The Joint Chiefs of Staff (JCS) Exercise Program is a visible highlight of our training program in which Army units both learn and demonstrate their capabilities. The FY 1982 funding for this program is $80 million, an increase of $28 million over the FY 1981 level. The Army will participate in 7 JCS-directed and 46 coordinated exercises.

There is a $7 million increase for the upgrading of training areas in Europe to meet the training requirements of the new systems being developed. There is also an increase of $9 million to ship training ammunition to Europe for use by Army units in live fire exercises.

We have budgeted an additional $142 million to improve unit training, over and above the NTC and JCS exercises mentioned above. This provides improvements in maintaining and sustaining battalion level proficiency in Forces Command (FORSCOM) and increased environmental training for Rapid Deployment Force (RDF) units. In Europe, the increase will sustain battalion proficiency and essentially permit reaching brigade level proficiency.

The Army's flying hour program for FY 1982 is 1,722,800 flying hours at a total cost (fuel and repair parts) of $382 million in Operation and Maintenance. This is the total program and includes individual pilot training as well as unit training. This program reflects an increase of 100,000 hours for the Active Components and 8,100 hours for the Army Reserve, and a reduction of 9,200 hours for the Army National Guard over the FY 1981 program. This level of flying hours is adequate to meet our FY 1982 readiness requirements.

Overall, this budget improves our individual and unit training. Although improved, the training base still requires additional manpower, both military and civilian.

MOBILIZING, DEPLOYING AND SUSTAINING THE FORCE

Mobilizing:

This request makes modest improvements in our ability to mobilize personnel and to expand our maintenance of reserve industrial plants.

Although there are few issues in the request which are specifically addressed as Mobilization, there are a number of issues under other headings such as Manning, Training and Equipping which in fact improve mobilization capabilities. Examples include manning increases in the USAR, stock funded equipment purchases for ARNG and USAR early developing units, improved equipment sustainabilty, increased war reserves and readiness improvement resulting from training initiatives in both Active and Reserve Units.

The active Army has an increase of $4 million to improve our ability to recall and manage the Individual Ready Reserve and the Stand-by Reserve. The Army Reserve has an increase of $2 million devoted to mobilization training.

We plan to spend $7 million to adapt and prepare construction designs and drawings at specific mobilization sites so they will be ready at the declaration of an emergency.

Also, we have an increase of $2 million to establish and operate a computer facility with capacity to handle the manpower workload during full mobilization. This facility will be used jointly by the Military Enlistment Processing Command and the Selective Service System.

This request will provide $116 million to maintain our reserve industrial plants and equipment and to perform industrial preparedness planning. Although this is an increase of $10 million over the FY 1981 level, it is still about $13 million below the desired funding level.

Deploying:

By prepositioning equipment, the Army's claim on Strategic Air and Sealift is reduced. Thus, more of the Army is deployable to NATO in a shorter time. To improve our deployability, this budget contains $12 million to begin establishing the fifth POMCUS division set in NATO. These Operation and Maintenance funds will pay for the transportation of equipment, purchase of wartime replacement repair parts, and site operation to include the civilians who work at the sites. Although no equipment will be shipped for set 5 due to construction slippages, the $12 million is required to purchase tools and

repair parts necessary to support the equipment when it begins to arrive in FY 1983. In addition, funds will be spent in preparing some of the equipment for shipment.

Sustaining:

A vital link in the execution of any plan is a command and control and communications (C^3) system which is up-to-date and capable of reliable performance. The O&M accounts -- totaling almost $700 million for Communications Mission and Base Operations--support this program directly with communications improvements and indirectly with Automatic Data Processing (ADP) systems that support the C^3 network. Over $13 million is budgeted for an increase in support to the World Wide Military Command and Control System (WWMCCS). Closely aligned with this is $4 million to support the Defense Satellite Communications System. Other enhancements in communications systems in the United States, in Europe and in Korea are provided, ranging from modernization of telephone centers in CONUS ($47 million) to improving communications capability in Korea ($15 million) and Europe ($3 million) and a number of smaller enhancements. All of these are all geared to upgrade the Army's communications, command and control capability. The Army's automatic data processing capability will be improved with initiatives to upgrade the military personnel management ADP systems ($7 million), medical care management ($1 million), support the fielding of mobile Interim Theater Automated Service Centers to Europe ($5 million), and provide post deployment software support of various battlefield automated systems ($23 million).

The on-hand ammunition posture of the forward deployed forces is improved in this budget. A total of 118,000 tons of ammunition (war reserve and training) will be shipped to US Forces in Europe at a cost of $61 million, and 59,000 tons will be shipped to Korea for United States and Korean forces at a cost of $36 million.

This request improves the sustainability of our forward deployed units in Europe by increasing the repair parts stockage. We have added $8 million for these parts to provide a more adequate safety level in the event of interruption of resupply.

The central procurement activities performed by the US Army Materiel Development and Readiness Command (DARCOM) total over $200 million and are critical to our ability to sustain the force. These procurement offices

located throughout the world evaluate bids, conduct "should cost" analyses, conduct contract negotiations, award contracts and supervise contract performance to execute the Army's Procurement Program. This is an area that is civilian personnel intensive, and one that has in the past been constrained by the reduced civilian personnel authorizations. We estimate the dollar value of procurement actions will increase 100% from $10 billion in FY 1980 to over $20 billion in FY 1982. This budget request will add over 900 civilian personnel above the FY 1980 level. It will provide the requisite dollars to keep pace with procurement workload and improve our ability to get the optimum economy and efficiency from each procurement dollar. It is estimated that this increase will practically eliminate the procurement action backlog. This area has an impact on readiness. For a small dollar investment in people, we get a much greater return for our procurement dollar in terms of both lower prices and improved quality of the equipment we purchase for the force.

The Army is responsible for managing conventional ammunition for all services. This responsibility includes procurement, production, storage, maintenance, and demilitarization. The OMA account contains $70 million in FY 1982 to support this function. At this level of funding, we will continue to make progress in correcting deficiencies.

The active request contains $1,136 million for maintenance and repair of the Army's real property (buildings, airfields, ranges, etc.) and $75 million for new work projects (less than $100 thousand per project). There is an increase of $553 million over what we spent in the fiscal year just ended (FY 1980) for maintenance and repair. Despite this large expenditure on our property, we continue to have a sizeable backlog. This backlog represents several years of neglect. Due to severely constrained budgets in the past, we have sustained our near-term readiness at the expense of maintenance of our property. Although we could not do both, we can no longer make the soldier pay for readiness by neglecting the maintenance of the buildings and areas where our soldiers live and work.

The following chart shows how much we have funded, the backlog growth and the composition of the backlog.

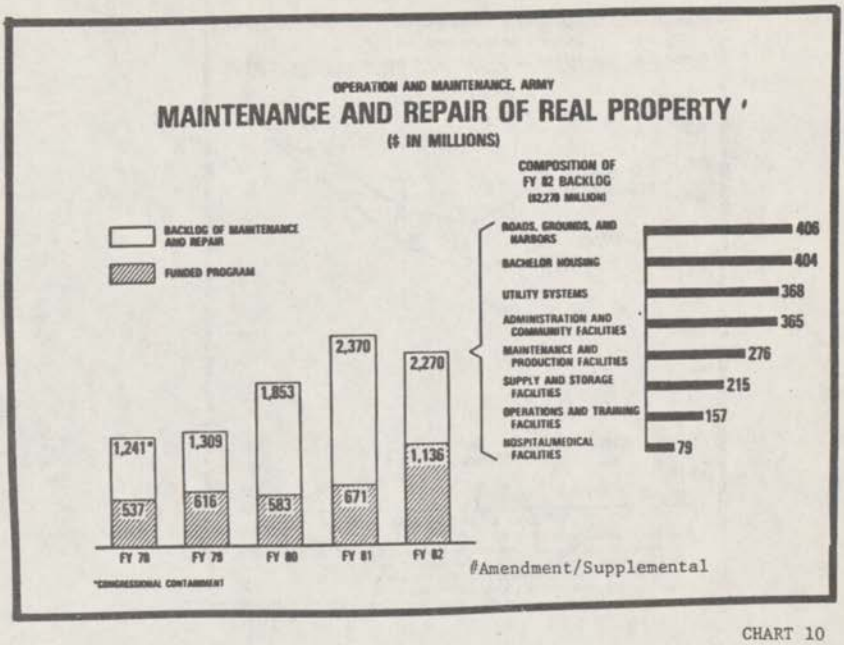


CHART 10

The "Congressional Containment" shown on the chart refers to Congressional direction to contain the backlog at the FY 1978 level. The Army Reserve and National Guard have a backlog of $80 million, up by $1 million from FY 1981. We will continue to work at this problem in subsequent years so that we can provide a decent place for our soldiers to live and train.

Depot level equipment maintenance is a program critical to sustaining the force and maintenance readiness. In the active component, there will be no executable depot level maintenance backlog by the end of FY 1982. Because we do not have the capacity (in-house or contract) to do selective work, there will be some communications equipment that cannot be overhauled. Likewise there is some ammunition that cannot be overhauled because of the long lead-time required for selected parts. In summary, additional money would not increase our depot maintenance output. The Army Reserve will spend $8 million for depot maintenance in FY 1982 and will have no unfinanced backlog. The National Guard will spend $52 million and will have a $6 million backlog.

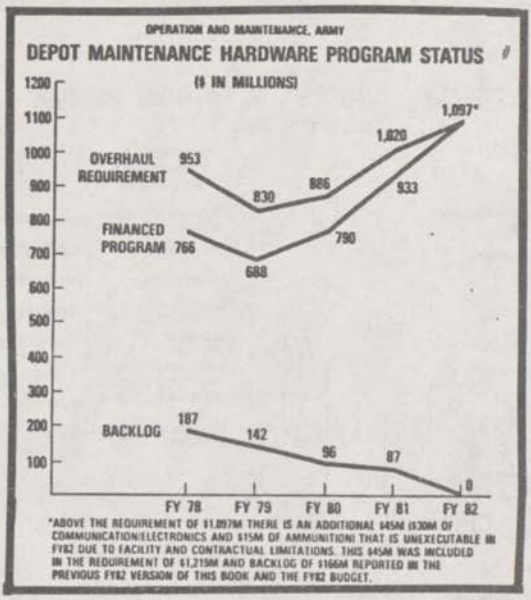


CHART 11

The Care of Supplies in Storage (COSIS) program assures that the true condition of materiel is known and properly recorded, and that materiel is not allowed to deteriorate. However, it must be maintained in a condition to meet supply demands within a minimum time at a minimum cost in funds, manpower, facilities, equipment, and materiel. It involves in-storage inspection, minor repair, testing, exercising of materiel and preservation, packaging and packing. Funding constraints since FY 1976 have limited these efforts to inspections and minor repairs, as required, as items were removed from storage to meet military needs. Forty-three million dollars were added to this program to reduce the known backlog to a manageable level. This helps assure that all assets in Continental US depots, valued at $17 billion, are in reliable condition and ready for immediate shipment to meet military needs at all times.

The $45 million OMA increase for prepositioned war reserve in FY 1982 will enable the Army to move major end items, barrier supplies, repair parts and spare parts overseas to increase stockpile of war reserves in NATO and Korea.

SUMMARY

Within its FY 1982 resources, the Army will be able to improve the balance between readiness and modernization. Specific improvements include:

- Force Structure Configuration
- Recruiting and Retention
- Improved Medical Care
- Individual and Unit Training
- Depot Maintenance
- Individual and Unit Equipment Assets
- Force Modernization
- Communications Support
- Real Property Maintenance & Repair
- Expanded Logistics Base (POMCUS sites, ammunition shipments)

We ask your support of this request to continue the improvements the Army has made.

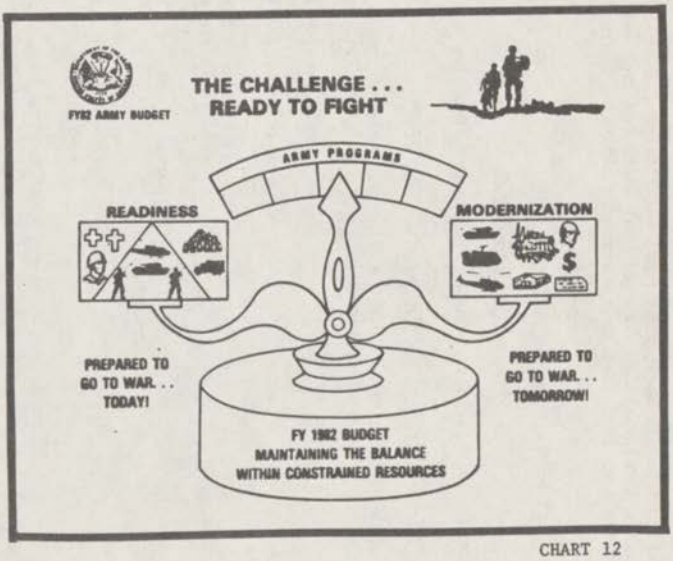


CHART 12

Definitions and Purposes of DoD Force Programs
Containing Army Operation and Maintenance Funds

Operation & Maintenance, Army (OMA) --Inclosure 1
Operation & Maintenance, Army National Guard (OMARNG) --Inclosure 2
Operation & Maintenance, Army Reserve (OMAR) --Inclosure 3

Program	Definition/Purpose
OPERATING FORCES	
2 - OMA General Purpose Forces	Support of active and reserve components:
3710 - OMARNG: Training Support	- Combat: Infantry, Armor, Artillery, etc.
BA1 - OMAR: Training and Organization of Mission Forces	- Combat Support: Engineer, Signal, Chemical, Military Intelligence, Military Police.
	- Combat Service Support: Ordnance, Transportation, Quartermaster.
	- Unit operation and support costs for fielding new weapons systems.
	- ARNG Units: 5 Infantry, 1 Mechanized, 2 Armored Divisions; 6,406 ARNG Technicians support at unit level.
	Supports:
	- Controlling headquarters of these units, e.g., US Army Forces Command (FORSCOM), US Army Europe (USAREUR), Western Command (WESTCOM), Eighth Army.
	- Unified headquarters for which the Army is the executive agent, i.e., US Southern Command (SOUTHCOM), and European Command (EUCOM).
	Supports: Army Combat Development Activities such as tests, projects and evaluations to develop/validate new doctrine, tactics, materiel, and organization to improve the Army's combat capabilities.

Supports: The prepositioning of equipment abroad for use by stateside units should they be deployed to these locations (POMCUS - Prepositioning of material configured to unit sets).

Supports: Army participation in multi-service training exercises directed by the Joint Chiefs of Staff (JCS) and conducted in the United States and at overseas locations.

"Support" of the foregoing includes funds for the organization, operating, and training costs of these units, headquarters activities, and exercises, e.g., fuel, repair parts, other supplies, maintenance, travel, civilian salaries, etc. Does not include funds for "house keeping" purposes which are provided in Base Operations and RPMA programs.

INTELLIGENENCE, COMMUNICATIONS, AND OTHER

3I - OMA: Intelligence	Includes funds for the Army's General Intelligence and Cryptological programs as approved by the Director of Central Intelligence (DCI). Intelligence products of the programs support the Army, other Services, DoD and the National Command Authority stated requirements.
3C - OMA: Communications BA3 - OMAR: Other Support	Funds Army non-tactical communications in support of Army missions worldwide, including: The Automatic Voice Network (AUTOVON); the Automatic Digital Network (AUTODIN); operation of Defense Satellite Communication System (DSCS) ground terminals; operation of telephone systems; and depot supply and maintenance support of the Communications Security (COMSEC) program. Funds non-tactical communications support of Army Reserve installations, maintenance activities, reserve centers, and sites used for drills and annual training.
30 - OMA: Other Communications and Intelligence	Support the security and investigative activities and foreign counter intelligence actitities programs. Funds the operation and maintenance of air traffic control approach and landing systems at Army airfields worldwide and automatic data processing systems supporting eight Army Operations Centers in the Worldwide Military Command and Control System (WWMCCS).

CENTRAL SUPPLY AND MAINTENANCE

7S - OMA: Supply

3730 - OMARNG: Logistical Support

Funds the Army's worldwide supply system above installation level, e.g., supply management and depot operations (receipt, storage, preservation, and issue of supplies); managing the Army's procurement programs, particularly the award and execution of contracts; support of project managers and Headquarters, US Army Materiel Development and Readiness Command (DARCOM); the transportation costs of supplies, materiel, ammunition, etc.; maintenance of the reserve industrial base (inactive plants); and other logistic support activities.

Provide all logistical support to ARNG units, to include TOE equipment, maintenance, transportation, communications, fuel.

Supports 15,024 ARNG Technicians.

7M - OMA: Maintenance

BA2 - OMAR: Depot Maintenance

Funds depot maintenance activities which support the Army's Materiel Readiness Program and Inventory, e.g., the overhaul, repair, modification, product improvement, and conversion of major items of equipment. (Tanks, armored personnel carriers, howitzers, aircraft, etc., and secondary items (engines, transmissions, etc.). This maintenance is accomplished at ten organic Army Industrial Funded maintenance facilities in the Continental United States, an overseas facility at Mainz, Germany, private contractors, and thus the utilization of interservice maintenance support agreement.

Included also are maintenance support activities which provide the funds for maintenance program management; maintenance engineering and technical services; preparation and printing of maintenance publications; maintenance, technical, administrative and new equipment training of depot maintenance personnel and field technical assistance.

Funds depot maintenance of Army Reserve equipment by Active Army facilities on a reimbursable basis.

TRAINING, MEDICAL, AND OTHER PERSONNEL SUPPORT

8T - OMA: Training

3710 - OMARNG: Training Support

BA1 - OMAR: Training and Organization of Mission Forces

Funds:

The Army's active and reserve component individual training program conducted at Training Centers, Service Schools, the US Military Acedemy, the Army Command and General Staff College, foreign national military schools, and civilian institutions.

- Support of the Senior Reserve Officers Training Corps (ROTC) program.

- Development of training programs and materials used at Army training institutions (resident training) and at individuals' home stations (nonresident training) for the Active and Reserve Components.

-- HQ US Army Training and Doctrine Command (TRADOC).

- Army Reserve training activities for units and individuals to include 48 drills per year and 2 weeks of annual training.

8M - OMA: Medical

3750 - OMARNG: Medical Support

Funds: The operation of health facilities at Army installations, e.g., hospitals and clinics, the provision of health care services to military personnel, dependents, and retirees; and technical and professional health care training programs.

Provides for medical supplies, medical care, and physical exams for ARNG personnel.

80 - OMA: Other Personnel Support

BA3 - OMAR: Other Support

Includes funds to support:

- The Army's recruiting program, e.g., recruiter support and advertising,

- Reception station operations.

- Examining function for all Services.

- Civilian Training Education and Development and Army Continuing Education programs, to include tuition assistance.

- Various morale and welfare programs, to include the Armed Forces Overseas Entertainment Program and the American Forces Radio and Television Service

- Disciplinary activities such as the Disciplinary Barracks at Fort Leavenworth and the Retraining Brigade at Fort Riley.

- The Chaplain Program.

- Junior ROTC

ADMINISTRATIVE/MANAGEMENT

9 - Administration and Associated Activities	Funds the Operation of Department of Army Headquarters and field activities, GSA leases for Army occupied facilities, personnel administration (e.g., records maintenance, ADP support and recruiting facilities, etc.), public affairs activities, criminal investigation, and drug and alcohol abuse.
3740 - OMARNG: Management Support	
BA3 - OMAR: Other Support	
	Funds the operation of the Army Reserve management structure to include three CONUS armies, nine readiness regions, and (together with OMA) the Reserve Components Personnel and Administration Center (RCPAC).
	Supports National Guard Bureau, State Headquarters, and Automatic Data Procession operations.
	Supports 1,397 ARNG Techicians and civilian employees.
	Recruiting and Advertising (Reserves).

OTHER NATIONS

10 - OMA Support of Other Nations	Funds support of: DoD obligations arising from International Agreements, e.g., the US share of the NATO Military Budget and US support of International Military Headquarters; Army-to-Army cooperation and exchange programs; and DoD directed missions in support of US National Security interests.

BASE OPERATIONS

11 - OMA Base Operations (Minus)	Provides for all base operations support functions at Army installations worldwide except for the maintenance of real property, e.g., post supply, transportation, and maintenance; laundry and dry cleaning; operation of dining facilities; bachelor housing operations and furnishings; personnel administration and data support; morale, welfare, and recreational services, and law enforcement.
3710/30- OMARNG: Tng/Log Support	
BA3 - OMAR: Other Support	
12 - OMA Real Property Maintenance Activities (RPMA)	Provides for maintenance and repair of real property (buildings, grounds, roads, sidewalks, parking areas, ditches, etc.), minor construction (under $100,000), utilities (electricity, heat, water, sewage, etc.), and other support such as fire protection, pest control, refuse collection, custodial services, master planning, and other Services at Army installations worldwide.
3710/30 - OMARNG: Tng/Log Support	
BA3 - OMAR: Other Support	

78-680 O - 81 - 3

OPERATION AND MAINTENANCE, ARMY

BUDGET PROGRAM *

($ IN MILLIONS)

PROGRAM	FY 80	FY 81	FY 82	CHANGE	COST GROWTH	PROGRAM GROWTH
• 2 GENERAL PURPOSE FORCES	$3,647	$4,303	$5,584	$1,281	351	930
• 3 INTELLIGENCE & COMMUNICATIONS	603	712	862	150	29	121
• 7 CENTRAL SUPPLY	2,488	2,832	3,220	388	191	197
• 7 MAINTENANCE	1,087	1,288	1,487	199	73	126
• 8 TRAINING	1,252	1,541	1,792	251	66	185
• 8 MEDICAL	828	983	1,071	88	47	41
• 8 OTHER GENERAL PERSONNEL ACTIVITIES	339	409	507	98	22	76
• 9 ADMINISTRATION	693	814	913	99	27	72
• 10 SUPPORT OF OTHER NATIONS	86	114	117	3	4	-1
TOTAL DISTRIBUTION	$11,023	$12,996	$15,553	$2,557	810[1]	1,747

[1] COST GROWTH ($810):

CIVILIAN PERSONNEL	40	STOCK FUND	217
TRAVEL	17	(FUEL)	(35)
TRANSPORTATION	110	INDUSTRIAL FUND	91
		OTHER PURCHASES (8.4%)	335
		(FGN. NATL. IND. HIRE)	(99)

INCLOSURE 1 TO ATTACHMENT

* MARCH AMENDMENT/SUPPLEMENTAL

OPERATION AND MAINTENANCE, ARMY NATIONAL GUARD
BUDGET PROGRAM *
($ IN MILLIONS)

PROGRAM	FY 80	FY 81	FY 82	CHANGE	COST GROWTH	PROGRAM GROWTH
• 3710 TRAINING	189.8	194.2	186.8	-7.4	3.4	-10.8
• 3710 LOGISTICS	595.8	689.2	778.6	89.4	31.2	58.2
• 3740 MANAGEMENT	50.3	61.6	71.0	9.4	2.0	7.4
• 3750 MEDICAL	4.1	6.6	7.8	1.2	.6	.6
TOTAL	840.0	951.6	1,044.2	92.6	37.2 1/	55.4

1/ COST GROWTH ($37):

CIVILIAN PERSONNEL	7	STOCK FUND	15
TRAVEL	1	(FUEL)	(4)
TRANSPORTATION	1	INDUSTRIAL FUND	3
		OTHER PURCHASES (8.4%)	10

INCLOSURE 2 TO ATTACHMENT

* MARCH AMENDMENT/SUPPLEMENTAL

OPERATION AND MAINTENANCE, ARMY RESERVE
BUDGET PROGRAM*
($ IN MILLIONS)

PROGRAM	FY 80	FY 81	FY 82	CHANGE	COST GROWTH	PROGRAM GROWTH
● BA 1 TRAINING & ORGANIZATION OF MISSION FORCES	248.7	298.9	373.6	74.7	9.3	65.4
● BA 2 DEPOT MAINTENANCE	6.2	5.9	7.5	1.6	.6	1.0
● BA 3 OTHER SUPPORT	184.8	218.2	235.8	17.6	12.6	5.0
COMMUNICATIONS	(8.4)	(9.4)	(10.1)	(.7)	(.7)	-
BASE OPERATIONS	(124.1)	(146.1)	(153.6)	(7.5)	(8.9)	(-1.4)
RECRUITING/ADVERTISING	(28.4)	(33.5)	(40.3)	(6.8)	(2.0)	(4.8)
MANAGEMENT HEADQUARTERS	(23.9)	(29.2)	(31.8)	(2.6)	(1.0)	(1.6)
TOTAL	439.7	523.0	616.9	93.9	22.5 1/	71.4

1/ COST GROWTH ($23):

CIVILIAN PERSONNEL	3	STOCK FUND	8
TRAVEL	2	(FUEL)	(3)
TRANSPORTATION	0	INDUSTRIAL FUND	1
		OTHER PURCHASES (8.4%)	9

INCLOSURE 3 TO ATTACHMENT

* MARCH AMENDMENT/SUPPLEMENTAL

INCREASES OVER CARTER BUDGET

Senator STEVENS. Can you give us a breakdown of where the increases were made over the Carter budget? As I understand your statement, you had a significant increase there. What was the Carter budget as far as the fiscal 1982 figure? We looked at that statement on page 2 of your short statement. What would that have been?

General WEST. While General Price is getting the levels, let me indicate some of the increases that are in the amendment over and above the Carter budget. I will give you the key ones. We can provide you a detailed listing if you like.

Real property maintenance is one of the big increases and that was $245 million. It now totals in the 1982 budget about $1.1 billion. This will be the first time in recent years that we will actually be able to work off some of the accumulated backlog, which has been increasing every year for the last 4 years.

REAL PROPERTY MAINTENANCE

Senator STEVENS. What does that entail, real property maintenance?

General WEST. That is maintenance of all of our facilities, our buildings, and our barracks. It excludes family housing, which is separate, but includes all other real property—utility systems, roads and that sort of thing.

Training readiness increases $69.5 million.

Senator STEVENS. Do you have more on that?

COSIS

General WEST. I have a list of key items.

General PRICE. Another area of increase over the Carter budget is the care of supplies in storage—COSIS. I will cover that and then you pick up the rest of it. COSIS is supplies in storage and other things that we have stored that we need to maintain so that when they are called for we can ship them in usable condition. We increased this program by $43 million. This does increase readiness and increases response.

DEPOT MAINTENANCE BACKLOG

Depot maintenance backlog, is an increase of $68 million, that is the figure you asked for before.

Senator STEVENS. What is the difference between that and the real property maintenance?

General PRICE. Depot maintenance is the overhaul of major items of equipment. It is the reworking of a tank or an armored personnel carrier or a gun.

Senator STEVENS. It is not modernized but just routine maintenance?

General PRICE. It is the teardown and overhaul and major overhaul. It is differentiated from organizational or installation maintenance expense.

Now, real property deals strictly with the real property facilities, buildings and utilities and that sort of thing.

INDUSTRIAL PREPAREDNESS

Another area of increase is industrial preparedness which increased $32 million. This is where we maintain the standby lines, primarily in ammunition, to be prepared to activate those things. It has a lot to do with our ability to mobilize.

Senator STEVENS. We are increasing purchases of munitions?

General PRICE. Yes.

Senator STEVENS. But you still need to maintain standby lines?

General PRICE. We have standby lines that would be activated in the case of mobilization.

Senator STEVENS. Where are they located?

AMMUNITION PLANTS

General PRICE. They are mostly Government ammunition facilities. I think we have the location. They are located throughout the United States, such as at Long Horn Army Ammunition Plant—AAP—in Texas, and Indiana AAP. I can provide for the record a complete list of the ammunition plants that we are maintaining.

[The information follows:]

LIST OF AMMO PLANTS

Active:[1] Holston, Kingsport, TN; Indiana, Charleston, IN; Iowa, Middleton, IA; Kansas, Parsons, KS; Lake City, Independance, MO; Lone Starr, Texarkana, TX; Longhorn, Marshall, TX; Louisiana, Shreveport, LA; Milan, Milan, TN; Radford, Radford, VA; Riverbank, Riverbank, CA; Scranton, Scranton, PA; Pine Bluff Arsenal, Pine Bluff, AK; Crane, Crane, IN; McAlister, McAlister, OK; and Hawthorne, Hawthorne, NV.

Inactive laidaway: Badger, Baraboo, WS; Cornhusker, Grad Island, NB; Gateway, St Louis, MO; Hays, Pittsburg, PA; Joliet, Joliet, IL; Newport, Newport, IN; Ravenna, Ravenna, OH; St Louis, St Louis, MO; Sunflower, DeSoto, KS; Twin Cities, New Brighton, MN; Volunteer, Chattanooga, TN; and Mississippi AAP, Bay St Louis, MS.

INCREASED SUPPLY PURCHASES

Senator STEVENS. Where are we maintaining those? Are we purchasing increased supplies for any of those areas?

General WEST. Yes, some of those areas. The standby lines are for particular manufacturing lines that are not in operation right now. In some places we have more than one line, and some will be on standby and some will be active. You are correct, many of those plants that have standby lines are also active plants. I believe most of them are.

Continuing with increases over the Carter budget, we have camouflage screens, for $47 million. This will be particularly important in terms of possible desert use. Most of what we are producing now is the forest camouflage.

FORCE MODERNIZATION

Force modernization at $232 million and this needs a little explanation. This is the support tail for the fielding of new equipment. When we get new equipment there is an operation and maintenance requirement that goes with training the people, shipping that equipment wherever it is going to go, and buying and initial

[1] All of the active plants have lines that are in layaway.

supply for spare parts, and that kind of thing that costs O&M money. That is what that $232 million is for.

CIVILIAN PERSONNEL

Civilian personnel is a plus $284.5 million which is associated with that additional 11,800 authorization for civilians for 1982.

Senator STEVENS. Were they added by the new budget?

General WEST. Yes, 10,000 were added for fiscal 1981 and an additional 11,800 in fiscal 1982. It really does two things: Primarily it relieves those diverted troops and lets them go back to their units—relieved of those things that have to be done today because we don't have civilians.

Second, it includes civilians that are associated with the additional supply and maintenance activities. The plus-up is required because we have to have people to do that—people who process the supplies and people under the industrial fund in the depots.

Senator STEVENS. How much was that?

General WEST. The total is $284.5 million. I can get you the breakout of the people.

Senator STEVENS. I thought you had another figure that I didn't get.

General WEST. JCS exercises is increased by $18 million.

Automation and communications is $85 million—primarily associated with command and control, tactical ADP, and communications.

Then, Prepositioned War Reserve is $40 million. I think General Price has some more data and I will let him pick up from here.

TOTAL ADD-ON FOR CARTER BUDGET

Senator STEVENS. I don't want to belabor it, but what is the total add-on for the Carter budget?

General WEST. For Operation and Maintenance, Army, the Carter budget for fiscal year 1982 was $14.8 billion. The March amendment added $.8 billion, bringing this to $16.6 billion.

Senator STEVENS. That is $16.6 billion?

General WEST. Yes, sir.

For the "Operation and maintenance National Guard," the Carter budget was $979 million, and the March amendment brings it to $1,044 million.

For the "Operation and maintenance Army Reserve," the fiscal year 1982 Carter budget was $572 million, and the revised March amendment is $617 million.

Senator STEVENS. Thank you.

I will have some questions about those figures when my time comes back. Senator Rudman.

COST ESTIMATING PROCESS

Senator RUDMAN. Thank you. General West, I want to discuss something of a far more general nature with you which you will not I think need any of your facts or data sheets in front of you to respond to my questions. I want to talk to you about the methodology that your office uses to assess cost estimates in certain kinds of situations.

We had General Keith here the other day and a very interesting 3 hours of testimony on a number of systems. I want to just take as an example of what I would like to know and you may not be able to tell me today but it is something that I am going to want some explanations on and something I would like to spend some time on, not on committee hearing time, and that has to do with something like the SOTAS systems, which stand for standoff target acquisition systems.

General WEST. Yes.

STANDOFF TARGET ACQUISITION SYSTEM (SOTAS)

Senator RUDMAN. That system was originally presented to the Congress with a constant 1979 dollar cost I believe of about $912 million. General Keith told us in testimony that forthrightness was the best policy, which I certainly agree with, that it now appeared that in current 1981 dollars that system hopefully could be brought in some place in the order of acquisition cost $2.4 billion to $2.5 billion over the life of the development and production of the system.

I asked General Keith at what point reevaluations in terms of cost estimates were made by the Army, and his response to me was that there were systems in place, particularly within your office where you would advise the Chief of Staff of the Army and the command structure of the Army as to what that program might be for the Army in terms of cost estimates.

Here is my question, which you may or may not be able to answer this morning. Obviously at some point the Army decided SOTAS was something that was desirable, and it was desirable at $912 million.

What I want to know is, has the Army, or what method has the Army used to decide and to advise now this committee that it is worth $2.4 billion? I am not disputing that it is, and it well may be, but I want to know how do we get control of these systems that are responsible in my view for much of the enormous spending of the Armed Forces were due to no fault of yours, the state of the art is pushed so hard that conceptual programs end up costing millions up to two times more of what you originally thought.

I want to know what methodology you go through to advise your superiors that the system is either worthy or not worthy to the Army and its mission, and what it is going to cost.

COST INCREASE PHENOMENA

General WEST. There are many facets to this and I do want to provide more for the record.

Let me address first the phenomena of the cost increase. I will give it in very general terms, to indicate what really happens and why these numbers explode over time. One is that the numbers you generally see shown in Selected Acquisition Reports—SAR's—and so forth, are total acquisition costs. This depends upon the entire period over which you develop and procure that equipment. Two different expressions of costs generally are recorded. One is the "then year" cost; this considers an assumed inflation rate over

time which means the longer you buy the bigger the number gets, and therefore the average per unit cost increases.

The other, which is more useful, is one in which you express cost in "constant" dollars. That is probably the only meaningful one because it tends to eliminate the distortion of out-year inflation.

So when you see a big number you have to ask, is that the "then year" estimate, or is it the "constant" dollar estimate? In many cases it is "then year" dollars.

Secondly, is the way of figuring inflation. In those reports the inflation applied is the directed inflation number. The Office of Management and Budget through the Department of Defense will give us inflation indexes that we use to come up with current dollar cost estimates.

Historically that number has been understated. Consequently, when the number is understated and you have developed a "then year" dollar estimate, and real life catches up, you have to change the inflation factor, and the total automatically increases. Your dollar estimate, simply because of the inflation factor used, does not include the real inflation; and whenever you increase the factor it has a ripple effect.

There is an inflation increase that has been significant in the last few years.

The third thing that affects us is the assumption early on that the program is going to be done efficiently in accordance with the program. Basically this is the assumption—that when you go into it you will buy over a certain period of years in an economic fashion. In recent years that has not happened because of fiscal constraints as much as anything; inflation has hit or there has had to be a trade-off because of the fiscal cap, and the quantities themselves have been decreased to an uneconomic level and, therefore, the unit price goes up. This program disruption is a major factor.

The fourth one, and the one that you alluded to very well, is the risk of high technology. There is high risk and we have not been permitted nor have we effectively put in a risk wedge, which almost invariably is needed in high technology acquisition. We do in research and development, and we have a total risk assessing cost estimate—TRACE—number; but in procurement such a contingency has never been inserted. It is probably a very sound idea whose time has come, because you can give a pretty good estimate of what that may be over time, or at least an order of magnitude. Those are the basic drivers.

What we do in my office, independently of what the research and development and acquisition people do, is calculate a total life-cycle cost for a major system. I have a parametric cost estimate made. It is independent, and figured over the life cycle for operating and support phases which is generally 20 years. It also includes the research and development phase and the investment phase. These overlap each other and when you look at them you realize that over half of the money in most systems is in the operating support phase.

We do that in both "constant" dollars and "current" dollars, but that is hazardous because assumptions may or may not be correct. Life cycle cost information is made available in what we call the

extended planning annex, and when certain determinations are made to proceed with the program that data is available. In the judgment of the people who have to look at it there is the question of out-year affordability.

Trade-offs are hard but nevertheless my cost analysis directorate does an independent cost check when a system is ready to proceed on the next milestone or ready to go ahead with procurement.

Wherever we differ or we think there is cost risk, we bring that up. It is totally independent and we lay it on the table, and frequently we are at some disagreement. That is just natural and those difficult agreements are looked at and they are discussed by the decisionmakers who either reconcile the figures or make the best determination.

ARMY COST ESTIMATING

An explanation of Army cost estimating follows.

[The information follows:]

ARMY COST ESTIMATING

General West. The following explanation of Army Cost Estimating is a procedure followed in the Office of the Comptroller of the Army. Other cost information is similarly prepared and used in determining the relative worth of various alternatives; and provided prior to each major decision point in the acquisition process by the Army. This process, Cost and Operational Effectiveness Analyses (COEA's), will be covered in later briefings to you.

Weapon system cost estimating in the Army is governed by Department of Army (DA) Pamphlets 11-2 through 11-5, collectively known as the "Cost Guides." The guides provide the cost estimating structure, definitions, estimating methods and documenting approach to be used when costing weapon systems.

In summary, a weapon system cost estimate can be initiated when the requirements to be costed have been identified. On major materiel systems these requirements are recorded in the Materiel System Requirements Specifications (MSRS). Figure 1 illustrates the type of information required to initiate a life cycle cost estimate.

SELECTED INFORMATION RECORDED IN THE MSRS

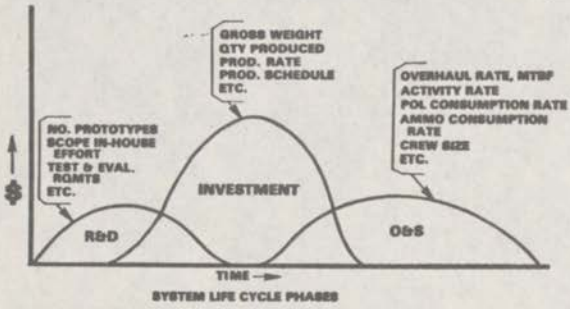


Figure 1

Cost estimates of these requirements are then developed as a matrix of costs as illustrated in Figure 2.

LIFE CYCLE COST ESTIMATING STRUCTURE FOR ARMY WEAPON SYSTEMS

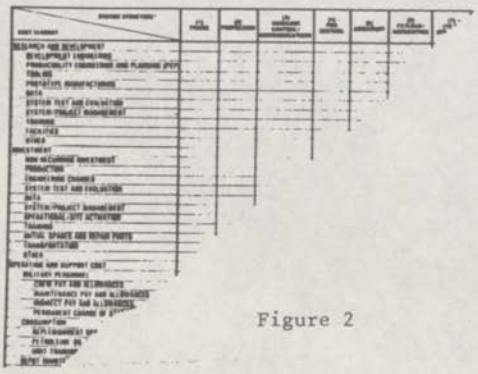


Figure 2

Cost estimating methodology may be of either the parametric type, using statistical techniques, or of the grass roots engineering build-up type. Contractor cost estimates are primarily of the engineering build-up type while Army developed estimates are primarily of the parametric type. The Army uses the parametric methodology to cross-check engineering estimates.

Cost estimates are presented in a variety of ways. Costs are presented as time-phased cost streams by fiscal year and also as a single lump sum number called "static costs." Costs are presented in both constant dollars, i.e., in the purchasing power of a specified year, and in current dollars, i.e., in the estimated purchasing power of the dollar in each of the several years over which the program extends. Inflation indices are used to convert constant dollar cost streams to current dollars. Finally, costs may be presented in terms of the cost elements causing the cost, e.g., system test and evaluation, and/or in terms of the appropriations used to fund the costs, e.g., procurement.

All major Army systems have their costs estimated on a life cycle basis. Life cycle estimates comprise costs of the Research and Development phase, Investment phase and Operating and Support (O&S) phase. Conventionally, the O&S phase for major systems reflects 20 years of estimated annual operating costs.

The institutional estimate is called the Baseline Cost Estimate (BCE) and is generally developed by the program manager (PM) based upon contractor input. The BCE flows through a process wherein it is checked for reasonableness under the policy ground rule that the Army seeks cost estimates that can stand the test of time. This process is called validation and is frequently performed by comparing the BCE with a second, independent estimate, called the IPCE, Independent Parametric Cost Estimate. To preserve the check and balance process, staffs preparing the IPCE are different from those preparing the BCE, the validators being in comptroller functional channels.

Life cycle cost estimates are developed for and used in the Army's weapon system decision-making process. This process is focused in the Army Systems Acquisition Review Council (ASARC). The Comptroller of the Army, as Chief Validator, is responsible for recommending to the ASARC principals the Army position on costs.

RECORDS ON CROSS-REFERENCING OF COST ESTIMATES

Senator RUDMAN. What do you bring to us when you come up here, General? What composite of that dispute do you bring here for us to see?

General WEST. That has to be reconciled before entering a budget. There will be a reconciliation and an agreed-to best estimate that gets into the program or the budget. That all happens before submission.

What gets in the program and budget sent to you is the best estimate at that time.

Senator RUDMAN. What I would like to know then at this point, because I want to go into this SOTAS program which is a pretty good microcosm of what we are talking about as anything.

General WEST. Probably a classic.

Senator RUDMAN. Are there records kept of this cross-referencing of cost estimates and cost overrun impact done at some point? Are there permanent records kept within your department, within the Chief of Staff of the Army, as to how this is evaluated in terms of the cost risk overrun that you are phasing, with their kind of a high technology program.

General WEST. I do not make a written assessment of cost effectiveness. I present a verbal and written independent cost estimate at the time.

Senator RUDMAN. Do you recall in that particular program as it was originally conceived whether or not there were concerns within the Army, within your office, that this program which is obviously very esoteric in nature, could have a high risk of cost overrun over the near term life.

General WEST. I was not in my present position at that time so I was not at the Army Systems Acquisition Review Council—ASARC—which addressed that. I would have to go back in the record to determine what our estimate was at the time it was addressed by the Army.

Senator RUDMAN. What would you be able to do with that definition?

General WEST. I don't know, I would have to check that.

Senator RUDMAN. Let me ask you this, General West: How long have you been in your present position?

General WEST. Just a little over 3 years.

Senator RUDMAN. In your memory in that 3-year period has there been a situation in which presented to the command structure of the Army, that makes these decisions, a situation where there was a substantial change in cost estimates from what was originally conceived to what then was the current situation? Was a decision made to abandon a program, that is, a major program, simply abandon the program and say that program is going to cost too much?

General WEST. Since I have been the Comptroller we have not abandoned a major program, although we have had disagreements and have worked out the disagreements, generally in terms of raising the cost estimates. I will say that based on my memory going back, the original main battle tank, the MBT70, was abandoned on a cost basis and the original attack helicopter was

dropped. Those were programs that were killed, but before I got to my present position.

FUTURE COST EXPENDITURES

Senator RUDMAN. The reason I ask is because I think you probably know this better than I, that in systems analysis in private industry, particularly technology private industries, they go on knowing allocations made within budgetary planning for current and out-years.

It seems to me that unless we are to bankrupt this country with defense spending, I think the Army is the least of the problems in terms of the number of high technology systems that you develop compared to some of the other services, but it seems to me that what a committee like this ought to have early on from you is an analysis where you think the cost is going and at what point economically you might decide either to go or not to go with that.

Then I would like you to give that some consideration, and to be able to come back to us on the record as to whether or not you think that is feasible and practical in terms of controlling growth of costs within some of these programs.

General WEST. I would like to give that some mature thought. Obviously cost control is a key item and I think the SOTAS, that you mentioned, is a classic example of a high technology system where the cost is considerably higher than originally conceived.

I would like to come back to you with a balanced viewpoint on that.

Senator RUDMAN. I would like to do that, General, because, Mr. Chairman, I really believe that if we are going to with any logic and intelligence decide what programs we are going to approve and what we are not going to approve and look at the whole budgetary constraints, we are going to have to get a handle before the fact, I believe, Mr. Chairman, and not after the fact, on how we are going to appraise what we are going to do with some of these systems.

Now, during the 6 years, God willing, that I am here, I would very much like to know a great deal about this and be able to do something more than simply say, "Well, it looks good and I guess we will do it," because we ought to learn from our lessons and some lessons from the Armed Forces in cost growth, and I have a graph here which I think I understand which indicates to me that my suspicions are correct.

So I would like you to come back on the record at a time convenient to you and, Mr. Chairman, as far as I am concerned it doe not have to be within the time that we have this record, I would just like you to communicate with the chairman and with me some thoughts on how we might have a new approach to this. The Pentagon has been talking about systems analysis and system management for a long time and I think this has been a system that has not been analyzed, and it has been mismanaged by the armed services over a long period of time.

I believe this committee ought to have a new idea as to how we are going to approach it if we are going to save any money at all. I appreciate that very much.

General WEST. I might add one thing. It's bigger than a single system, and any time you start looking at the force there is a

linkage of several systems. Therefore, one system cannot be looked at in isolation. For instance we have the tank and infantry fighting vehicle—they are a matched pair. You can't drop one and have the overall combined arms battlefield effectiveness that you are looking for. Air defense is another example where you are tied into several systems, one with the division, a low altitude, and a medium altitude; and if the systems don't mesh you don't have an integrated air defense.

With all of the new systems coming in, you have to have something to fill each gap. It requires a bigger focus than an independent system, although quite often the independent system becomes the culprit.

Senator RUDMAN. So you don't misunderstand me, I am talking about the whole risk cost philosophy of your branch of the service and I would like to see some thoughts of yours, since you are in the key position of the Army, to this committee as to how you think that might be better controlled. That would be in your interest as well as ours.

General WEST. I would like to do that and I think we could give you a good balanced viewpoint.

Senator RUDMAN. I appreciate that.

BUDGET TARGETS

Senator STEVENS. I want to go back to those numbers now. Am I informed properly that the last administration gave target figures to each branch and indicated that you should apply the cuts yourself to where you want to make them in the first cut?

The Army, for instance, had some requests for 1981 and 1982 and I am told that the last Secretary of Defense sent word that "Cut off so much money and put it where you think it ought to be." Did that happen?

General WEST. Well, that is more precise than what happened and I need to explain how the thing was finally balanced out.

Senator STEVENS. I am really seeking some information, so just bear with me, will you. They didn't cut it but they said for you to cut it, where you could take it best, is that right?

SERVICE PRIORITIES

General WEST. It wasn't exactly that way. In formulating the Carter budget, Defense ended up with Defense priorities. You are aware of the system where we have service priorities; Defense meshed those, and the Secretary of Defense communicated with the President and came up with a top line for that budget.

If you arbitrarily draw the line it would cross at a given level and everything above the line doesn't get funded and everything below does. As often happens, that line is not that precise and we were in effect advised that we could make some adjustments; that is, if we had to fund something that was above the cutoff we would have to offer a trade-off. However, those trade-offs had to be proposed to Defense for approval.

So there were some giveups by the Army, and I don't recall exactly what they were, to adjust that line so we had a balanced program within the final cutoff.

PLUS ITEMS

Senator STEVENS. You have $245 million increase in real property maintenance, and $232 million in force modernization, and $284 million in civilian personnel. Those were, I take it, restoring cuts that had been made by the prior administration. Is that right?

General WEST. No. They are plus items. Those were not cut on the old budget—they were never in the old budget. We would have had the civilians in the old budget had we been permitted, but at that time we were under a civilian end strength limitation. This present budget permits the increase in civilians primarily as a recognition of the readiness impact of those civilians, to let the troops go back to their units and to carry out certain essential functions that are associated with supply and depot maintenance.

In terms of real property maintenance, I wouldn't say it was a cut, it was the level we got in real property maintenance but it would not contain the backlog level. It still permitted build-up of the backlog of real property maintenance. The new administration was concerned about that. There were also members in Congress that were very concerned, and Congress has expressed several times that we should start working off that backlog. Consequently, when the amendment became a reality the new administration put enough in to insure that we could start reducing that backlog in 1982.

In the fielding of equipment, or modernization, there really was a lack in the Army's ability to estimate that a couple of years ago. We are now modernizing and moving equipment overseas; we are in the training process; we have to buy the repair parts; and we simply underestimated the cost of all that.

We now have a better mechanism to determine what those costs really are, and we have special reports coming in to fill in our own shortfall in estimation.

REAGAN BUDGET FUNDING FOR CARTER BUDGET CUTS

Senator STEVENS. What I am trying to find out is to what extent was the money that the new administration made available put into areas where the previous administration cut. How am I going to find that out?

General PRICE. I will give you some specific examples.

Senator STEVENS. Can you give me a chart later on for the record to show where this money went?

General PRICE. Yes, sir. Either where it was cut or where we did not have sufficient money to accomplish the project. For example, General West told you that the March amendment added $32 million to industrial preparedness. That brought us to a level slightly above the fiscal year 1981 level. The Carter budget would have had us lower than the 1981 level. As we got to allocating our resources in priority, we didn't have enough money to adequately take care of that area. So we underfinanced that area in the Carter budget.

With the March amendment we were able to allocate a reasonable amount of money to that area so we are just slightly above the 1981 level in industrial preparedness. There are specific areas in central procurement in which Department of Defense reduced the Army's money in two areas totaling $22 million. When we went

back with the March amendment we proposed that those reductions be restored and the same staff people in Defense who cut us in December then permitted us to increase that area or restore what they cut in the March amendment. So there are some areas but by and large in the case of Operation and Maintenance Army, the March amendments are increased programs, by increased capability over what was in the Carter budget.

BUDGET REDUCTIONS

There are examples that I just gave you where we did in fact restore their cuts and in areas where we simply did not have enough money.

[The information follows:]

O&M REDUCTIONS

General West: Let me answer this question in two parts: FY 81 and FY 82. I will address the FY 81 supplemental request first. The previous administration allowed the Army to submit a request based upon its priorities and to identify certain areas where additional resources were required to support a revised Army Program. Of the $726.0 million submitted, $135.4 million was approved by OSD in January at the OMA portion of the FY 81 Program Supplemental submitted with the January Budget. The remaining $590.6 million which was not approved was reevaluated by the present administration. An additional $276.7 million of these requirements were approved as reflected in the following table ($ in millions):

Item	Previous Administration Not Allowed	Present Administration Allowed	Present Administration Not Allowed
Indirect Fuel	80.3	79.3	
Civilian Pay	77.2	77.2	
Project 9WW	71.5	55.7	
Ammo Buildup Europe	17.0	17.0	
National Training Ctr	13.1	27.9	
9th Infantry Division High Technology Test Bed	8.0	11.3	
Leased Commo Circuit Cost Growth (TELPAK)	5.4	4.1	
Nerve Agent Antidote	3.6	4.2	
Readiness Supplemental	127.3		127.3
Resource Self Help Affordability Planning Effort (RESHAPE)	83.4		83.4
Per Diem	59.3		59.3
Foreign Military Sales	17.3		17.3
Admin Service Charge USAREUR Supply Storage	10.3		10.3
Combat Vehicle Crewman Uniforms	7.5		7.5
Project Manager TRADE	4.1		4.1
WESTCOM Rust and Repair Landing Craft Utility	3.0		3.0
Individual Entry Training	2.3		2.3
Total	590.6	276.7	314.5

New or additional items that the Army, in conjunction with the present administration, is undertaking are portrayed in the following table ($ in millions):

Item	Increase/Initiatives
Reduction of Depot Maintenance Backlog	53.0
Real Property Maintenance	48.8
Second Destination Transportation	26.2
Training Readiness	22.0
Fuel Cost Increase	22.0
Desert Camouflage Uniforms	15.0
Care of Materiel in Storage	12.0
Indicia Mail	11.5
Rapid Deployment Force Equipment	7.4
SINOP Base Support	5.6
Federal Telephone System (FTS) Cost Increase	3.0
Commissaries - Europe	3.0
Dining Facility Equipment	2.9
National Foreign Intelligence Program	2.0
WETEYE Bomb Movement	1.5
Total	235.9

For FY 82 let me give you a synopsis of how the budget is built. The Department of the Army receives a total obligational authority control from OSD/OMB. The Army then prioritizes or ranks all items/programs within this control and forwards a budget request to the administration for review. This review reranks the Army's priorities in conjunction with the other Services and defense agencies to establish an overall balanced defense posture. In conjunction with this ranking procedure the review involves a detailed analysis of the Army programs in an attempt to balance the Defense Budget. This review involves reductions in programs because they do not fit the administration's desires and those that are approved yet not funded due to a priority level above that which can be funded within the established fiscal constraints. The following table displays those programs that were reduced by the previous administration, and restored for the existing amendment ($ in millions):

Item	Previous Administration Not Allowed	Present Administration Allowed
Industrial Preparedness Operations	$ 41.3	$ 32.0
Civilian Personnel Compensation	11.9	11.3
Prepositioned War Reserve Materiel Supplies	40.1	45.0
Dredge Channel (Sunny Point)	3.0	3.0
Demilitarization of Unserviceable Ammo	12.0	12.0
Productivity Enhancement Investment	1.3	.7
Total	$109.6	$104.0

The following table portrays the continuation of ongoing programs requested in the FY 81 supplemental and new programs to begin in FY82 to improve and enhance the readiness of the Army ($ in millions):

O&M REDUCTIONS

Item	($ in Millions)
Civilian Personnel	$ 284.5
Real Property Maintenance	245.0
Force Modernization	232.0
Tactical Automation/Communications	85.0
Increased Training Readiness	69.5
Reduction of Depot Maintenance Backlog	68.0
Camouflage Screens	47.0
Care of Materiel in Storage	43.0
Rapid Deployment Force, Army Improvements	33.0
Project 9WW	32.0
Fuel Cost Increase	26.0
Joint Chiefs of Staff Exercises	18.0
Central Procurement Activities	11.0
Strategic Automation/Communications Shortages	8.6
Nerve Agent Antidote	7.4
Mobilization Facilities Planning	6.5
Worldwide Military Command and Control (WWMCCS) Automatic Data Processing Upgrade	5.6
Commissaries - Europe	5.0
National Training Center	5.0
WESTCOM Rust Repair Control	4.1
National Foreign Intelligence Program	3.6
Silicone Brake Fluid	3.4
Housing Improvement Initiatives	3.0
US Army Management Systems Support Agency (USAMSSA) Automatic Data Processing Cost Increases	2.8
Dining Facility Equipment	2.0
Attack Helicopter Company	.9
Operation of MILPERCEN Data Processing Installation	.7
Total	$1,252.6

The above discussion was only on the OMA appropriation. The adequacy of the total Army FY 82 budget, submitted by the previous administration, is displayed below:

BUDGET ADEQUACY*
FY 82

DOES:		DOES NOT:
• PROJECT APPROX 786K ACTIVE MILITARY • PROVIDE INCREASED RC STRENGTH • MAINTAIN CIVILIAN STRENGTH LEVEL • INCREASE NCO STRENGTH	MANNING	• PROVIDE ADEQUATE MILITARY STRENGTH • PROVIDE NEEDED CIVILIAN INCREASE • PROVIDE ADEQUATE INCENTIVES TO RETAIN MID-GRADE LEADERS
• IMPROVE INITIAL ENTRY TRAINING • BEGIN NCO PROFESSIONAL DEVELOPMENT	TRAINING	• PROVIDE ADEQUATE RESOURCES FOR TRAINING BASE
• BEGIN PRODUCTION OF SELECTED SYSTEMS • PROCURE MODEST LEVEL OF STANDARD EQUIPMENT	MODERNIZING/ EQUIPPING	• SATISFY EXISTING SHORTAGES • PRODUCE AT ECONOMIC RATES • ACHIEVE QUALITATIVE PARITY IN MID-80's
• PROCURE MODEST INCREASE IN WAR RESERVE STOCKS	SUSTAINING	• SUPPORT ENDURING WAR • ADEQUATELY RESOURCE MOBILIZATION BASE • FIX CURRENT FACILITIES • PROVIDE NECESSARY IMPROVEMENTS TO INDUSTRIAL PREPAREDNESS
• CONTINUE FILLING POMCUS SET 4	DEPLOYING	• FILL POMCUS SHORTAGE THROUGH SETS 5&6

*PRIMARY AREAS ONLY

In comparison, the current administration's amended budget reflects the increased adequacy in meeting the Army's budget objectives.

BUDGET ADEQUACY
FY 82

DOES		DOES NOT
• PROJECT APPROX 786K ACTIVE MILITARY • PROVIDE MODEST CIVILIAN INCREASE • PROVIDE INCREASED RC STRENGTH • INCREASE ACTIVE NCO STRENGTH	MANNING	• PROVIDE ADEQUATE MILITARY STRENGTH • PROVIDE TOTAL CIVILIAN INCREASE NEEDED
• EXPAND INITIAL ENTRY TRAINING • IMPROVE NCO PROFESSIONAL DEVELOPMENT • SUPPORT NATIONAL TRAINING CENTER • PROVIDE ADDITIONAL MISSION-ORIENTED CONTINGENCY AND ENVIRONMENTAL TRAINING	TRAINING	• PROVIDE ADEQUATE RESOURCES FOR TRAINING DEVELOPMENTS AND BASE OPERATIONS SUPPORT
• BEGIN PRODUCTION OF SELECTED SYSTEMS • RESTORE KEY PROGRAMS TO ECONOMIC RATES OF PRODUCTION • PROCURE MODEST LEVEL OF STANDARD EQUIPMENT	MODERNIZING/ EQUIPPING	• SATISFY EXISTING SHORTAGES • PRODUCE ALL SYSTEMS AT ECONOMIC RATES • ACHIEVE QUALITATIVE PARITY IN FIELDED EQUIPMENT IN MID-80's
• PROCURE MODEST LEVEL INCREASE IN WAR RESERVE STOCKS • IMPROVE ROF SUSTAINABILITY • PROVIDE MODEST IMPROVEMENT TO INDUSTRIAL PREPAREDNESS	SUSTAINING	• PROVIDE SUFFICIENT SUPPORT FOR LONG TERM CONFLICT • ADEQUATELY RESOURCE MOBILIZATION BASE • REDUCE FACILITIES REPAIR BACKLOG
• PROVIDE SUFFICIENT PROCUREMENT TO FILL THROUGH POMCUS SET 4	DEPLOYING	• FILL POMCUS SHORTAGE OF SETS 5 & 6

SEPARATE BRANCH BUDGET CUTS

Senator STEVENS. I want to ask the staff to pursue this and get the same kind of breakdown for each of the Pentagon units because from just a social conversation I was led to believe that the past administration, in each branch had made requests of the past administration and the past administration gave back to the branches a level and said, "Now this is going to in effect be your cut and put it where it will do you the least harm."

If that is so, then I want to find out why, when we wanted to increase spending, to pick up dramatically, we restored some of those things that the services said would do them the least harm. Why didn't we go to areas where the new emphasis was clear? That is, rather than pick up the areas where the services themselves indicated they could take cuts. If I have been misinformed I would like to know that, but I would like to see those charts and see what really happened to this money.

FORCE MODERNIZATION AND COST ESTIMATES

Now, in terms of what Senator Rudman was talking about, General, we went from $27 million in 1980 to $2.6 billion estimate for 1986 in new systems and force modernization. So this year alone from $27 million in fiscal year 1980, we are up to $421 million this year, for modernization costs. It is going to double again next year. That has an alarming potential for this committee and I think for the Nation. What really have you done? You must have graphed this just as our staff did.

General WEST. We really need a special briefing on this because there is a big spread sheet on all of the new items of equipment showing when they have to be fielded and where they go.

Senator STEVENS. I have been on this committee for quite some time and I do not recall any briefings that indicated the out-years were going to be so fantastic when we were looking at $27 million in 1980. Nor did we see anything last year that showed we were going to go off the graph again in 1982. Each year it is just precipitous.

General WEST. In 1980 we were not projecting adequately. Clearly we were not. We now have the Army Force Modernization Coordinating Office, working in the Chief of Staff office, devoted entirely to getting a handle on how we are going to field our new systems. The Army has not been in a major modernization mode since before Vietnam.

Senator STEVENS. You are not to be in one the next year, someone is going to cut it. I don't think you can project those figures in the future on a continuing appropriation basis. There is just no way because, as Senator Rudman said, we are not singling you out, it is cutting across the board in the Pentagon. Someone has to make some harder choices as to what we are going to go ahead with, and not get us going ahead with every system that someone dreams up.

I think we will, Senator, we will pick out a date and, Senator, you can Chair that one, and we can see what we can do. There is no use belaboring it now because I don't think unless you have

some backup systems and briefings, it would be possible to go into it.

General Price, do you have a comment?

M-60A3 TANK

General PRICE. Sir, the most expensive system, in terms of operation and maintenance—O. & M.—support, that we are adding in fiscal year 1982 is one that you will think of as an old system. That is the M-60A3 tank. That system was authorized and appropriated 2 to 3 years ago, and we have been purchasing new tanks or converting old tanks to the A3 configuration since then. Now the leadtime has developed and the things are really being shipped; they are coming out of Detroit, and we now have 13 battalions of them in Europe.

That is the principal or most costly O. & M. supported system that we have. It will be about $84 million to introduce that system in fiscal year 1982. But remember there is a domino effect that starts. We pay O. & M., and not the procurement but the O. & M., we pay freight from Detroit and we ship it to Europe over ocean transportation. Once it gets to Europe it moves through a port and it goes down to a unit and we train that unit on the peculiarities of the new piece of equipment. During the time we are training them that unit has two pieces of equipment.

It has the old one so it can go to war and it has the new one while it trains. Once it has trained up, it takes the new equipment and then we begin the domino effect with that old tank. It is not really old or no good, it is a good piece of equipment, so it is moved to stocks, war reserve stocks, or it is moved back to the United States to fill out tank shortages in the United States.

So there is an awful lot of money involved in moving the equipment around. We would offer to present to the staff and to the members, if they wished, the system that we go through in estimating these very large costs, and we certainly understand the committee's concern as to how they are growing.

Senator RUDMAN. When General West, I think very candidly, and I appreciate your candor, tells us that the Army's system for projecting these costs back in 1979 and 1980 left something to be desired, when you look at that graph, it certainly did.

General WEST. We were not projecting effectively 2 years ago and we set up a total organization to come to grips with that. I think that you will find that we are now identifying items associated with the new equipment that we lost in the overall budget before.

DECISION LEVEL ON NEW SYSTEMS

Senator STEVENS. Is that leading to a decision level that Senator Rudman has mentioned on new systems, where we can say we can't afford to go into those new systems?

General WEST. It is clearly part of the life cycle cost of that system, and that is why I mentioned it. It is part of the operating and support or O. & S. cost. If you overlap these curves you will have the development, the procurement, and the O. & S. They will

overlap, and the biggest piece under that curve in the life cycle will be O. & S.

Senator STEVENS. This is one of the problems. When we saw the briefing on the tank the other day we have the new tank coming and we have comparisons from your M60 series to the threat, and we seem to be throwing money at the M60 series knowing that it can't meet the future threat. We have a new tank coming. I questioned that judgment and why are we putting that much money into something when we know we have to have a new tank? I think somewhere, someone has to make a decision that we have to take a risk for [deleted] in order to get the new one there.

I would think if you put that kind of money into procurement of modernization of the old tank you are going to ultimately delay the acquisition of strength of the new tank. That graph as far as you are concerned has a lot to do with the tank modernization, does it not?

General WEST. Yes. The M1 tank as it comes aboard is going to be a big user of support costs.

Senator STEVENS. But it is going to come at the same time we are modernizing the old tank.

General WEST. We are doing both. We will be using the M60A3 tank well on into the late 1990's under our plan. They won't be phased out. They will be part of the tank mix, and considered a first line tank, but they are not as effective as the M1 tank.

MANAGEMENT SYSTEMS

Senator STEVENS. I have some other questions.

Senator RUDMAN. I have a question, I just wanted to also follow on with the Chairman's statement. I think what we are both saying, really in the same way, is that you have got to have to come here with some sophisticated systems, and I am talking about management systems, to tell us for instance, that you want three new armored divisions next year because you believe that that is something due to the geographic threat that we face, that we are going to have to have and they are going to cost x millions or billions of dollars, and then you have a SOTAS program and you have BMD programs and a few other programs and there are now something on the order of several hundred programs, and no parameters to them, and we will be able to make intelligent decisions rather than find ourselves throwing a little bit at a lot of systems and ending up with nothing, which is what you have said, General Price, has happened in some ways in the last few years, if I understand your testimony.

There is industrial preparedness, for instance, where we have not done enough to really get the whole ball of wax. It is a wonderful thing to build a fighting tank, and it would not be good if we got to the final end and could not afford the gun. What we have to do is make sure that we spend money to get systems complete and on line, be this tank or antiballistic systems or whatever, but we can't do that unless we have an endless supply of money.

I believe that although the American public this year wants to support increased national defense, I think there is a limit. I think we are going to have some better systems to manage where our investments are going to go, least we find ourselves in 1983 with

500 systems, all between 30 and 40 percent complete and cost estimates that essentially say there is no way we can complete any number of them within a time frame.

That is really the history of procurement in the last 5 years in my view. I think this is important and I would like to get very much involved. I think this is more important, in my view, than almost anything else, if we are going to make some intelligent decisions over the next 5 years.

General WEST. And it becomes very apparent that you have to look at more than a 5-year program period. It is obvious that with major systems we must look out 20 years in most cases, if we look at the full life cycle. Certainly big costs are beyond the program period of 5 years.

FORCE MODERNIZATION

Senator RUDMAN. This chart, if that shows, I would like to know where it goes after 1985, because according to their figures in 1985 it is at $2.6 billion and I wonder where it is going to be by 1990.

General WEST. We can provide that. There is a need as shown by that curve but I don't want to project it beyond 1986 right now.

[The information follows:]

FORCE MODERNIZATION

The following OMA Operating and Support costs are projected to support force modernization during the extended planning annex (EPA) time frame.

Fiscal year 1982 constant dollar in billions

1986	2.607
1987	2.616
1988	2.694
1989	2.774
1990	2.857

These projections are extrapolated from the current program base. Ultimately, the required operating and support resources for force modernization will, in great part, be determined by the Army's procurement programs and the extent of the impact of emerging technology.

M60A3 MODERNIZATION

Senator STEVENS. If you look at that tank, the M60A3 series, apparently there was no estimate made down the line that it would be modernized. We were working on another tank, is that right?

General WEST. Yes.

Senator STEVENS. But in midstream we decided, wait 1 minute, we had better modernize that M60A3 while we are starting the acquisition of a new tank. We seem to be reacting to the Russians rather than trying to keep ahead of them. I wonder sometimes about that judgment.

General WEST. Mr. Chairman, the reason the M60A3 tank was modernized is to fill that gap. With an improved fire control system and other things it is a more capable piece of equipment.

Senator STEVENS. Why wasn't it designed that way in the first place?

TANK TECHNOLOGY

General WEST. This is new technology that has been incorporated in the M60A3 tank.

Senator STEVENS. The technology was in the Air Force at that time, basically, wasn't it?

General WEST. The technology we are using in that tank is relatively new. The production of the night sight in fact has until recently been a real problem to use, as you well know. It wasn't solved until the last year or so.

You talked about continued production of the M60A3 tank—that has been a subject for serious discussion. The reason for maintaining the M60A3 production line this year, basically, was to keep a warm base until such time as the M1 tank was being produced in some quantity, so that in case of conflict or war in the near term there would be some production base that could be used, not only for our forces but in support of allies.

The money for that M60A3 line is only in the 1981 budget. It is presumed that foreign military sales orders will be received in sufficient quantity to support production through 1982. Beyond that, no judgment has been made.

Senator STEVENS. I just can't understand continuing production of something that is outmoded. It is something we will have to go into. Let me turn to personnel for a minute.

PERSONNEL COSTS

As I understand your justification you don't associate any increased funding with the 10,000 new personnel for this year or the 11,800 for next year.

General WEST. Yes.

Senator STEVENS. How about 1981?

General PRICE. There are funds included in the depot maintenance increase to pay for the civilian personnel that are associated with a portion of the 1981 increase. It is true that we did not ask for additional money for the 5,600 of the additional add-on in 1981. Congress appropriated operation and maintenance, some $35 million in the original fiscal year 1981 bill as additional civilian personnel money to compensate for the hiring freeze, when it was lifted. That money was more than we required for that purpose so we are using $35 million appropriated by Congress to pay for 5,600 civilian personnel that were added in 1981. Those are primarily indirect hire personnel and will be employed in Germany.

Senator STEVENS. You budgeted $284.5 million I understand for the 21,200 slots in 1982. Why can't part of that cost be absorbed similarly in 1982?

General PRICE. Actually I am not sure we are absorbing the cost. After we altered our original plan in 1981 for the hiring freeze, and have seen its effect or saw its effect for 5 months, we found that we could take those additional personnel without asking for additional money and use what Congress gave us. Congress has not plussed up any additional money for 1982. We have priced the civilians as they would come on board and that, by the way, is not a full year cost of them. We assume that as you add civilian personnel in fiscal year 1982, on the average they will only be on-board one-half

year, so that is essentially the half year cost of the increase in 1982.

Senator STEVENS. Do you want to give us the basis for that increased personnel funding, elapsed rate and what they are projecting for out years? What are we looking at as far as those 25,200? What are they going to be in 1983, do you know?

CIVILIAN PAY

General PRICE. No, sir, I don't know. I can give you that. I can assume the pay raise, and assume a pay raise number and project that cost. I will assume a low pay raise number.

[The information follows:]

ADDITIONAL CIVILIAN PAY—FISCAL YEAR 1983

We are projecting a workyear utilization rate of approximately 99 percent against the total end strength increase of 21,800 civilians in fiscal year 1983 and beyond. Based upon current pay rates used for the fiscal year 1981 pay supplementals it is estimated that the costs in fiscal year 1983 would be approximately $481.5 million. Assuming a pay raise of about 4.5 percent in fiscal year 1983 this amount would increase to about $503.2 million.

MAN-YEAR COSTS

General WEST. But the impact in terms of the cost of man-years beyond 1982 is double what is estimated in 1982.

Senator STEVENS. It will be at least that, from what I understand, although I can't quite understand the philosophy of that pay raise, as I have said before.

Senator RUDMAN. I have to go to an appropriations subcommittee for 30 minutes and I will be back.

Senator STEVENS. Off the record.

[Discussion off the record.]

Senator ANDREWS. I would like to ask a few questions, Mr. Chairman.

On page 11 of your record version testimony, you state that the O. & M. request for recruiting is $308 million. On page 3 of your reading version testimony, you say "We are asking for an increase in our recruiting and advertising request totaling $64 million."

So much of our time is taken up on whether we have to go to the draft or whether we are going to keep a volunteer service, and what percentage of that increase is going to be used for television advertisements, for radio and how are you going to spend it? Have you found something new in recruiting techniques that you are going to use, or is this just an overall increase to do the standard recruiting you have been doing for years?

General PRICE. We are doing more advertising, yes. There reason we have increased the advertising is because we are targeting a different audience. As you recall we have to maintain the high school diploma content of our accessions at 65 percent in fiscal year 1981 and 70 percent in fiscal year 1982.

So we are targeting on a different audience. We estimate that to achieve this it will be more costly and more difficult. That is the basic reason. There are no completely new ideas in it.

Senator ANDREWS. It is in terms of man hour per recruit secured or how is that figured?

General PRICE. That is correct, and as you have undoubtedly heard also, the number of eligibles or pool from which we are drawing is also decreasing, so we are intensifying on a smaller pool in order to make the high school diploma graduate content and the other education level requirements that have been imposed upon us.

EDUCATIONAL BENEFITS

Senator ANDREWS. In both of these statements I looked at, you have indicated the importance of educational benefits to retention. You also mentioned the active component as having $109 million for educational programs. How many individuals in the active component take part in one or more of these educational programs and are those that have completed high school?

General WEST. They are both.

[The information follows:]

FUNDING FOR EDUCATIONAL PROGRAMS

Educational programs for Army personnel are funded at $128 million not $109 million. Of this amount, $10.6 million is for the veterans' educational assistance program incentive known as VEAP and is not for programs within the Army continuing education system (ACES).

Programs are offered to soldiers who are both high school and nonhigh school graduates; however, our centralized management data system does not indicate the educational level of participants by program.

During fiscal year 1980, 333,169 soldiers participated in one or more of the programs within ACES: 309,922 enlisted personnel; 4,085 warrant officers; and 19,162 commissioned officers.

RESULTS OF EDUCATION PROGRAM

Senator ANDREWS. In other words your educational level statistics show, as General Price mentioned, the importance of getting high school graduates and a higher educated individual into the service. Are these educational benefits particularly attracting that type of recruit?

General PRICE. The education program that we have now is primarily contributing to retention as opposed to bringing more people in. We are now offering a GI bill type of education.

Senator ANDREWS. No, this is in-house, where the ongoing part-time education that the man has, or the woman has, and they are in the service.

General WEST. Really, there are several levels of this. One is the very basic skills. We do have a program for people who are not up to the fifth grade reading level, and we need to get them there to absorb effective training.

Senator ANDREWS. Now you raise another point. What percent of this program is for the Army's needs and what percentage of the program is for ongoing education that will serve the recruit when they get back to civilian life?

General WEST. I have to get you a break on that. Most of this is targeted on our own needs right now. The second program is trying to get people to achieve the equivalent of a high school education, and we feel that is pretty essential for those people we retain. We have some expectation that the better ones will stay on as noncommissioned officers. They need to get up to that level.

Some of it is in job-related skill activities. Beyond that, there are people who on their own account will take courses and that cost is shared. People who want to go beyond high school are encouraged, if they want to do it.

[The information follows:]

ARMY EDUCATION PROGRAMS

Most courses offered in the Army Continuing Education System (ACES) support the needs of the Army as well as those of the individual.

Approximately 69 percent of the ACES program is fully-funded, on duty and related directly to the soldier's military career. Although these programs, such as Basic Skills Education Program (BSEP), English-as-a-Second Language (ESL) and Headstart are designed to increase the ability to perform in one's MOS, many of the skills acquired in these courses will also enhance the preparation for return to the civilian community.

The other 31 percent of ACES funding is for off-duty voluntary programs which are offered to honor recruiting promises. These opportunities permit soldiers to fulfill their individual aspirations and to allow them to have the same educational opportunities they would have had had they not entered the service. While these off-duty programs are available for individual needs, they also enhance soldiers' abilities to perform their military duties.

TUITION ENROLLMENT ASSISTANCE

General PRICE. Just to give you a feel for the number of people we are talking about that take advantage of the education program, in 1980 we had 176,000 enrollments for tuition assistance. There were also 465,000 enrollments in the basic skills education program. Some soldiers were enrolled more than once in these programs. To give you an order of magnitude, we expect tuition assistance enrollments to grow to about 201,000 in 1982 and the basic skills enrollments to decline somewhat.

Senator ANDREWS. Do you find that is helpful in your recruiting, the fact that you do offer this in-service education?

General PRICE. We think it is helpful, but it doesn't drive recruiting, but it certainly contributes to it.

Senator ANDREWS. But it is a helpful adjunct?

General PRICE. And the tuition assistance is particularly true.

Senator ANDREWS. Thank you.

COST REDUCTIONS IN RECRUITING

Senator STEVENS. I have one other question. To continue on what Senator Andrews was commenting about, the staff points out there is a $9 million reduction in recruiting in the revised budget. How did that happen? Also a 3-percent cutback in medical recruiting and examining.

General PRICE. The $9 million reduction in the recruiting program for the Active Army was a result of a requirement to identify this and to share in the overall austerity of the new administration. We looked at that program and we say that we can take that reduction and still accomplish the same objective. That program was in effect overstated, after we looked at it some 3 months later.

Senator STEVENS. That is the first reduction I have seen, as a result of the review that came about, in the new administration. I wondered about that. The emphasis seemed to be on recruiting and yet here is $9 million out of recruiting.

General PRICE. But we say we will accomplish the same objective. We did not lower the number of accessions, and we think we can still accomplish the same thing.

Senator STEVENS. It raises the question why wasn't there some similar observations for other portions of the program? Am I correct, that is the only reduction?

General WEST. No; there is about a $100 million reduction as part of the 1982 offset. As part of the offset, not only were there so-called efficiencies, but there were almost $500 million in program offsets—all appropriations—that we used against the amendment. That was where we had to take those items that we considered of lesser priority.

Senator STEVENS. I will have to study those. Senator Rudman, do you want to comment? I have to go over there and we can recess until Monday, April 6.

Senator RUDMAN. Let me take a short 5-minute recess.

[A brief recess was taken.]

Senator RUDMAN (chairing). We will come to order.

I find myself in the unique position of chairing the hearing more, I am sure, to my availability than my ability this morning. We will try to get through some of the substantive matters that Senator Stevens wanted to cover. I do have several questions that I have been wanting to ask which I didn't get to this morning.

M1 TURBINE ENGINE

In this whole matter of cost escalation we are also tied in, it seems to me, very closely to matters of systems reliability when they finally do come off. There seems to be some dispute, not within the Army, but between the Army and GAO about the M1 tank, particularly about its turbine engine. I assume that you must be informed to some extent in terms of procurement functions about this aspect of things. Does the Army feel that we are going to have a situation where we are going to have a deployable tank that is going to work or are you going to come back to us with some problems? How sure are you that these problems have been solved because we are committing a huge amount of money to the production of this particular system?

General WEST. Right now I have a high level of confidence based on the operational testing down in Texas. There were some initial reliability problems in prior year testing because the engine was a new engine, and it went through the normal sequence of what happens to new engines—you will have to have some fixes. I did see the report of their blue ribbon panel that looked at the engine. Their report said that this engine is comparable to a new turbine engine for an aircraft and that we are having no more problems than on the new engines that have been put on aircraft in recent years, but we would have to go through that normal sequence of finding the problems and fixing them.

I think we have done that with the M1 turbine. Now the GAO report as you know goes back to a little earlier history so they have documented things that occurred earlier on in the testing and also at Fort Knox. All I can say is that the current results at Fort Hood and Fort Knox seemed to be very, very good in terms of reliability. The troops are very high on it.

Senator RUDMAN. I hope you are right, because obviously historically on production lines, if problems were to subsequently develop, the fix would be extraordinarily expensive to make design changes in the midst of production.

General WEST. I think I am correct, I don't think there has been an engine replacement at Fort Hood so far.

PREPAREDNESS AND COST

Senator RUDMAN. I want to move on to a question which also relates, in many ways, to preparedness and cost and that is what I believe you call with an acronym, POMCUS, which is the preposition of equipment. You have $12 million to begin establishing the fifth one of those in the budget, and it is my understanding that no such equipment will be able to be transferred in fiscal year 1982 and even assuming we don't have an immediate imminent threat in Europe how do you insure that the procurement that you have planned under this will end up at a cost within the estimate that you have given us today, since they will not be deployed for some time later than originally planned?

General PRICE. The $12 million that we refer to does not procure equipment but rather it takes care of the sites as they become ready. The Governments of Belgium and the Netherlands are acquiring the land and NATO infrastructure is building the warehouses, where we put our equipment. As those things are completed they are turned over to U.S. forces, the Army. We then become responsible for the utilities and the operation and guarding of those sites.

Since we expect equipment to be arriving in early fiscal year 1983, we need to begin working on a small force at each site and to begin bringing in the supplies necessary to receive and store the equipment. Now we will buy some repair parts with the $12 million that need to be on the site when the equipment arrives. Originally the plan was to bring in sets five and six in fiscal year 1982. Since the construction delays occurred we simply would not ship the equipment to outside sites and of course the Army was never very happy to withdraw equipment from the Active Army and Reserve components in order to build that up.

REASONS FOR CONSTRUCTION SLIPPAGE

Senator RUDMAN. What was the reason for the construction slippages?

General PRICE. That was the difficulty of the two host governments acquiring the land, and then once that occurred then simply the normal construction delays. You take the best estimate and watch it slip each time you review the program.

WORLDWIDE MILITARY COMMAND AND CONTROL SYSTEMS

Senator RUDMAN. Let me move on to one other question which I had, which had to do with worldwide military command and control systems—WWMCCS—which has had several breakdowns in the last few months according to reports that I have. In conjunction with that what kind of money is in the budget to bring that system up to snuff, and have the technical problems been solved? It

seems to me that that is an absolutely high priority system for the Army to have in place and operating.

General PRICE. We have improvements in WWMCCS in the fiscal year 1982 request. We have $13 million budgeted in support of it. That is an increase of $13 million, will bring us to a total of $20 million in 1982, in support of WWMCCS. I am not technically competent to answer if that will solve all of the problems, and I simply cannot. We have improved our share of the WWMCCS system and we are not the only component in that system.

FUNDING FOR TECHNICAL PROBLEMS

Senator RUDMAN. Might you for the record tell us if the funds that are allocated are sufficient to cure the technical problems or whether or not we are going to find you back here before us needing more money because the technical problems take more money to solve, which seems to be the story of procurement in many of these systems.

General PRICE. We would be pleased to.

[The material follows:]

WORLDWIDE MILITARY COMMAND AND CONTROL SYSTEM

The Worldwide Military Command and Control System (WWMCCS) Automatic Data Processing (ADP) is a Department of Defense-wide system. Each of the Services operates sites or nodes in the network. The Army's role is to operate and maintain six host computer sites and two major terminal sites. These sites are at Headquarters, Department of the Army, the Army War College, The Military Traffic Management Command, U.S. Army, Europe, the U.S. European Command, and the U.S. Army Forces Command. The two terminal sites are at the U.S. Southern Command (Panama) and the U.S. Army Western Command (in Hawaii). Overall management direction comes from the Assistant Secretary of Defense, Communications, Command, Control, and Intelligence and the Joint Chiefs of Staff. The Defense Communications Agency (DCA) is responsible for the technical aspects of the WWMCCS/ADP Program to include the WWMCCS Intercomputer Network and maintenance of standard software for use within WWMCCS. Obviously, the technical aspects of the network and system are broader than the Army's role. (There are a total of 26 WWMCCS ADP sites). It is an integrated, interactive system; each site is in the network and can communicate with other sites and send files and exchange information between sites.

Additionally, within the overall umbrella of WWMCCS there are five major elements: ADP, communications, intelligence and warning, command facilities, and executive aids. The Army's role pertains to a portion of the communications network, the ADP sites listed above, and the associated command center facilities. The Defense Communications Agency is currently working to provide enhancements to the WWMCCS Intercomputer Network in order to improve communications within WWMCCS ADP. The level of funding associated with the Army request is for near term improvements to the WWMCCS ADP system at the Army sites pending modernization of the total system by the WWMCCS Systems Engineer. In response to House Report No. 96-916, the Assistant Secretary of Defense, Communications, Command, Control, and Intelligence and the WWMCCS Systems Engineer in coordination with the Services, have prepared an interim modernization plan for the future WWMCCS ADP system called the WWMCCS Information System (WIS). A final report is due to Congress with the fiscal year 1983 budget in January 1982. The modernization effort is scheduled to begin in fiscal year 1986. The modernization plan includes those steps being taken by the U.S. Air Force in fiscal year 1983-87 to upgrade and modernize the ADP systems that support tactical warning and attack assessment located at the North American Air Defense, the Strategic Air Command, and within the National Military Command System.

To provide continued support to the Army's mobilization, deployment, and sustainment mission, the WWMCCS ADP system will require life cycle replacement items until it is phased out by the WIS effort in the post fiscal year 1986 timeframe. Additionally, operation and maintenance of the sites and equipment require funding on an annual basis.

In summary, we believe the operation and maintenance, Army funds are sufficient to solve technical problems associated with the near-term improvements for which the Army is responsible.

120MM TANK GUN

Seantor RUDMAN. I wonder if you could just inform me about the NATO arms purchases. I want to know about the arrangement where we are going to replace the standard 105mm, for the 120mm which is made by the Germans?

General WEST. We are going to make it using transferred technology. It will be the German design, but will be produced here in the United States. The date, I would have to confirm, but it probably will start in 1984 when it will be phased into the new M1 tank production. The concept of the 120mm smooth bore tank gun was based on the fact it does have growth potential, whereas the 105mm tank gun, which is a very effective weapon, has really achieved its technical growth potential.

[The information follows:]

120MM TANK GUN

Current Army plans call for the 120mm tank gun system to complete Developmental and Operational testing in January 1983. Following the Army and Defense system Acquisition Review Council evaluation of the 120mm tank gun program, actual production of the 120mm equipped Abrams tanks (designated M1E1) could begin late 1983. The first production delivery of an M1E1 Abrams tank is scheduled for August 1984.

CONTRACTING CONSULTANTS

Senator RUDMAN. Can we move up to the area of contracting consultants which I believe the chairman would like some comment on the record. Let me read the question prepared by the chairman:

President Reagan's budget revisions included reductions attributed to consultant expenses. The term "consultants" in this instance apparently applies to a broader area of contracting for management and technical services as well. How much in total are you budgeting for this kind of contracting in 1981 and 1982 fiscal years?

If you cannot supply that now would you submit it for the record?

General PRICE. In round numbers $210.6 million in fiscal year 1981 and $183.4 million in fiscal year 1982. Reductions have been applied to this area, and those are net figures that I gave you. "Operation and maintenance, Army," was reduced by $23.5 million in 1982; "Research and development testing and evaluation" was reduced $6.9 million, and "Procurement" was reduced $6.6 million.

So that $183 million net figure that I gave you in 1982 is after the reduction.

Senator RUDMAN. Are you studying your own in-house capabilities to see if this could be reduced an even greater amount?

General WEST. Yes, we are, and in fact we have an economy and efficiency study being conducted right now. I think you will find that the Army's use of consultants is probably less than the other services. We have historically not relied to the same degree as they on external consultants.

Therefore, there probably is not high potential for reduction. The second part is if you do reduce them, you obviously have to create

an in-house capability to do the same thing. In many cases, it is cheaper, if you have a one-time reuqirement, to actually hire that service than to try to keep an in-house force, where you need an expert. So they can be a proper balance, and I would not want to give the impression that consulting services are necessarily something that should be reduced to a great degree.

CONSULTING SERVICES AND FEES

General PRICE. Could we expand for the record, so that there is no misunderstanding that the $18.3 million we are going to spend in fiscal year 1982 is not entirely for consultants. It is in our introductory remarks, but if you would permit us, it would be helpful if we could expand on that to clarify what a consultant is by our definition, because we certainly have a lot of other things in that besides consultants.

Senator RUDMAN.Would you do that for the record or would you like to do it now?

General PRICE. I think it would be better to do it for the record. The amount we have for consulting services is very small, about $5 million for our consultants.

[The material follows:]

CONSULTANTS

The amounts we have reported to you, $210.6 million in fiscal year 1981 and $183.4 million in fiscal year 1982, are displayed in a special budget exhibit, the *Special Analysis—Consultants, Studies, and Analyses* and *Management Support Contracts.*

This exhibit is divided into 4 categories; Personnel Appointments and Contract Consultants, Contract Studies and Analyses, Professional and Management Services by Contract, and Contract Engineering Technical Services. The first three categories are subdivided to report "consultants" and "consulting services." None of the contracts in Contract Engineering Technical Services are classified as consulting services.

"Appointed consultants," including Federal Advisory Committee Members, account for $600 thousand in fiscal year 1981 and fiscal year 1982. These individuals are employed under excepted appointments citing 5 U.S. Code 3109 as authority. They serve in an advisory capacity as opposed to those persons carrying out the responsibilities of the agency. "Contract consultants" are individuals hired by personal service contract when it is impractical to obtain their services through excepted appointment procedures. The amounts budgeted for this category are $294 thousand in fiscal year 1981 and $269 thousand in fiscal year 1982.

"Consulting services" are defined as services of a purely advisory nature relating to the governmental functions of agency administration and management and agency program management. A small portion of the contracts in the Studies and Analyses and Management and Professional Services categories are for procurement of consulting services. These account for $4.6 million in fiscal year 1981 and $4.3 million in fiscal year 1982. Consultants and consulting services, as defined above, represent less than 3 percent of fiscal year 1981 and fiscal year 1982 totals in the Special Analyses exhibit.

As the chairman observed, President Reagan's reduction was applied to a broader area of contracting than consulting services. In those categories and subcategories where we were directed to take a reduction, it was applied against the entire amount rather than against the subtotal classified as consulting services. For example, the fiscal year 1982 Contract Studies and Analyses total of $24.7 million was reduced by $5.1 million event though it contained only $1.2 million in consulting services contracts.

UNIT ACTIVATION COSTS

Senator RUDMAN. Your statement summarizes a substantial increase, including activation of 14 battalions and more than 20 units

of the Reserve in 1981 and 1982. What is the total cost of this expansion details for each fiscal year?

General PRICE. If I could, I would like to provide that for the record. I don't have that number immediately.

[The information follows:]

COST OF UNIT ACTIVATION

The total projected cost—procurement, military personnel, and operation and maintenance—for implementing the activation of the fiscal year 1981 units is $108.8 million and for the fiscal year 1982 units is $178.5 million. The increase is accounted for by activation of more costly armor battalions and aviation units.

NATIONAL GUARD INTELLIGENCE UNITS

General WEST. Did you want to add anything?

General TEMPLE. In the case of the "National Guard there are some intelligence type units authorized for divisions now which are coming into the Guard, and key type units coming into the Guard in the budget. Other than that there is a combat service support unit, and I can provide that for you more precisely in the record.

[The material follows:]

ARNG FORCE STRUCTURE CHANGES

In fiscal year 1981 and fiscal year 1982, Army National Guard force structure changes are programed as follows:

1. MI Battalion (Aerial Exploitation).
3. 155mm Field Artillery Battalions to 8-inch.
2. NBC Defense Companies.
2. POL Supply Companies.

Several separate units to one armored brigade (sep).

CONTINENTAL U.S. UNIT ACTIVATIONS

Senator RUDMAN. You have budgeted more than $4 million to annualize the cost of units activated in fiscal year 1981 in the continental United States. Please provide for the record a breakdown of that request showing why the withdrawal of one-time costs wasn't to offset ongoing expenses?

General PRICE. I would be pleased to but if I could make one point. As with civilian personnel, when you bring a unit onboard in one year, you have the one-time cost and you assume its operation for a half year. Likewise, then, in the second year, you take out your one-time cost but you have its operation for a full year. That basically is the answer but I will provide the detail for the record. We assume a half year's operation in the year it comes onboard.

[The information follows:]

UNIT ACTIVATIONS

The $4 million for fiscal year 1981 force structure initiatives annualized into fiscal year 1982 covers more than activations. It addresses inactivations, activations, conversions, a 10% Authorized Level of Organization (ALO) Reduction and adjustments to the fiscal year 1981 force structure actions implemented after the fiscal year 1981 Presidential Budget was submitted. The outyear values for inactivations and ALO Reduction are taken against training dollars since the recurring costs are operational. Incidently, there are more dollars tied to activations and conversions than there are for inactivations and ALO Reductions. A breakout of the dollars is as shown below:

FISCAL YEAR 1981 FORCE STRUCTURE INITIATIVES

[Dollars in millions]

	One-time	Recurring	Total	Fiscal year 1982 recurring
Inactivations	—$0	—$1.531	—$1.531	$0
Activations	4.847	2.673	7.520	5.346
Conversions	5.909	.646	6.555	1.292
ALO Reductions	0	—7.498	—7.498	0
Adjustments	—.553	—2.444	—2.997	—.488
Totals	10.203	—8.154	2.049	6.190
Fiscal year 1982 requirement			$6.190	
Fiscal year 1981 requirement			—2.049	
Annualization of fiscal year 1981 requirement			4.141	

EXPANDED TRAINING BUDGET

Senator RUDMAN. The chairman has a question relating to training which I would like to get into. Your statement emphasizes the expanding training budget proposed for fiscal year 1982 and your figure indicates a good part of that is the Reagan budget revisions. What are the training totals exactly both for individual and unit training, and how do these 1982 totals compare with the 1981 revised and 1980 actual?

General PRICE. If I could refer to training two pieces, individual training is one. Individual training takes care of our basic training, one station unit training and initial skill training, military academy, the prep school, Officer Candidate School, and Reserve Officer Training Corps.

Individual training is flight training, professional education such as the Army War College, Command and General Staff College, and training support which is our servicewide publications support. In fiscal year 1982 we will spend $782 million just for the mission part of training. That is an increase from $674 million in fiscal year 1981.

In the case of unit training, unit training provides for the field training exercises, environmental training, rotations to the National Training Center, Joint Chiefs of Staff exercises, small unit exchanges, and the aviation flying hour program that is devoted to the divisions and brigades of the Army. In fiscal year 1982 we will spend $1,278,000,000 for this activity. In 1981 on a comparable definition we spent $1,057 million. Is that responsive to your question?

Senator RUDMAN. That is responsive. I have one further question.

There is a $23.7 million reduction in flight training. Does that reflect delay in consolidating helicopter training?

General WEST. That is right, that was the cut because the Navy is not going to consolidate at Fort Rucker, which was previously in the budget.

Senator RUDMAN. It is not?

General WEST. No, it has been pulled out of the budget, Congress last year in effect mandated that we not do that. It was in the

Carter budget and has since been removed. It was of no savings to Defense, just a transfer to the Army.

SUPPLEMENTAL BUDGET REQUEST

Senator RUDMAN. I think we will go to the supplemental budget request for some brief questions on that.

The administration has reduced inflationary cost figures, although they have the revised supplemental appropriations request for the current fiscal year, more than triples the Carter estimate for Army O. & M. needs. With the fiscal year half gone, can your effectively spend all of that additional funding which is about $441 million?

General WEST. The answer is yes, if we can get it appropriated by about the July time period. Now, after the end of July, the capability of using certain portions of it decreases, We would have to provide you the curve on which we can apply. We can use it all provided we get it in July.

SUPPLEMENTAL FUEL COSTS

Senator RUDMAN. Second, on the supplemental of fuel costs, the Carter budget requested about $63 million to finance the projected $8.31 rise in the per barrel cost of petroleum. According to your justification. First, are those numbers correct?

General WEST. Essentially, yes, and I have to explain how fuel is costed. We get a set price that we pay for fuel, from the Defense Logistics Agency, and it is very easy for us, we simply adjust the prices to equal that fixed price. It is handled in the stock fund.

Senator RUDMAN. Do you know what the current price is and how it compares to your projection of $50 a barrel? You had $49.

General WEST. It is $49.89. That is what we are paying this year. We are going to have a fixed price for fuel. No matter what DLA pays for it, we have a fixed price. The adjustments are made in the cash level of the stock fund. I think you need to pick up on that one, General Price.

General PRICE. I wanted to clarify that. The original 1981 appropriation approved and appropriated an amount for fuel cost at $41.58 a barrel. The supplemental, Carter supplemental of $63 million raised the composite rate to $49.89 a barrel, for an increase of $8.31 per barrel. The Reagan supplemental has an additional $22 million for fuel increases, that will bring it to $51.24 a barrel.

Now, the $22 million that is in the supplemental, although we need that money, will go directly through O. & M. to the stock fund. We have a fixed price during the year and that is very important in discussion of a budget. Once Defense sets the fuel rate, it doesn't change to the customers, worldwide. As prices change, then at the top we will take this $22 million and pass it through O. & M. so that next year when we look at the cost of doing business in O. & M. it will show that $22 million as a cost of doing business.

But the price to the field, to the division out there, didn't really change. It will move through to the stock fund, otherwise the stock fund goes broke.

OVERSEAS EXTENSION BENEFITS

Senator RUDMAN. I want to talk about overseas extension benefits. How did you calculate the $1.4 million estimate for soldiers benefits for overseas duty extensions and how many personnel did you project would take advantage of that travel bonus, and over what period in the current fiscal year?

General PRICE. The 14,000 personnel and 37 military occupational specialties—MOS—in Europe and Korea, of which approximately 8,000 are eligible for extension in 1981. We estimate about 45 percent of those eligible will take advantage of it. Now what we are basically paying for is the air fare. A round trip, using Military Airlift Command—MAC—from Korea to St. Louis is 1,000 bucks or $1,000. Frankfort is $550.

Senator RUDMAN. "Bucks" is all right, I talk like that sometimes.

General PRICE. These are critical skill MOS, and the number is relatively small. You have your electronic warfare intercepters, missile crewmen, your LANCE and Pershing missile crewmen. Those are the people that we are having trouble with because there are so many of them deployed overseas and the base at home is so small that they spend almost their entire careers overseas.

AMMUNITION

Senator RUDMAN. Let us go to ammunition. The supplemental includes $43.2 million to expand the ammunition buildup program and transport other supplies including coal to Europe and elsewhere. Why is the supplemental funding needed for these ongoing programs, and if this is a high priority why wasn't it included in the Carter supplementals?

General PRICE. There was not enough money to include that in the Carter supplemental, as there wasn't enough money to include the full amount of the civilian pay raise in the Carter supplemental. We simply had a line drawn. The fact that originally we were absorbing part of the pay raise in O. & M., and we couldn't even pay the full amount of the pay raise, indicates there simply was no money. The reason we need to do this in 1981 is because first of all we have ammunition stockpile shortages of what we should have in Europe.

We have improved that in 1982 but we have both storage capacity and ammunition that is available to ship in 1981, and we think it should be done. You can't just move that into 1982 because we are essentially at capacity of what we can ship and handle in 1982. So we are filling a storage and shipment capability gap in 1981 with this, and of course we are contributing to the ammunition stockage in Europe, and I take it that you accept that as an important issue.

Senator RUDMAN. It is a very important thing and it would seem to be absurd, having high priced soldiers and have no ammunition. Maybe there is a reason I don't understand it. If I understood you correctly, you had a choice to make, and were you mandated for these other funds that you decided to use them for in the Carter supplemental, and you used them for personnel and pay, I think you said? Maybe I didn't understand you correctly.

General PRICE. The point is, we didn't put it in because there wasn't enough money in the Carter supplemental. The Carter supplemental has some pay, and not all of the required pay. There is $77 million; that is how much we would have absorbed if it had not been for the Reagan amendment.

Senator RUDMAN. So that was mandated in a sense, that you had no choice? That is what I mean.

General PRICE. There was that much money.

Senator RUDMAN. All right.

Let's talk about the urgency of some of the things in the supplemental. Normally supplementals have associated with them some degree of urgency. I have just a couple of items that the staff has looked at. You have $2.9 million for new dining equipment, and you have $27.9 million for housekeeping needs of the National Training Center.

Why couldn't those wait for the fiscal year 1982 budget?

NATIONAL TRAINING CENTER

General PRICE. Could I address the National Training Center first?

Senator RUDMAN. Certainly.

General PRICE. We are establishing that in 1981 and what that will do for us is give us the capability to use it as a training center. It is building the training center. It is renovating the barracks so that it will be ready for full use to accept 16 battalion rotations in 1982. It is time sensitive in that respect. Now why didn't we put that in the original budget? Well, we mis-estimated.

Senator RUDMAN. All right. Why are you proposing to supplement funding to initiate the high technology test bed, for the Ninth Infantry Division?

General WEST. That is a division at Fort Lewis.

Senator RUDMAN. Is that a new division?

General WEST. It is an existing infantry division, which is being used as a base for carrying out what we call a high technology test bed, in trying to create a division that is highly mobile.

Senator RUDMAN. I am familiar with the program and I did intend to go out there and look at it.

General WEST. It is a division which has been in existence for quite some time at Fort Lewis, Wash. It is critically important in terms of the rapid deployment force concepts.

Senator RUDMAN. And the Second Infantry Division is no longer at Fort Lewis. That is in Korea?

General WEST. That is in Korea, yes.

COST ESTIMATING

Senator RUDMAN. I want to thank you both this morning. We will have a number of additional questions to establish for you for the record. Let me reiterate, so you will be—I was going to say forewarned, but I won't say that, I will say informed. I intend to make a major project of the lines of questioning that I followed. I intend to draw on some very vast resources outside of the Federal Government to assist me with that project. I am sure you probably have some inference that I have already done some of that. I

intend to talk with some of the best systems management people in the country, mostly within the university community and with the industrial community, to see if this committee working with the Armed Forces, can find some better way of controlling something that has only been talked about for the past decade, but I do not think it has been addressed in anything more than with rhetoric.

Rhetoric will not solve the problem, and hard work might. So I intend to ask the staff to start a dialog with you to get your initial thoughts and I am going to ask the chairman to assist me in mobilizing some people whom I think are extraordinarily competent in this area from the private sector, to assist me in developing some proposals that I would like to submit through this committee for your consideration.

This will not take place in 2 months or maybe even 2 years, but I intend to do it and I just want you to know that.

General WEST. That is fine. I think it is really a very encouraging way to look at things, at what we are facing in the next few years.

SUBMITTED QUESTIONS

Senator RUDMAN. Thank you, General West. Before we recess the hearing I am going to submit written questions which we would like to have you answer for the record.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Questions Submitted by Senator Stevens

1981 Supplemental ($10.5 million)

Senator Stevens: Please explain how you developed your revised $4,500,000 estimate for increased fuel costs. What pricing assumptions were used on what amount of oil purchases? Why can't the bulk of this cost increase await adjustment in the 1982 budget?

Mr. Anderson: The supplemental request of $4.5 million for fuel price increases represents the difference between fuel prices used for preparation of the FY 1981 President's Budget and actual fuel prices experienced to date and projected for the balance of FY 1981. The amount of fuel purchases is relatively unchanged. The $4.5 million is for actual price increases over prices projected more than a year ago for the same period. This cost adjustment cannot await adjustment in the FY 1982 budget because the costs are being incurred now. Current fuel prices must be paid and if the $4.5 million is not provided then essential non-fuel programs must be reduced to pay for fuel.

Senator Stevens: Why do you need a supplemental appropriation to cover cost increases for the Army Stock Fund purchases? Are your reserves in the fund that tight?

Mr. Anderson: The $2.7 million requested is to cover cost increases for items purchased from the Army Stock Fund by the Operation and Maintenance, Army Reserve appropriation. This has no relation to the Army Stock Fund corpus. The Army Stock Fund must pass on to customer accounts the increases in the cost of items it purchases. Were the Army Stock Fund to absorb all price increases its capital would quickly be depleted in a period of continuing inflation.

Senator Stevens: Also please explain how you developed the $2,700,000 estimate for the Stock Fund items.

Mr. Anderson: As in the case of fuel prices, the $2.7 million represents the difference between FY 1981 inflation as projected over two years ago and FY 1981 inflation being experienced now. Budget projections, including supplemental budget requests, are based on inflation factors (rates) developed and provided by the Office of Management and Budget and are standard for all budget requests.

FY 1981 Supplemental ($10.5 million)

Senator Stevens: Are your inflation estimates for these purchases holding up? Do actual price increases to date substantiate your projections?

Mr. Anderson: Over the past few years, as a general rule, actual inflation has exceeded inflation projected in the budget. This situation appears to be repeating in FY 1981 based on inflation

rates experienced to date. The result of this phenomenon is a gradual eroding of the purchasing power of the Army dollar across the board, to include the Reserve.

Senator Stevens: What kinds of equipment are you planning to buy with the $10 million requested supplemental for "early deploying units"? And how firm is your cost estimate?

Mr. Anderson: Equipment to be procured with the $10 million supplemental will be items such as: ADP, camouflage screens, installation kits for radios, pump assembly kits, field range outfits, maintenance/tool kits, sets and outfits. The cost estimate is based on current equipment status reports and is firm. In the D-D+30 units there is a peacetime shortage of $34.3 million of reportable stock fund items.

Senator Stevens: Please specify the marginally effective programs that are being curtailed to help save $3.2 million.

Mr. Anderson: Marginally effective programs that are being curtailed to help save $3.2 million include such programs as improvements to existing buildings, individual training not directly related to job performance, and replacement of equipment with newer technology items. Actual determination of marginally effective programs to be reduced will be made by local commanders at subordinate commands and installations. It should be emphasized that the term "marginally effective programs" as used here implies nothing negative about the intrinsic value of such program/items, but rather that in an applied fiscal squeeze (e.g. to effect savings) some line items must fall out based on established order of priority.

Senator Stevens: What will the $2 million requested for affiliating reserve units with active components actually buy? That is, how are you planning to spend this funding?

Mr. Anderson: Funds for this program pay for travel and incremental costs for active component unit support to reserve component units. Benefits derived from the program include Mobile Training Team (MTT) assistance, administration of Command Post Exercises/Field Training Exercises, use of training facilities, and use of Active Component equipment.

Senator Stevens: Why, in the case of the reserve, is there no decrease based on the lower inflation rate assumptions of the Reagan budget revisions?

Mr. Anderson: The change in the inflation rate assumption for FY 1981 for the Operation and Maintenance, Army Reserve appropriation was not considered significant enough to be addressed during formulation of the March supplemental. If the change in the inflation assumption proves correct the minor impact on this appropriation will serve to offset partially the reduction attributed to curtailment of marginal programs.

1982 Budget Amendment ($45 million)

Senator Stevens: What kind of equipment are you planning to buy with the $33 million requested for early mobilizing, early deploying units? And how did you develop the estimate?

Mr. Anderson: We will be procuring the same type of equipment as we will be buying with the $10 million in the FY 1981 supplemental. In the USAR units identified for the Mission Essential/Risk Reduction Force (ME/RRF), there is an $11 million shortage of reportable stock fund equipment required to satisfy the peacetime requirement. In addition, there is a $34.3 million shortage for the USAR D-D+30 units, thus, there is a $45.3 million shortfall in these two forces only. This $33 million would be used against this shortage.

Senator Stevens: Please tell us what the $1 million for additional readiness training will buy. How do you plan to spend it, and on what?

Mr. Anderson: These funds will be used in support of currently planned joint readiness exercises (JRX) and field training exercises (FTX). The funds will provide for operating supplies and transportation.

Senator Stevens: With several major policy questions still unresolved on the structure and command of the Rapid Deployment Force, isn't the $12 million request for Reserve logistics support somewhat premature?

Mr. Anderson: The $12 million request is not considered premature. It does not matter which Service eventually commands the Rapid Deployment Force. There will still be a need for USAR units in the RDF. If we put off identifying this requirement until the command structure question is resolved and the RDF is required to deploy the Army Reserve units would not have the equipment to perform their mission.

Senator Stevens: Generally what kinds of equipment require a $12 million modernization increase? Is this tied to the $33 million equipment request justified under readiness?

Mr. Anderson: Equipment includes tool sets, shop sets and manuals. Funds will provide these items and other equipment needed to support new end items and force structure changes. Examples of new end items are: bridging equipment, generators, petroleum tankers and trucks of various models. This requirement is not tied to the $33 million request justified under readiness.

Senator Stevens: You have estimated a $300,000 "further reduction" in administrative travel. How much has this travel been reduced already? How?

Mr. Anderson: In FY 1979 Congress imposed a reduction of $2.6 million for travel funded by the Operation and Maintenance Army Reserve appropriation. In FY 1980 Congress imposed a similar reduction of $2.2 million. The majority of these reductions was assessed against administrative travel. The FY 1981 travel program includes an estimated $2.0 million for administrative travel. The proposed reduction of $.3 million in FY 1982 approximates the value of travel cost inflation thus leaving the FY 1982 program at roughly the same dollar level but with a real reduction in programmed administrative travel.

Senator Stevens: What was the actual administrative travel expenditure in FY 1980 and estimated for 1981?

Mr. Anderson: During FY 1980 no actual recording of administrative travel in the accounting records was performed. In FY 1981 administrative travel is being recorded; it is estimated that approximately $2.0 million will be expended for administrative travel in FY 1981. The amount expended during FY 1980 for administrative travel is estimated at about $1.8 million. The dollar increase in FY 1981 is attributed to increases in travel costs.

Senator Stevens: To what base are you applying the $100,000 savings in consultant and other personal services contracts? Please supply pertinent details.

Mr. Anderson: The $100,000 savings in consultant and other personal services is being applied to the Congressionally approved base of $1,965,000.

Senator Stevens: You have also listed a $500,000 reduction for office equipment and furnishings. What has been saved to date under your "continuing moratorium"? What total figure is being reduced?

Mr. Anderson: The moratorium currently in effect covers all items of equipment not essential to mission accomplishment. In addition, to office equipment and furnishings, the moratorium also applies to such items as musical instruments, television sets, and athletic equipment. The $500,000 represents the total amount initially budgeted for the last three quarters of FY 1981 and is based on a total moratorium for that period. Approximately $165,000 has been saved to date.

Senator Stevens: Why are you reducing recruiting support and real property maintenance by $8 million? Aren't both considered relatively high priority programs?

Mr. Anderson: The reduction of $8 million includes $3.5 million for real property maintenance and $4.5 million for recruiting support. The latter item would have funded an improved ADP System to support recruiting efforts. This item has been deferred because of its relative low priority and because it is not considered critical to the accomplishment of the recruiting objective in FY 1982. The Army Reserve has exceeded the budgeted strength objective for the past 2 years and results to date indicate the FY 1981 objectives will be exceeded. With this trend expected to continue into FY 1982 the expenditure of the $4.5 million was not considered warranted. It is envisioned that the ADP System will be required in the future as the recruiting target population shrinks and competition becomes keener. The $3.5 million reduction in real property maintenance leaves $39.8 million in the budget request for this account. At this level of funding the backlog (BMAR) at the end of FY 1982 will be within the congressionally directed containment level. Although the maintenance of real property is considered important, the alternative to this reduction would have been a reduction in other programs which have more direct bearing on the readiness of the Army Reserve.

Senator Stevens: The justification for the January budget submission lists $24.8 million for the price growth inflation. What was the total inflation rate increase in the January budget, and how did you calculate the $4 million reduction in the March amendment?

Mr. Anderson: The January budget submission lists a total of $25,470,000 in price growth for FY 1982. This amount is not derived

by the application of one factor but rather is the result of the application of several factors to different items in the budget, e.g., travel, utilities, and purchases. Details of these calculations may be found beginning on page 34 of the January Justification Book. The $4 million reduction was based on a decrease in the inflation factors as a result of revised economic forecasts by the new administration. For instance, the inflation factor for travel decreased from 9.4 to 8.4.

Training and Organization

Senator Stevens: You have listed eight separate program increases totaling $22.6 million in the training and organization activity. Please supply a narrative justification for at least the principal increases.

Mr. Anderson: Of the eight program increases, five are for more than $1 million and are considered the principal increases. Justification for these five items follows:

a. Expansion of equipment concentration sites and increased maintenance capability ($3.3 million). The FY 1981 and FY 1982 budgets provide for substantial increases in equipment for the Army Reserve, both major end items and secondary items. The $3.3 million request will provide $2.0 million for expansion of equipment concentration sites where much of this equipment will be located and $1.3 million to provide the capability to maintain the equipment. The $1.3 million includes 43 additional maintenance personnel. Improving the equipment posture is critical to improving the readiness of the Army Reserve.

b. Force structure changes and modernization ($5.4 million). The Total Army Concept places increasing reliance on the Army Reserve for combat support and combat service support. To meet this requirement organizational changes are required within the Army Reserve based on the Total Army Analysis. Several major organizational changes are scheduled for FY 1982 to include the activation of two CEWI battalions, five CEWI companies, and two Nuclear/Biological/Chemical (NBC) defense companies. As these units are activated they must be provided the equipment needed for training and mobilization. The $5.4 million is requested to provide for the purchase of equipment from the Army Stock Fund to meet the foregoing mentioned activations and other force structure changes.

c. Purchase of chemical defense equipment ($9.7 million). Army Reserve units lack the necessary equipment to train in nuclear/biological/chemical defense exercises and are far short of the equipment required for mobilization. The $9.7 million requested together with funds available in FY 1981 will provide the mobilization requirement for chemical defense equipment for the D to D + 30 force and training equipment for the balance of the force.

d. Equipment for units scheduled for NATO reinforcement ($1.4 million). Army Reserve units scheduled to deploy as rapid NATO reinforcements are short approximately $1.4 million in authorized stock fund equipment. This request would satisfy that requirement and thereby upgrade the readiness status of these units.

e. Deployment improvements ($1.9 million). This requirement would provide funds for several initiatives aimed at improving the deployment capability of Army Reserve units. Principal among these initiatives are expansion of the affiliation of reserve units with active component units for deployment planning and training, participation in exercises, and the extension of the Battalion Training Management System to the USAR.

Senator Stevens: What is the base funding for "Congress Confederation of Inter-allied Reserve Officers," and why do you need a $620,000 increase? How is this money spent, and on what?

Mr. Anderson: The FY 1981 funding for the Congress of the Inter-allied Confederation of Reserve Officers (CIOR) is $38,000. This amount is for the support costs involved in training, equiping, and entering a 25 member delegation in the Inter-allied Confederation of Reserve Officers (CIOR) Military Competitions to be held in the Netherlands in August 1981. The FY 1982 base funding is the same amount and for the same purpose as the FY 81 funding (except the competition will take place in the United States in 1982).
The $620,000 is needed to support the hosting of the Inter-allied Confederation of Reserve Officers (CIOR) Annual Congress and Military Competitions which will be held in the United States in August 1982. On 30 December 1978, the Deputy Secretary of Defense (in keeping with the policies of the defense department (ministries of defense) of other member countries when it is their turn to host the international event) authorized DOD to provide the necessary support for hosting the 1982 Annual Congress and Military Competitions of the Inter-allied Confederation of Reserve Officers (CIOR) in the United States. Department of the Army was designated DOD Executive Agent and Office of the Chief Army Reserve was designated Action Agency for Department of the Army to plan, coordinate and manage the DOD effort. A listing of the items included in the $620,000 follows:

Meals for Competitive Delegations (Reimburse US Naval Academy)	$ 23,400
Housing for Competitive Delegations (Reimburse US Naval Academy)	11,700
Transportation (Delegates and Competitors) (Busses to and from official functions within Washington, DC/Ft Meade, MD area)	40,950
Public Affairs/Recruiting Film	117,000
Simultaneous Interpreters	7,120
Reimbursement to Ft Meade for Site Support and Minor Construction	140,000
Printing and Publications	11,700
Awards	5,850
Registration Fees (Competitors, Liaison and Protocol Officers, and Key Staff Members)	9,730
Civilian (Full Time and Temporary) Hire (Secretarial Assistance)	40,950
Supplies and Equipment	21,600
Observe Reserve Component Training	190,000
TOTAL	$620,000

Depot Maintenance

Senator Stevens: How current is your $7.5 million depot maintenance program? Do you have any substantial backlog affecting readiness?

Mr. Anderson: The $7.5 million requested for depot maintenance is based on current forecasts of major items which will require major overhaul in FY 1982. Included are 24 aircraft, 20 electronics items, and 20 combat vehicles. The Army Reserve has no appreciable backlog of equipment requiring depot maintenance.

Base Operations

Senator Stevens: The Committee will also need a brief narrative description on the principal increases for base operations listed on page 22 of the justifications. Also supply base numbers for the increases?

Mr. Anderson: A brief narrative description for each of the base operations increases is given below:

Price Growth. This increase is for estimated price growth in FY 1982. Included in this estimate are increased costs for heating fuel, utilities, supplies, and gasoline used to operate and maintain USAR installations and facilities.

Force Modernization. These costs are associated with the increased base operations support required for the introduction of new equipment into the USAR.

Base Realignment. Provides for the closure costs of Ft Douglas,Utah in FY 1982 and Ft Mac Arthur, California in FY 1983.

Correction of High Risk Occupational Safety and Health Act (OSHA) Deficiencies. Those safety deficiencies identified as having a high probability of causing death or serious injury are classified as either risk category I or II. The $1.4 million requested will allow for correction of risk category I and II shortcomings and bring USAR facilities into compliance with OSHA.

Improve Equipment Maintenance Capability. Provides for 26 additional personnel in maintenance activities to reduce equipment maintenance backlogs to an acceptable 15 day level.

Evaluate Conversion of In-House Functions to Contract. The CITA program reviews functions performed in-house for replacement contract In the case of functions performed by military personnel, CITA evaluates for replacement by either civilian personnel or contract. The procedures for a CITA review, i.e., economic analysis, are very involved and require extensive manpower to perform. Requirements are contained in OMB circular A-76. The CITA program provides the Army with a means of meeting mandated manpower reductions.

There are no base numbers associated with the increases. The FY 1982 appropriation request will support 3 installations, 218 area maintenance support activities, and 1053 reserve centers.

Senator Stevens: Please supply a separate detailed justification of the $403,000 increase requested for evaluating conversion to contracting (CITA). How much in total would be spent, and how?

Mr. Anderson: The FY 1982 CITA program cost increase consists of two parts: extension of the FY 1981 program and implementation of the FY 1982 program. The FY 1981 program began replacing military personnel working in base supply with contract personnel. The cost in FY 1982 of FY 1981 initiatives is $44,000 above the FY 1981 cost. The FY 1982 program reduces the OMAR civilian end strength by 24. The dollars associated with the end strength reduction are retained for funding the replacement contract. Of the 24 end strength reduction, 12 are added back to supervise and expand the CITA program in FY 82 and outyears. Also, in FY 1982, additional military personnel will be replaced with contract personnel. The FY 1982 program will require $359,000. This amount plus the incremental increase in the FY 1981 program of $44,000 equals the total increase at $403,000.

Senator Stevens: What are your anticipated future spending needs for CITA?

Mr. Anderson: The anticipated future spending requirements are: FY 1983, $658,000; FY 1984, $704,000; FY 1985, $747,000; FY 1986, $793,000.

Recruiting

Senator Stevens: You are seeking a $12,250,000 increase to "reduce attrition in the USAR?" What total funding is involved, and how do you plan to spend it?

Mr. Anderson: The increase requested to reduce attrition in the USAR is $1,250,000 not $12,250,000. The $1,250,000 is requested to provide for the testing and evaluation of innovative measures designed to improve retention of USAR members. Research studies completed in FY 1980 and underway in FY 1981 indicate that retention may be improved by adopting new measures in training, management, etc, which would entice Reservists, especially first-termers to remain with the Army Reserve.

Management Support

Senator Stevens: We will need some kind of justification for the $1,876,000 increase requested for "mobilization personnel management."

Mr. Anderson: The $1,876,000 is requested to provide additional staffing at the Reserve Components Personnel and Administration Center (RCPAC). The additional staffing, primarily clerical and administrative personnel who support military personnel managers, is required for the management of training for members of the Individual Ready Reserve (IRR). The Enlisted Personnel Management System at RCPAC is being expanded to include all enlisted members of the IRR (approximately 140,000) whereas previously only 30,000 were under management. Providing the IRR members with career management and refresher training is essential to retaining this pool of pretrained manpower to meet mobilization needs.

Senator Stevens: The management support activity has rapidly rising costs (up 44 percent from FY 1980). Why can't these overhead costs be held in check?

Mr. Anderson: The percent increase in the management support activity from FY 1980 is 34 percent rather than the 44 percent stated. The amount increases by $8.1 million from FY 1980 to FY 1982 Of this increase, $3.4 million is attributable to civilian pay raises ($1.4 million) and inflation ($2.0 million). The remaining increase is primarily due to the expansion of the Officer and Enlisted Personnel Management program at the Reserve Components Personnel and Administration Center. This program, which is not considered overhead, is involved with the management of careers of Individual Ready Reservists and with their training. The program has expanded since FY 1980 to include all Individual Ready Reservists. The investment in this program is considered essential because the Individual Ready Reserve constitutes the primary pool of pretrained manpower available for mobilization requirements. Providing professional career management and refresher training to these Reservists is vital to retaining this force. The major categories of cost increases from FY 1980 to FY 1982 are civilian personnel costs ($3.2 million) and ADP upgrade ($1.4 million).

1981 Supplemental ($13.9 million)

Senator Stevens: Please justify for the record your two fact-of-life supplemental requests, including how you calculated the $5.5 million non-fuel inflation number and the $8 million fuel cost increase.

General Temple: The fact-of-life increases were calculated based on the FY 80 actual costs using the current rate of 21.5 percent which is 8.2 percent higher than originally estimated. The fuel costs are based on requirements for POL for FY 81 and the higher rates to purchase fuel.

Senator Stevens: Also give us more than one sentence on your $15 million request to purchase more organizational clothing and equipment. How was the estimate developed? From what FY 1981 base? Why is this given supplemental funding priority?

General Temple: The $15 million estimate was developed using information reported from the States (Logistics Management Report) which reflects unit shortages and the deployment priority assigned to individual units.

The FY 81 base used in the calculation was $61 million. The funds requested will provide items that Army National Guard units require for readiness training with emphasis on units in the high priority category.

Senator Stevens: You are posting $2.1 million in savings from "economics and efficiencies" that include cutting back on depot maintenance and recruiting—both of which are targeted for more funding emphasis under the March amendments. Why are you reducing these two areas? How?

General Temple: The March amendment did not request additional funds in the programs reduced $2.1 million. The reduction of $2.1 million was $500,000 transportation of things, $220,000 for advertising and $1,380,000 for depot maintenance. These areas were selected based on priority and identification of requirements/operations that could be deferred or improved. The reduction was taken from program growth over the FY 80 base for these programs.

Senator Stevens: Exactly what are you reducing under transportation of things? Give us the details for the record, including the total funding allocation that's being reduced.

General Temple: The actual obligation for FY 80 in the transportation of things account was $8.5 million. The FY 81 request was for $16.3 million. The reduction of $.5 million reflects a 7 percent cut of the growth (after inflation) that can be eliminated by using other than commercial transportation.

1982 Budget Amendment ($65.4 million)

Senator Stevens: Please explain how you calculated your estimated $1 million increase in March for higher FY 1982 petroleum costs. What is the cost increase factor and how many barrels or other unit measurements are involved?

General Temple: The FY 81 requirement, in barrels, was multiplied by the average increase in barrel cost. The average cost increased from $1.10 to $1.26 per barrel. The Army National Guard requirement is in excess of 1,000,000 barrels.

Senator Stevens: Your justification for the $90 million readiness increase in the Reagan amendment says the added funding is needed to equip and train early deployment forces. Yet your training funds are reduced in both the January budget and Reagan amendment. In total, they're down almost $6 million from the 1981 obligational level. Please explain this apparent contradiction.

General Temple: The $90 million request provides for $86 million to order items from the stock fund to fill Army National Guard unit shortage which enhances readiness training and $4 million for minor construction. This is all in logistical operations and base operations budget activities. The decrease in training support is caused primarily by the conversion of technician positions to military positions planned in the fourth quarter FY 81.

Senator Stevens: The March amendment gives you a $4 million increase for reducing the minor construction backlog. What kind of construction are you including in that term, and how large is the backlog?

General Temple: The OMARNG Minor Construction program is comprised of two categories of projects; logistical support and training site support. Specific projects within these two categories include: arms vault upgrades, security fencing and lighting projects, intrusion detection systems, fire suppression, medical and flammable materials storage facilities, training ranges, fuel/POL projects, utilities upgrades, OSHA projects, environmental projects, energy conservation and installation of windmill electricity producing units in support of the Alaska Scout armory operations.

The OMARNG Minor Construction backlog for Fiscal Year 1982 (beginning) is computed at $5.9 million.

Senator Stevens: What is the January budget request for minor construction and how does it compare to FY 1981?

General Temple: The January request was for $3.2 million. The Fiscal Year 1981 request was for $1.7 million.

Senator Stevens: To what 1982 base would the $86 million readiness equipment increase apply?

General Temple: This increase is for ordering items of organizational clothing and equipment from the stock fund and is applied against the original FY 82 base of $76 million.

Senator Stevens: Is the additional $86 million sufficient to satisfy your early deployment forces needs? If not, what additional funding would be required and how do you plan to budget for it in the future?

General Temple: The $86 million will satisfy all the item shortages for Army National Guard units in the D-D+30 force but not for the shortages in units in the D+30-D+60 and over force.

The actual $ figure on shortages fluctuates from changes in force structure, price changes, changes in Table of Allowances, and authorizations. At this time approximately $200 million more is required to satisfy ARNG needs in stock funded unit organizational clothing and equipment.

The Army National Guard will continue to request the shortages in phased increments in the FY 83 through FY 87 POM and budgets.

Senator Stevens: As did other services, you have listed numerous reductions in the March amendment justification attributed to "economics and efficiencies." But you also list a $200,000 increase for travel. How is that an economy?

General Temple: The Army National Guard has a requirement to transport troops to drills and weekends and to annual training each year. The $200,000 will provide commercial transportation to transport some of these troops instead of using organic (Army National Guard) trucks. This is a savings on repair parts and fuel and much more economical method of troop movement. The cost, however, is charged to travel.

78-680 O - 81 - 6

Senator Stevens: Please submit for the record the total travel budget request for FY 1982 and justify the need for the $200,000 increase requested in the March amendment.

General Temple: The total travel request is for $12.2 million. The $200,000 increase is requested to contract for commercial transportation to haul troops to training.

Senator Stevens: At a time when substantial increases in defense spending are being justified on the need to improve readiness, you are detailing individual reductions of $5 million for repair parts, $1 million for depot maintenance, $4 million for clothing and equipment, and $1.2 million for recruiting support and advertising. Please explain these cutbacks.

General Temple: The Army National Guard was required to identify reductions that could be made with the least impact on readiness. All the program growth requested for FY 82 was examined and priority of requirements established. The growth was then reduced by 25 percent to 50 percent for requirements that could be deferred. These cutbacks will not adversely impact on training as much as reductions in personnel, travel, and other programs.

Senator Stevens: Since you are asking for increases in most of these same areas, please detail how you calculated the decreases in arriving at a net add-on in the March amendment.

General Temple: The decreases were made strictly against the growth for lowest priority requirements and for the shortages in those units in category of M60 to M90 days and over category.

Senator Stevens: Also explain your calculations in arriving at a $5 million reduction based on revised inflation rate projection.

General Temple: The reduction of $5 million inflation was calculated using a decreased inflation rate. This change resulted from a more optimistic cost growth in the economy, therefore reducing most inflation rates by approximately 1 percent.

Army Stock Fund Supplemental ($34 Million)

Senator Stevens. The amended supplemental estimate for Army Stock Fund purchases of war reserves has no specific justification. Please supply more information on how your request was developed.

General West. The requirements for the supplemental were developed to support shortages for the Rapid Deployment Force (RDF). Some of the data elements taken into consideration when computing these requirements are: size of the force; length of the scenario; time required before normal resupply can be established etc. The systematic war reserve computation system also takes into account more detailed factors such as combat and shipping losses. These funds will purchase a broad range of equipment and spares necessary to sustain the RDF after initial insertion into the Area of Operation until resupply can be accomplished. Items include contingency stock i.e. water storage and distribution equipment, personnel support items, special clothing, load bearing equipment and consumable spare and repair parts.

Senator Stevens. Did you attempt to apply any management efficiencies to this request in order to cut costs?

General West. Only the most critical items required to sustain RDF operations until resupply can be accomplished are selected. In addition action has been taken to insure all available assets were applied to offset the RDF shortages. Funds are requested only to support deficiencies after those assets have been applied.

Senator Stevens. Are all the proposed war reserve purchases for the Rapid Deployment Force?

General West. Yes.

Senator Stevens. Is this the initial war reserve purchase? Or are other reserves already available?

General West. Yes, it is the initial purchase of war reserves for the RDF. Dollars have not previously been spent specifically for spares for the "RDF". As a result of recomputation of the total war reserve requirements, a minimum amount of assets, which were already available, were applied to partially offset RDF shortages.

Spending Capability

Senator Stevens. Although the Reagan Administration has reduced inflationary cost figures, the revised supplemental appropriation request for the current fiscal year more than triples the Carter estimates for Army O&M needs. With the fiscal year half gone, can you effectively spend all that additional funding — $441.3 million in all?

General West. Yes, the supplemental can be spent very effectively during the remainder of FY 81. Of the supplemental total $198 million (45%) is for fact of life requirements such as increases in the cost of mail, fuel, transportation, telephone service, and 9WW. These increases are being spent each day and have been since October 1980. Of the $160 million for readiness approximately one half has already been spent for various training and readiness projects - such as the National Training Center. The remainder of the supplemental is for items that can be obligated quickly by placing orders in the supply system or finalizing contracts.

Senator Stevens. For what period were your supplemental estimates calculated? Did you anticipate the supplemental funding might not be available until July for the last quarter of the fiscal year?

General West. The supplemental estimates were calculated to receive the funds during the last of the third or the first of the fourth quarter. The major commands were told to develop fiscal plans to accomodate the receipt of the supplemental during the fourth quarter. The Army is prepared to obligate the O&M portion of the supplemental if received during the month of July.

Fuel Costs

Senator Stevens. The Carter budget requested a $62.9 million Supplemental to finance a projected $7.31 rise in the per barrel cost of petroleum, according to your justification. First, are those numbers right?

General West. The request for $62.9 million is correct; however, the change in the composite price per barrel is incorrectly stated. The actual price change was $8.31 per barrel. The price increased from $41.58 per barrel to the current FY 81 composite price of $49.89 per barrel

Senator Stevens. What is the current price, and how does it compare to the Department's projection of $49.89 per barrel?

General West. The current FY 81 composite price per barrel is fixed at $49.89 and is on target with the projected price.

Senator Stevens. At an increase of $8.31 per barrel, your supplemental estimate works out to 7.6 million barrels. How did you develop that estimate? What assumptions did you use?

General West. The supplemental request was developed by costing the entire FY 81 fuel consumption requirements at both the old and the new rates; the difference in prices represents the supplemental request. There was no change in the quantity of fuel requested in the Carter budget supplemental. The new price of $49.89 per barrel went into effect on 1 Oct 80, therefore the entire FY 81 consumption would be priced at the new rate.

Senator Stevens. In addition to the Carter supplemental, the Reagan amendment seeks another $22 million to finance increased fuel costs to the Army Stock Fund. The justification is silent about why you need two separate fuel cost increases. What's the situation?

General West. The situation for requesting two increases is that the Carter supplemental considered a composit (all types of fuel) per barrel cost of $49.89, which was based on a projected decontrol of fuel prices in October 1981. The additional $22 million in the Reagan amendment reflects a composit price of $51.24. This $1.35 increase is based on the anticipated impact of decontrol in January 1981 rather than October 1981. The $22 million is designed to "pass through" to the Stock Fund to fund these increased costs.

Senator Stevens. Are both fuel cost appropriation requests intended as pass-throughs to the Army Stock Fund? Why don't you seek a direct appropriation to the Fund?

General West. Only the $22.0 in the Reagan amendment is intended as a Stock Fund pass-through. The pass through concept is used in order to capture customer demands accurately. A direct appropriation funding to the Stock Fund for price increases would tend to distort actual customer demands and costs.

Senator Stevens. What has occurred since the January budget submission to require a Reagan supplemental request of $79.3 million for indirect fuel costs? Please explain how that estimate was developed.

General West. The primary event effecting indirect fuel prices, which occurred since the January budget request, was the decontrol of fuel prices by the Reagan administration; however, this requirement for indirect fuel was in fact valid during the January submit but remained unfunded due to funding constraints. The jointly developed OSD/Army estimate was based on transportation and utilities costs experienced through December 1980 and actual lease costs experienced during FY 80 and during FY 81 through December.

Senator Stevens. Please submit for the record a statement detailing all your fuel related estimates both in quantity and cost, and indicate how your projections are holding up to date.

General West. The FY 81 fuel costs per 42 gallon barrel are displayed below. These prices were implemented on 1 October 1980 and remain unchanged.

Type Fuel	Price Per BBL
JP-4	$ 48.72
JP-5	53.34
JP-8	56.70
Mogas, Leaded	52.92
Mogas, Unleaded	54.18
Diesel	51.24
Heating, Distillate	51.24
Heating, Residual	36.54
Composite Price	49.89

Our accounting records, that report actual direct expenses as of the end of February 1981, show that we have spent $235.2 million of our $589.2 annual fuel program; this equates to 40% fund utilization. Applying the composite price of $49.89 per barrel to the actual expenses at the end of February yields a composite consumption of 4.7 million barrels which is equal to 38.0% of our 12.5 million barrel annual program. It appears that our projection for both cost and consumption for FY 81 are on track.

Overseas Extension Benefits

Senator Stevens: How did you calculate the $1.4 million estimate for soldiers' benefits for overseas duty extensions? How many personnel did you project would take advantage of that travel bonus? Over what period in the current fiscal year?

General West: $1.4 million estimate was based on the number of eligible service members and the percentage of those personnel expected to select the travel option coupled with the Military Airlift Command (MAC) round trip fares from Europe and Korea to the Continental United States. It was projected that approximately 1,900 enlisted service members would select the travel option during the period, 1 March 1981 to 30 September 1981.

Non-fuel Cost Increases

Senator Stevens. The amended $39.6 million request for non-fuel cost increases in stock fund purchases involves a $27.4 million reduction in the Carter supplemental, which was based on a 4.9 percent cost-rise projection in stock fund purchases. That apparently means the budget now anticipates only a price increase of less than 3 percent. Is that realistic? How does the Reagan projection stack up against actual experience to date?

General West. The initial FY 81 supplemental request contained a request for $67.0 million for non-fuel cost increases. That request was based on a projected additional increase of 4.9% in the inflation rate for purchases of Defense managed items from the Stock Fund. The rate was projected to increase from 16.6% to 21.5%. The actual cost of goods has reflected this increase since 1 October. New economic assumptions project an inflation rate of 19.5% for Defense managed items; therefore, the original supplemental amount of $67.0 million was reduced by $27.4 million. There is currently no indication that these new economic assumptions are

invalid. Since purchases from the Stock Fund are at standardized prices, little if any price fluctuation is evident to the customer; however, if these economic assumptions prove to be erroneous, necessary price adjustments will be made to Stock Fund prices on 1 Oct 81.

Senator Stevens. Why do you need any increase for the Stock Fund in 1981? Isn't it the practice to make up any cost shortage in the succeeding fiscal year?

General West. To the extent possible, we try to fully fund Stock Fund cost growth in the year in which the inflation is realized. This is accomplished through fixed customer price rates and augmented when necessary with pass-throughs direct to the Stock Fund. This policy is an attempt to reflect the true appropriation costs during the year of execution. Cost shortages that are not covered during the year of execution are then recovered in the succeeding fiscal year; however, this tends to distort the cost growth for the appropriation.

Senator Stevens. You have two separate supplemental requests totaling $7.1 million for cost increases in telephone and leased communication facilities, some of it based on pending rate increase applications. How firm are your estimates in view of the rate uncertainties?

General West. Status of each item is shown below:

ITEM	REQUEST	STATUS
TELPAK	$4.1M	Defense Communications Agency message of April 20, 1981 advises that the U.S. Supreme Court has declined to review the FCC ruling discontinuing TELPAK. This is the exact date used by the Army for its supplemental request and based on DCA estimates the Army portion is $4.1M, the amount requested for FY 1981.
FTS	$ .3M	General Services Administration letter of January 9, 1981 implemented this cost increase from a total of $3.3M to a total of $3.6M. The increase, in effect now, is based on higher than programed calling volume in FY 1980 in support of recruiting efforts and is not strictly a rate increase.
WATS	$ .7M	Defense Telephone Service Washington (DTSW) letter of November 12, 1980 advises of the AT&T request to the FCC to restructure WATS with an estimated increase of 46%. The restructuring was requested to be effective June 1, 1981. On April 6, 1981 FCC granted AT&T a 12.75% rate of return. The WATS restructuring is part of the AT&T scheduled increases to obtain the rate of return and industry sources now expect that FCC approval of the restructuring will follow the authorization for a higher rate of return.
AT&T Rates	$2.0M	AT&T notice, undated, advises of the request to FCC for a 16.4% increase in interstate private line services to be effective May 14, 1981. The private line rate increase is also part of the AT&T plan to attain the 12.75% rate of return and FCC approval of this increase is also expected.

Senator Stevens. Why is the cost increase for TELPAK justified under "readiness" instead of "fact of life" where other inflationary items are carried?

General West. TELPAK covers primarily the commercial circuits linking CONUS posts, camps and stations to AUTOVON switches. With TELPAK discontinued, the costs of these circuits increase and, nominally, if the increase is not funded, the number of circuits will have to be reduced. AUTOVON is the backbone of Army's communications for the conduct of day to day business and any reduction in the number of access circuits will soon be reflected in reduced Army readiness and in reduced support of deployed forces.

Senator Stevens. The amended supplemental seeks specific cost increase funding on the one hand and proposes $54 million in general reductions based on lower inflation rate projections on the other. How can the Committee have any confidence in these conflicting estimates?

General West. The supplemental is in fact a dichotomy. The funding for cost growth within the supplemental can best be addressed in two separate parts; one for fuel related costs and other for non-fuel related costs. The new economic assumptions for FY 1981 provide for a reduction from 9% down to 8% in the non-fuel inflation rates. It is this change in the non-fuel inflation rates that equates to the $54.0 million reduction contained in the supplemental. On the other hand, we are seeking additional funding for cost growth that is either directly or indirectly related to fuel. The January decontrol of fuel prices has in fact caused an increase in the cost of fuel products and we hope to offset this impact by increasing our funding for POL and fuel sensitive services such as transportation and utilities. In accordance with the new economic assumptions, we have reduced our non-fuel inflation projections; however, in the specific areas of fuel and fuel sensitive areas there is evidence that prices will not follow those of the non-fuel related products and services.

RDF Equipment

Senator Stevens. Your justification for the $4.1 million supplemental request for Rapid Deployment Force water equipment support is vague at best. What kind of O&M support are you talking about exactly? What period of the fiscal year was this operating estimate based upon?

General West. The $4.1 million (OMA) is for central procurement, supply depot operations and second destination transportation charges associated with the $36 million (OPA) purchase of Rapid Deployment Force water equipment. A breakout of the $4.1 million (OMA) Program 7 monies is as follows:

$ .620 million	Supply Depot Operations
$ .620 million	Central Procurement
$2.240 million	Second Destination Transportation
$ .620 million	Overseas Port Operations

Water equipment will be ordered upon approval of the $36 million OPA request. In view of the urgent requirement for the water support equipment, the following actions have been taken to shorten production lead time.

a. Procurement plans written and coordinated.

b. Procurement packages prepared and submitted to Mobility Equipment Research and Development Command Procurement Office;

appropriate technical data packages forwarded to the Troop Support and Readiness Command.

c. Technical coordination accomplished with potential contractors.

d. Mission capability statements prepared by US Army Logistics Center.

e. Coordinated, identified and defined integrated logistics support requirements with the Troop Support and Readiness Command, Logistics Evaluation Agency, Training and Doctrine Command, Air Force, and Marine Corps.

f. Material Development and Readiness Command directed to take all necessary steps short of contract award to insure contractual and production lead time is reduced to the minimum for each item.

Operating estimates were based on award of contracts not later than the third quarter of the fiscal year.

Senator Stevens: And what about the Reagan supplemental for $7.4 million in RDF equipment requirements? Why do you need mid-year funding for something of this nature?

The Committee will need to know more about the RDF equipment request that is touched on in the two short sentences in the justification for the record.

Answer: The $7.4 million for Rapid Deployment Force equipment is composed of $3.1 million for aerial delivery equipment (parachutes) and $4.3 million for the movement of 15,000 tons of ammo to Near Term Prepositioned Ships (NTPS).

The requirement for $3.1 million for parachutes is not new. It was included in the FY 81 Amendment request but was not funded. If the current request is disapproved, remaining FY 81 resources will have to be reprogramed, causing displacement of other high priority requirements.

The $3.1 million will fund the purchase of the stock funds items shown below:

	UNIT COST	QTY	TOTAL
Cargo Parachute - G11A	$1,305	500	$652,500
Cargo Parachute - G11B	$1,446	350	506,100
Cargo Parachute - G12D	$1,094	300	328,200
Personnel Parachute - T10B	$ 488	1,000	488,000
Personnel Parachute - MCB-1	$ 433	1,000	433,000
8 Ft. Platforms	$ 470	1,500	705,000
Total			$3,112,800

Senator Stevens. You are also requesting $34 million under the Army Stock Fund for similar RDF equipment as a war reserve. How do the two equipment requests differ? And why do you propose a direct appropriation to the stock fund for one and not the other?

General West. The $34 million Army Stock Fund War Reserve will procure items to be held in prepositioned storage for RDF contingencies. These dollars will procure a broad range of equipment and spares necessary to sustain the RDF after initial insertion into the Area of Operation, until normal resupply can be accomplished. The other requests (OMA) are for specific items of equipment which are intended to be in the hands of the RDF units as early as possible before deployment. We would provide them to RDF forces now, instead

of holding them in special sustaining stocks for use after deployment. Intended use and required availability determine the appropriation to be used.

Ammunition

Senator Stevens. The Reagan supplemental includes $43.2 million to expand the ammunition buildup program and to transport other supplies, including coal, to Europe and elsewhere. Why is supplemental funding needed for on-going programs like these? And if this is a high priority, why wasn't it included in the Carter supplementals?

General West. The requirements for transportation of ammunition supports the Army's immediate goal of providing [Deleted]

percent of war reserve ammunition is currently on hand in Europe and some items are as low as [D] days supply. Additionally, new production of improved tank and artillery ammunition will be available to position in USAREUR and new storage capacity is coming on-line in fiscal year 81. The transportation of supplies and equipment directly supports the readiness of the Army by providing weapons systems, ammunition, repair parts and other essential items to deployed units where they are needed. These requirements were not included in previous supplementals due to funding constraints and limitations. These additional funds will correct a long standing problem of having to reprogram funds from other programs to second destination transportation ($46 million in FY 80).

Senator Stevens. The ammunition and supply transportation request is listed under "fact of life." Isn't this related more to readiness since it involves program expansion rather than cost increases?

General West. This issue is related to both fact of life and readiness categories. The items are procured as part of the readiness category; however, the movement of the items becomes a fact of life category in order to preclude storage charges and to enable movement to the ultimate destination.

Need for Supplemental

Senator Stevens. Some of the Reagan supplemental requests do not seem to carry the urgency normally associated with mid-year funding needs. Why, for instance, can't the $2.9 million request for new dining equipment wait until the regular 1982 budget?

General West. Continued use of the old dining facility equipment will present safety hazards and impede compliance with sanitation requirements, thus jeopardizing the health and safety of our personnel. As the old equipment cannot be economically repaired, new equipment is essential for the continued operation of the dining facilities and cannot wait until the regular 1982 budget. Examples of equipment in need of replacement are obsolete wooden shelving which harbors insects, malfunctioning steam kettles, and ovens which cannot be regulated because of worn out thermostats and warped doors. An added advantage of new equipment is that it will provide increased energy/work efficiencies and improved working conditions for cooks. This benefits all enlisted personnel who eat in the dining facilities and contributes to improved quality of life, soldier retention and unit cohesion.

Senator Stevens. You also have a $27.9 million supplemental request for housekeeping needs at the National Training Center. Again, why can't something of this nature await the 1982 budget?

General West. These funds are essential to establish the National Training Center at Fort Irwin, California. They were identified, subsequent to the fiscal year 1981 budget formulation, largely by the first personnel assigned to Fort Irwin who conducted more detailed surveys of existing facilities and reviewed the initial estimates of start-up costs. They will provide for the time-sensitive rehabilitation of facilities and utilities at Fort Irwin, initial start-up costs for installation operations, transportation of opposing force vehicles to Fort Irwin, and instrumentation software procurement all of which are critical to successful National Training Center operations. The National Training Center will enhance unit training readiness, and is the Army's highest priority training initiative. The full funding of this supplemental request is crucial if the full training benefits of the Center are to be achieved in fiscal year 1982. If this funding were delayed until fiscal year 1982, adequate funds would not be available in the fiscal year 1981 budget to establish fully the National Training Center. Most of this funding was identified last year to the Senate Appropriations Committee (31 March 1980 Defense Budget hearing) as a potential fiscal year 1981 unfinanced requirement.

Senator Stevens. Why are you proposing supplemental funding to initiate a high technology test bed for the 9th Infantry Division? What is the priority for this project, and can you use all the requested $11.3 million effectively in what's left of the current fiscal year?

General West. The decision to implement the 9th Infantry Division High Technology Test Bed was made on 19 June 1980. This precluded funding it in the FY81 budget. The urgency with getting on with this important program now necessitates the request for funds in the FY81 supplemental budget.

The 9th Infantry Division High Technology Test Bed is a new major initiative established to begin the process of redesigning the Army's light forces. It will test operational and organizational concepts, doctrine and tactics and assess the impact of the infusion of new high technology. The Army's objective is to develop a light division with better firepower, increased tactical mobility, enhanced survivability, and greater sustainability while making a significant improvement in its strategic deployability. Within the Department of the Army this project has a very high priority.

Based on our current test program the requested funds can be effectively utilized before the end of FY81.

Senator Stevens : How much of the $22 million training supplemental is regarded as essential in the current fiscal year?

General West: Each of the items included in the $22 million training supplemental (Increased Training Readiness) is critical to the Army's current year training program. These ten essential training requirements are as follows:

(1) $3.0 million is required to offset decreasing reimbursements being paid through the International Military Education and Training (IMET) program. This requirement occurred since the

IMET costing method was changed (from full to additive) as directed by the 1980 International Security and Development Act (16 Dec 80);

(2) $4.1 million is required to sustain the operation of the Army's Project Manager TRADE that procures, manages and maintains nonstandard training devices costing less than $3,000 each;

(3) $2.0 million is required to pay for the increase in ROTC scholarship tuition rates. Costs for tuition, books and fees for the 6,500 scholarships have increased an average of $308 per scholarship;

(4) $2.5 million for the travel associated with essential training for 5,600 USA FORSCOM soldiers;

(5) $0.15 million start-up costs for the U.S. Army War College's War Gaming Facility. Originally scheduled for full operation in 1984, the Army Chief of Staff recognized the Army's immediate need for the capability this facility will provide and directed its initiation in 1981 with full capability in 1982;

(6) $0.4 million is required to complete the FY 1981 preparation for the full implementation of the Army's expanded initial entry training program in FY 1982;

(7) In order to keep the Army's current skill testing program on schedule, $0.4 million is required for preparation, printing and distribution of 110,000 tests;

(8) $0.9 million is required to provide the direct and general support contract maintenance for the recently activated attack helicopter company at Ft. Rucker, AL.;

(9) $2.3 million is required to support an unprogrammed requirement for the air and sea lift of one battalion of the 7th Infantry Division during JTX Team Spirit. The Army Chief of Staff directed that a CONUS-based battalion participate in this joint exercise conducted in Korea; and,

(10) FTXs for five battalions and one brigade of the Army's Rapid Deployment Force will require $6.3 million. This increase will pay for transportation costs and repair parts consumed during the training which will be conducted in April, May, June and September 1981.

Senator Stevens: Why can't some of that funding await the 1982 budget?

General West: This issue reflects Army requirements for FY 1981 that must be paid during the current year and cannot be deferred. As examples: the impact of the reduced IMET reimbursements is being felt at this time and must be paid; project Manager TRADE is an on-going program for which resources must be provided in order to maintain the viability of its operation; the $2.0 million required for the ROTC scholarship tuition increases will be paid in September 1981; and since the scheduled 7th Infantry Division JTX Team Sprit and the FTXs for the Army's Rapid Deployment Force units are considered critical to the Army's combat readiness posture, the $8.9 million will be paid. Previous disruptions to USA FORSCOM's individual training programs make crucial the $2.5 million requirement for FY 1981 in order that the scheduled individual training for FY 1982 not be inadvertantly derailed. This is also the case with respect to the $0.4 million required to complete preparation for the full initial entry training expansion in FY 1982. This total $22 million requirement is essential for FY 1981; if not provided by way of this supplemental request, the Army will be forced to decrement other programs in order to pay the bills.

Senator Stevens. Which of your supplemental requests, in your judgment, require funding by July? How will they be affected by delays in the bill beyond then?

General West. Except for Water Equipment for the Rapid Deployment Force (excluding that portion of the program which pays for overtime work and the contractual effort to acquire the equipment), Commissaries in Europe and Increased Training Readiness, all of the items in the supplemental would not be adversely affected by late passage of a bill in July or later.

Maintenance Backlog Reduction

Senator Stevens: You have a total supplement request of $101.8 million for reducing the real property and depot maintenance backlogs. We don't quarrel with the need to reduce these backlogs, but can you really utilize all that additional funding in what amounts to the last quarter of the fiscal year?

General West: The facilities engineers will have the capability to effectively utilize the additional funding in the supplemental request of $48.8 million for reducing the real property backlog. There will be a large number of maintenance and repair projects on the shelf--designed and packaged for expedited processing--subject to availability of funding so that the additional dollars can be applied to these projects even in the last quarter.

Army Program Decreases

Senator Stevens. Aside from $54 million in reduction based on reduced inflation rate projections, you are offering up $75.5 million in funding reductions from "efficiencies." How did you come up with these efficiencies? Were they assigned quotas or what?

General West. The savings are as follows:

1. EUCOM Alternative HQ ($9M).

This would defer the co-location of EUCOM and SHAPE because the program is not ready.

2. Improve Supply Discipline - $34.3

The Army will attempt to generate these savings through more intensive management of existing inventories, cross-leveling excesses between organizations and quicker return of surplus items to the wholesale supply system. The extension of the Presidential reduction in office furniture to other supplies and equipment will provide additional savings. The reduced consumption will require equipment currently listed as unserviceable to continue in use, and will reduce the consumption of supplies and equipment neces- sary for combat readiness.

3. Other Engineer Support - $2M

Improved contract management can result in economies by making sure the Army gets what it pays for, broadens the application of competitive bidding and accepts only the lowest bona fide bids on other engineering support contracts for refuse disposal, custodial services, pest control, etc.

4. Administrative Use Vehicles - $1.3M

A large buy of new administrative vehicles will cause the wash out of overage and over mileage vehicles creating maintenance savings. Additionally, operating savings will result from the new lighter, better mileage AUVs.

5. Training Efficiencies - ($2.5M)

Review Army correspondence program needs in light of increased service benefits and needs of the services.

6. Improved Transportation - ($13M)

The recent decontrol of airlines and trucking, plus the expected decontrol of other transportation services will give the Army an opportunity to review our current methods and obtain the most cost effective method of transportation

7. Travel Reductions - ($5M)

Administrative travel was reduced of 10% at the direction of the President.

8. Equipment Purchases - ($2.4M)

Office equipment purchases were delayed as directed by the President resulting in the this cost avoidance.

9. Consultants and Studies - ($6M)

The amount of resources spent on consultants and studies was reduced as directed by the President.

Senator Stevens. To what total available funding was your $2.4 million furniture/equipment reduction applied?

General West. Total FY 81 available funding for the eight Federal Supply Categories covered by the furniture/equipment moratorium was computed to be $19.1 million. Obligations as of 30 January 1981 were $9.3 million, leaving an unobligated FY 81 balance of $9.8 million. In accordance with OSD guidance, a reduction of 25% of the unobligated balance was computed to be $2.4 million.

Senator Stevens. What percentage of travel funding is your $5 million reduction? What percentage of Administrative Travel? Has your 1981 travel funding been reduced previously?

General West. The FY 1981 OMA Travel Program is $340 million - the reduction is approximately 1.5 percent of the program. OMA Administrative Travel Program for FY 1981 is $32 million - the reduction equates to 15.6 percent. Although the dollar value of the travel program has remained relatively constant, the travel (trips) actually accomplished has been significantly reduced by the increased cost of air fares, hotel accommodations and per diem.

Senator Stevens. Please supply for the record the allocation of your $62.1 million reduction in "marginal programs".

General West. The savings are as follows:

1. EUCOM Alternative HQ ($9M).

This would defer the co-location of EUCOM and SHAPE because the program is not ready.

2. Improve Supply Discipline - $34.3

The Army will attempt to generate these savings through more intensive management of existing inventories, cross-leveling excesses between organizations and quicker return of surplus items to the wholesale supply system. The extension of the Presidential reduction in office furniture to other supplies and equipment will provide additional savings. The reduced consumption will require equipment currently listed as unserviceable to continue in use, and will reduce the consumption of supplies and equipment necessary for combat readiness.

3. Other Engineer Support - $2M

Improved contract management can result in economies by making sure the Army gets what it pays for, broadens the application of competitive bidding and accepts only the lowest bona fide bids on other engineering support contracts for refuse disposal, custodial services, pest control, etc.

4. Administrative Use Vehicles - $1.3M

A large buy of new administrative vehicles will cause the wash out of overage and over mileage vehicles creating maintenance

savings. Additionally, operating savings will result from the new lighter, better mileage AUVs.

5. Training Efficiencies ($2.5M)

Review Army correspondence program needs in light of increased service benefits and needs of the services.

6. Improved Transportation ($13M)

The recent decontrol of airlines and trucking, plus the expected decontrol of other transportation services will give the Army an opportunity to review our current methods and obtain the most cost effective method of transportation

Justifications

Senator Stevens. Your O&M Budget Justifications this year are running unreasonably late. In fact the final justifications even for the Carter January Budget Submission have not yet been published. We have only xeroxed copy, parts of which did not reach us until the day or so before the hearing.

We realize the Reagan Budget revisions have caused you problems, but why are your January Justifications running so late?

General West. During the FY 82 budget cycle the original Budget Justification Books were submitted to OSD/OMB for their review during October in a zero based budget format. This review resulted in various changes to the Army programs with final decisions being received during the 2nd week of January as to the total obligational authority approved within President Carter's Budget request. The Army then redeveloped the justification books in the different format required by Congress and provided a draft to OSD for their review during the fourth week of January. Upon approval by OSD, xeroxed copies of the justifications books were provided to the Congressional Committees and the original sent to be officially printed which takes three to four weeks. This year final decisions on how to display certain requirements by OSD caused the delay in completing the final justification books to Congress. In an attempt to provide data for submission to Congressional Committee portions of the justification books were provided as they were approved.

Senator Stevens. What are you doing to insure that these justifications are available to the committee on a timely basis in the future?

General West. The Army in conjunction with OSD is in the process of reviewing the Planning Programming Budgeting System. The Zero Based Budget, authorization justification and lower levels of detail are a major factor in the Army not making justification data available to the committee on a timely basis. One recommendation is the conversion of the October OSD/OMB Budget Submission from the Zero Based Budget format to the format and level of detail provided in the Congressional Justification Books. This will allow OSD/OMB to review both the data content and format of the budget submission during the October to December time frame. The Army will then change the existing justification books versus the requirement to develop new formats. The Army is also looking at levels of detail, internal processing and organizational structures in support of producing more timely responses to Congress.

Senator Stevens. The justification lists the costs estimated for this force expansion mainly in the continental US and Europe, but

there is no explanation of the need for it. Why are you budgeting for all this expansion?

General West. Each year the Army conducts Total Army Analysis (TAA), an in-depth analysis of the existing force in comparison to projected requirements based upon Army initiatives or Department of Defense directives. The analysis determines force requirements and dictates changes. Reductions have been required to provide spaces for the Army to form required new units within a relatively stable end strength. Cost savings from inactivations and ALO decreases are also programed as decrements and, thus, offset some of the increased costs resulting from activations, conversions, and ALO increases. Units added to the force must be fully costed and programed. Non-recurring (activation) costs support the initial equipping of the unit. Recurring costs provide for continuity of the unit subsequent to activation. Both the non-recurring and recurring costs must be programed to ensure the unit is capable of executing its wartime mission.

Expanding the Force

Senator Stevens. How much of the FY 1982 funding requested for activating battalions and companies is a one-time expense? And what is the annual ongoing cost of maintaining these additional units?

General West. The one time expense for activating battalions and companies is $7.378 thousand. The annual ongoing cost of maintaining these additional units is $22,982 thousand, however, the Army is continuously activating, inactivating, and converting units based on the constant evaluation of the threat and the best means to counter it. Below is a chart depicting the net O&M impact of the FY 82 Force Program.

FY 1982 Force Program
($ millions)

	One-Time	Recurring	Total
Inactivations	-0-	-29.214	-29.214
Activations	7.378	22.982	30.360
Conversions	7.612	13.880	21.492
ALO Reductions	-0-	- 4.598	- 4.598
Annualization of FY 81 Force Program	-0-	1.115	1.115
Total	14.990	4.165	19.155

Senator Stevens. What additional force expansion is being planned for future years? Do you have estimates for activation and continuing support costs for all added units?

General West. The major force actions being planned over the program years between FY 1982 and FY 1986 are:

ACTION	FORCE STRUC SPACES (000)	OMA ACTV COSTS (000)	OMA RECUR COSTS FOR FY (000)
Multiple Launcher Rocket Sys (MLRS) with support	4.9	$21,590	$19,312
Ten heavy maneuver bns (mech and armored)	5.9	$40,618	$42,652
Heavy Bde for 24th Mech Inf Div (includes 2 maneuver bns)	2.6	$ 9,778	$18,583

The above should not be considered as force expansion but rather force structure initiatives at the expense of existing force structure in the form of tradeoffs. The major active force structure tradeoffs during the program are as follows:

ACTION	FORCE STRUCTURE SPACES (000)	FY 82-86 OMA REDUCTIONS (000)
Tactical Support Incr (TSI) reduction	6.7	$47,651
Auth Level of Org (ALO) reduction of five divisions, two separate bdes and one armored cav regt	5.1	$91,641

These actions will be reviewed each year based upon resource constraints and other force structure initiatives through the Total Army Analysis (TAA) process as discussed earlier.

Modernizing

Senator Stevens. Just to background the Committee, can you summarize why these modernization costs jumped from $27 million to $421 million this year? And tell us why this vastly increased cost more than doubles in 1982.

General West. Costs for force modernization have increased significantly from 1980 to 1982 as a direct result of the following:

a. Increase in the number of types of new or modernized equipment systems from 29 in 1980 to 119 in 1982.

b. Force Modernization costs in a particular year include those associated with equipment actually being fielded in that year plus the support of all equipment of the same type fielded in previous years. As the years progress, more of the same type of equipment is being supported.

Senator Stevens. Has anyone analyzed whether the nation can afford to pay this kind of expense and still foot the bill for the never-ending need to develop still more costly systems? What kind of a total weapons price tag are we talking about by, say, 1990? And how will we pay it?

General West. As to the first and last questions, the Army operates within the fiscal guidance provided by the Office of the Secretary of Defense. The administration and Congress determine what kind of

defense the nation should have and the Army builds its programs to support those policy decisions. Therefore, the question of national affordability is not something I am qualified to answer.

As to the second question, the Army expects to be able to provide acceptable modernization and readiness within an approximate 7% real growth rate through 1990. In that case, Army funding to buy the equipment and support the fielding costs is estimated as follows:

(FY82 CONSTANT $ IN BILLIONS)

	82	83	84	85	86	87	88	89	90	TOTAL
PROC.	15.1	16.4	17.6	19.8	20.4	21.9	23.4	25.1	26.8	186.5
OMA	1.0	1.4	1.7	2.0	2.6	2.6	2.7	2.8	2.9	19.7
TOTAL	16.1	17.8	19.3	21.8	23.0	24.5	26.1	27.9	29.7	206.2

Of the total procurement funds, approximately $110B would be for modernized equipment and approximately $76B would be for other equipment to fill existing and projected unit shortages.

Senator Stevens: Are there perhaps any offsetting reductions that could help ease the burden? Will the deployment of these new systems make it possible to cut back other expenses?

General West: Offsetting reductions to the OMA appropriation are included in the development of the modernization resource program. Resource savings generated by not operating a replaced system, as well as any savings generated by operating a more efficient new system reduce total resource requirements. Specific examples include manpower savings generated by the Patriot system.

Senator Stevens: Please supply for the record the basis for your cost growth calculations for the operation and maintenance of new weapon systems and other modernization expenses, allocating these costs among individual systems or other factors.

General West: Operation and Maintenance, Army (OMA) costing for new and displaced materiel systems is generally based on data found in the Army Modernization Information Memorandum (AMIM) and system distribution plans. The AMIM lists cost factors for selected systems, e.g., Repair Parts Costs, and other information on which to base the resource program. AMIM data is provided by the Materiel Developer, Combat Developer, and the Training Base. Generally, cost factors are different for each system.

Senator Stevens: What alternatives are available to us if we were to attempt to slow this tremendous cost growth in modernization? What are the other strategies that were considered and rejected by the Pentagon?

General West: There are several alternatives available, which if implemented, could slow the high costs of the Army modernization effort. First, the most direct approach would be to reduce procurement quantities of selected systems or delay procurement of some systems to a later date. The procurement quantities sought are essential to a balanced modernization program. Therefore, quantity reduction or system delay leads either to a drawn out, and thus more

costly procurement effort, or to composite force structure imbalance. Our upgrade effort across mission areas is essential to achieve the synergistic effect of improved interrelated weapons systems. Reduction of the procurement effort, in the face of continuing Soviet hardware improvements in both quantity and quality, is not an alternative we indorse. A second alternative to reduce modernization costs is to produce less technologically sophisticated weapons systems. Less sophistication generally requires a balance of more quantity to achieve equivalent combat power. However, greater quantities of systems generally drive support costs, and thus total life cycle costs, higher than for fewer but more sophisticated systems. The third alternative that offers potential for cost reduction is technological breakthrough that would provide a significant tactical or strategic advantage. Such an advantage could lead to quantity reductions.

In the weapons system review process, we examine affordability and force balance to assure fielding of a cost effective system. We also look at production rates to try for the most economic procurement profile within the TOA. We are hopeful that multiyear contracting as contained in H.R. 745 will reduce production uncertainties and produce economies. No option or strategy is rejected until its merits are examined relative to alternative options and found to be not cost effective, not affordable or not supportive of a proper force structure balance.

Senator Stevens: We assume your modernization funding projections are based on 1982 dollars. If so, what would the costs be in 1986 if we assume a reasonable, even optimistic, inflation rate?

General West: The current modernization funding projections are in FY82 dollars. Inflated, the FY86 OMA projection is $2.9B.

Senator Stevens. How many new systems in total are your long range projections based on? Are you assuming anything beyond what is known now, or are you merely costing out those systems now moving into the procurement process?

General West. The Army long range research, development and acquisition (RDA) planning process currently portrays approximately 175 systems in the procurement account. Those systems are primarily a reflection of costing out those systems now in or moving into the procurement process. The long range RDA planning process includes the identification of Army needs for the future and portrays the necessary RDTE and procurement to move toward the solution of those needs. In that regard, the plan does include the procurement programs for concepts which are not now identifiable as systems. These programs appear in procurement in the 1990-1997 planning period.

Personnel

Senator Stevens. Under the Reagan budget revisions, we note you are seeking 21,800 new civilian personnel slots, 10,000 of them in the current fiscal year. How does this square with the existing Congressional ceiling fixed by the authorizing committees?

General West. This reverses the trend that has reduced the Army by about 50,000 civilian spaces since FY

1974. The 10,000 spaces for FY 81 and 21,800 spaces for FY 82 is an increase over the January 1981 Budget request and requires final approval by the Congress to increase the existing DOD Congressional ceiling fixed by the authorizing committees.

Senator Stevens. Your statement mentions the Army asked for 30,000 new civilian slots. Who cut you back, the Pentagon or OMB?

General West. OSD provided 21,800 of the requested strength of 30,000 for FY 82. The Army requested 30,000 increase for FY 82 as a partial offset to the current 65,000 shortfall that exists from the FY 80 base level of 360,000.

Senator Stevens. Please tell us how you would utilize the requested additional positions and how the 8,200 you asked for but didn't get would be applied if funded by Congress.

General West. The 21,800 will be used in four areas - Depot Maintenance, Procurement, Supply and Contract Administration, and Borrowed Military Manpower. The 8,200 would also have been applied against remaining shortfalls in these four areas.

Senator Stevens. Your supplemental justification does not associate any increased funding with 10,000 additional positions requested for FY 1981. It shows instead that $20.4 million for pay restoration and freeing borrowed military labor is being absorbed. Tell us how you are absorbing that cost -- and is that the only cost invloved?

General West. The requested civilian manpower increase of 10,000 civilian spaces in FY 1981 is funded as follows:

a. Depot Maintenance - 2,000 civilian spaces requiring $11.5 million - funding contained within $53.0 million for reduction of depot maintenance backlog.

b. Procurement, Supply and Contract Administration - 1,500 civilian spaces requiring $8.6 million - funding contained within $12.0 million for care of materiel in storage.

c. Borrowed Military Manpower - 6,500 civilian spaces requiring $35.0 million - no additional OMA funding was requested in the FY 1981 Supplemental associated with borrowed military manpower. The source of funds is the $35.0 million provided by the Congress in the FY 1981 DoD Appropriation Bill (P.L. 96-527) for increased civilian strength. (The Congress recommended that DoD be exempted from the FY 1980 hire limitation which carried into FY 1981.)

Senator Stevens. Although the cost of additional civilian positions is absorbed in FY 1981, you are budgeting $284.5 million for annualizing all 21,200 new slots in FY 1982. Why can't at least part of the cost be absorbed in view of the fact that many of these civilians are freeing up military personnel?

General West. Additional funding will be required to cover the cost of increased civilian manpower levels. The $35.0 million required in FY 1981 was provided by the Congress in the FY 1981 DoD Appropriation Bill (P.L. 96-527) for increased civilian strength (the Congress recommended that DoD be exempted from the FY 1980 hire limitation which carried into FY 1981).

Savings will be realized in providing improved care of materiel while in depot storage and achieving a reduction of depot maintenance backlog. However, the real pay off will be in terms of improved nearterm readiness by buying back those soldiers now being diverted from their units to offset civilian manpower shortfalls. There will be no MPA dollar savings since the Army's total military strength remains the same.

Senator Stevens. Please supply the basis for this increased personnel funding, including average pay and lapse rate.

General West. The FY 1981 Supplemental/FY 1982 Amendment Civilian End Strength increases of 10,000 and 21,800 respectively and associated workyears and funding are provided as follows:

FY 1981 Supplemental

a. Depot Maintenance

1. End Strength 2,000

2. Workyears 500

3. Compensation $ 11.5 million

4. Average Workyear Cost-$23,022

5. Source of Funds - $53.0 million for reduction of depot maintenance backlog.

b. Procurement, Supply and Contract Administration.

1. End Strength 1,500

2. Workyears 375

3. Compensation $ 8.6 million

4. Average Workyear Cost $22,952

5. Source of Funds - $ 12.0 million for care of material in storage.

c. Borrowed Military Manpower

1. End Strength 6,500

2. Workyears 1,850

3. Compensation $ 35.0 million

4. Average Workyear Cost $18,919

5. Source of Funds - No additional OMA funding was requested in the FY 1981 Supplemental associated with borrowed military manpower. The source of funds is the $35.0 million provided by the Congress in the FY 1981 DoD Appropriation Bill (P.L. 96-527) for increased civilian strength (The Congress recommended that DoD be exempted from the FY 1980 hire limitation which carried into FY 1981).

FY 1982 Amendment

a. Depot Maintenance

1. End Strength	3,000
2. Workyears	2,898
3. Compensation	$ 68.0 million
4. Average Workyear Cost	$23,464
5. Source of Funds	$ 68.0 million for reduction of depot maintenance backlog.

b. Procurement, Supply and Contract Administration

1. End Strength	2,000
2. Workyears	1,832
3. Compensation	$ 43.0 million
4. Average Workyear Cost	$23,472
5. Source of Funds	$ 43.0 million for care of materiel in storage and $11.0 million for central procurement activities.

c. Borrowed Military Manpower

1. End Strength	21,200
2. Workyears	13,850
3. Compensation	$ 284.5 million
4. Average Workyear Cost	$20,542
5. Source of Funds	$ 284.5 million for Civilian Personnel.

d. Contract-Out

1. End Strength	-4,400
2. Workyears	-2,200
3. Compensation	$- 48.0 million
4. Average Workyear Cost	$22,227
5. Use of Funds.	The savings generated by reducing the 4,400 spaces are required to pay contract costs associated with contracting out in house functions.

Training

Senator Stevens. Your statement emphasizes the expanded training budget proposed for FY 1982, and your figures indicate that a

good part of that is in the Reagan budget revisions. What are the training totals exactly, both for individual and unit training? And how do these 1982 totals compare to 1981 revised and 1980 actual?

General West. The training totals for individual and unit training for Fiscal Year 1980, 1981 and 1982 are shown below:

Individual Training

FY 80 Actual	FY 81 Revised	FY 82 Amended
$536.4 million	$673.8 million	$782.0 million

Unit Training

FY 80 Actual	FY 81 Revised	FY 82 Amended
$936 million	$1,057 million	$1,278 million

Senator Stevens. Amid all the sharp training increases being budgeted there is a $23.7 million reduction in flight training. What is involved there? Does that reflect the delay in consolidating helicopter training?

General West. There is a $23.7 million reduction in flight training between the FY82 budget and the FY82 ammended budget. $22 million of this reduction is associated with the decision to delay consolidation of undergraduate helicopter pilot training (UHPT). Additionally, a net reduction of $1.7 million was applied to the Army's FY82 flight training request through additional efficiencies (- $1.0 million), changes in economic assumptions (- $1.6 million) and DS/GS maintenance support contract for an attack helicopter company at Ft. Rucker, Al. (+ $0.9 million).

Senator Stevens. Please explain why the helicopter training consolidation has been deferred after being scheduled in the Carter budget. And explain the $22 million reduction associated with that deferral?

General West. The Carter budget requested $22 million in operations and maintenance funds to support the consolidation of undergraduate helicopter pilot training (UHPT). A preliminary study was conducted by the Army to determine the feasibility of consolidating UHPT for $22 million. The study revealed that the $22 million requested was inadequate to support the flying hour program requirements for consolidation and no funds on the required lead times were available to support the necessary construction. As a result, consolidation of undergraduate helicopter pilot training has been deferred and the $22 million deleted in the FY82 amended budget.

Senator Stevens. What are the costs in FY 1981 and FY 1982 of expanding basic training? How were these costs estimated?

General West. The operation and maintenance Army cost of expanding enlisted basic training in FY 81 is $.4 million and the FY 82 estimate is $6.486 million. The cost estimates were developed using approved Army cost estimating factors and field estimates. It provides for resourcing of

of additional equipment, Program of Instruction and instructor requirements and and training support Base Operations directly associated with the one week expansion of enlisted basic training. It does not include costs for expanding officer basic courses in FY 82.

Senator Stevens. Please explain the advantages of extending basic training. How cost effective is it?

General West. The training base must provide field commanders with highly motivated, disciplined and physically hardened soldiers able to perform the minimum combat skills essential to their Military Occupation Specialty (MOS). By extending and toughening IET, soldiers will be more proficient in the combat skills common to all MOS such as basic rifle marksmanship, military communications, map reading, and Nuclear, Biological, Chemical training. The degree of cost-effectiveness for a one week extension of IET is unknown, but the additional training is necessary. Providing a better trained soldier to units will permit the unit to concentrate its equipment, fuel, ammunition, repair parts, personnel, and time on the kind of training necessary to improve combat readiness.

Senator Stevens. How much of the total training increases budgeted in the 1981 and 1982 fiscal years is for cost growth and how much is for program growth?

General West. The cost growth and program growth for training increases in fiscal years 1981 and 1982 are shown below:

Individual Training

	FY 81 Revised	FY 82 Amended
Cost Growth	$68.0 million	$ 39.4 million
Program Growth	$69.4 million	$ 68.8 million
Total Increase	$137.4 million	$108.2 million

Unit Training

	FY 81 Revised	FY 82 Amended
Cost Growth	$ 20 million	$ 21 million
Program Growth	$101 million	$200 million
Total Increase	$121 million	$221 million

Recruiting

Senator Stevens. Your statement speaks to a $64 million increase for recruiting activities, but the justification for the Reagan budget amendments reveals a $9 million reduction. At a time when you are supposed to be boosting recruiting efforts, why is such a reduction proposed?

General West. The $9 million ($5 million in advertising and $4 million in recruiting support) is the result of an efficiency effort to provide a reduction in expenditures in line with Administration guidance. We believe, based on current recruiting objectives, that funding for recruiting will be sufficient for Fiscal Year 1982.

Senator Stevens. The March Budget also includes a 3 percent cutback in medical recruiting and examining. Why?

General West. The reduction of $484 thousand or 3 percent of medical recruiting and examining relates to the revised economic position reducing the projected inflation required to support the FY 82 program. The March Budget maintains the same number of projected medical examinations as portrayed in the January Budget.

Senator Stevens: How did you develop the $46 million estimate for the examining function, which the Army performs for all Services? What is the estimated workload, and how much of the increase over 1981 is calculated?

General West: The Program and other examining function estimated in the amended budget submission is $45.2 million. This program supports the following functional activities: AFEES processing operations, production ASVAB testing and special qualification tests, institutional ASVAB testing, headquarters activities (MEPCOM HQ and three Sector HQs); and the Joint Computer Center. The budget estimate was developed to support functional requirements and it incorporates both price changes and program growth into the respective functional areas. Several functional areas are workload intensive and in those cases the requirements were developed based upon past workload and cost relationships. For instance in the testing activities the workload is performed by both assigned AFEES personnel and Office of Personnel Management (OPM) testors. OPM support is provided on the basis of cost reimbursement for each test session, whether it be a production ASVAB or an institutional ASVAB test. AFEES conducted testing has been correlated to a variable cost per aptitude examination. AFEES processing operations are correlated on the basis of both fixed and variable cost per contract written, whether it is an accession contract or a DEP (delayed entry program) contract. Following is a functional display of the examining requirements in the FY 1982 budget as amended in March 1981:

Functional area	FY80-Act	FY81-EST	FY82-EST	Change FY81 to FY82
AFEES Operations	14,562	17,225	20,637	+3,412
Production ASVAB/ Special Tests	4,384	5,611	8,178	+2,567
Institutional ASVAB	1,851	1,804	4,546	+2,742
Headquarters Activities	4,851	6,415	8,119	+1,704
Joint Computer Center	725	1,887	3,671	+1,784
TOTAL	26,373	32,942	45,151	+12,209

MEPCOM and the AFEES have been operating with essentially the same level of staffing since the inception of MEPCOM in 1976. During the period the examining requirements were increased to satisfy the needs of the individual services. This budget submission recognizes the need for additional military and civilian staffing primarily within the 67 AFEES. The increased workload experienced in FY 80 was accomplished in large part by the use of excess military personnel who are rapidly being attrited, Army compassionate assignees, extensive use of civilian overtime, and extended duty hours for military personnel. The increased civilian salary costs in FY 82 is $2.7 million. MEPCOM is continuing to transition from the use of AFEES military testors outside the AFEES to OPM testors. Both of these actions tend to distort a true cost/workload relationship

since MPA costs are not included. Following is the AFEES workload supported by Program 8-Other:

Workload Indicator	FY 80-Act	FY 81-Est	FY 82-Est
Contracts written	836,790	826,300	850,300
Accessions processed by the AFEES	431,996	433,700	443,200
Production ASVAB Tests	992,352	984,269	1,013,173
Institutional ASVAB Tests (school year data)	898,575	930,000	928,000

All of the program growth discussed in other questions has been calculated based upon costs, workload, increased staffing and new missions with the exception of the $3 million to support the efforts of the Department of Defense to revise and publish a new Data Source Book for distribution and use of high school and vocational guidance counselors and to participate in an inter-agency effort to develop a DOD military/civilian career occupational information system.

Education

Senator Stevens. Education is being stressed as a major incentive to retain experienced military personnel. Why, then, are you proposing a $1.2 million reduction in the March budget revisions for the Army Continuing Education System?

General West. The amount of inflation budgeted in FY 82 was changed based on Office of the Secretary of Defense guidance due to new economic assumptions; this reduction is the share assessed the Army Continuing Education System of that inflation change. There is no program reduction.

Europe

Senator Stevens. From the information that has been provided us to date in support of the 1981 supplemental and 1982 budget estimates, it would appear heavy emphasis has been placed on European forces. The 1980 budget of $572.6 million for our forces in Europe has nearly doubled under the Reagan budget proposals for 1982. Europe gets a heavy share of the spending increases for maintenance and modernization, prepositioned war reserves, and training. Our weapons development concentrates on defending Europe against a Soviet attack.

Do you have any kind of a grand total or percentage portion of your O&M budget that is devoted to Europe?

General West. The US Army, Europe O&M Funding Program for FY 81 is $2.5B which is approximately 19.2% of the total FY 81 O&M Budget. The FY 82 Program is $3.1B which is approximately 19.9% of the total FY 82 O&M Budget.

Senator Stevens. Are we placing too much emphasis on Europe at the expense of other defense needs? For instance, are we undermining reserves elsewhere in order to continue POMCUS and other war reserves for the NATO defense?

General West. Our emphasis and focus has never been exclusively on NATO and we have made a concerted effort to ensure that the Army's force structure, equipment design and procurement decisions do not optimize only for the European environment. We are confident that national policy makers understand the need for flexibility and appreciate the unique capabilities that Army forces must be able to perform in a wide range of contingencies. We do not intend to draw down early required war reserve stocks to fill POMCUS. DOD agrees that wholesale withdrawal of equipment from units and reserve stocks reduces flexibility of employment and weakens sustainability. Revisions to FY 81 budget and FY 82 budget requests provide funding to procure POMCUS type equipment. Equipment shipped to POMCUS in the future will be from the wholesale system.

Senator Stevens. Your statement notes the 1982 budget contains $12 million to begin establishing the fifth POMCUS division set in NATO. The Reagan amendment justification, meanwhile, says you are taking an $84 million reduction in the POMCUS fill because sites for the Division 5 set won't be available in 1982. What is the situation, exactly?

General West. The FY 82 POMCUS budget request was reduced by $84 million based on construction slippage. The FY 82 amended request contains $12.7 million operation and maintenance (OMA) funding for Division Set 5 with no OMA funding for Division Set 6. The $12.7 million provides $8.5 million for all tool kits and repair parts needed to establish Division Set 5. Basically, the $8.5 million buys those repair and processing items needed in place before equipment shipments begin. The remaining $4.2 million will be used to upgrade and prepare equipment for shipment to POMCUS -- a process that requires 6-9 months lead time.

Senator Stevens. The January budget justification indicates you have a total of $102.9 million, budgeted for NATO /POMCUS including a $30.5 million, 31 percent increase. Why don't you supply an updated funding justification for the record, including a full explanation of your funding and capability for this program in 1982 and projected for 1983.

General West. Due to a slippage in the construction schedule for Set 5, the $134 million originally requested was reduced by $41 million for Program 2 Mission as reflected in the March FY 1982 amendment. The revised budget request of $93 million, (which does not reflect adjustments for inflation or civilian pay raises) allows the Army to maintain POMCUS Sets 1-4, the Medical Augmentation package, and the Minimum Required Logistical Augmentation Europe package; begin camouflage painting of POMCUS vehicles; and begin the preparatory work necessary to establish Division Set 5. The funding request for FY 83 is still under development; however, the budget request for POMCUS will be increased in FY 83 and 84 to provide the remaining one-time cost needed to establish Division Sets 5 and 6.

CONTRACTING/CONSULTING

Senator Stevens. President's Reagan's budget revisions included reductions attributed to consultant expenses. The term "consul-

tants" in this instance apparently applies to a broader area of contracting for management and technical services as well. How much in total are you budgeting for this kind of contracting in 1981 and 1982 fiscal years?

General West. You are correct, the term does apply to the broader area of management and technical services as well. The amount contained in the FY 1982 Amended Budget for management support services is $210.6 million in FY 81 and $183.4 million in FY 82.

Senator Stevens. It would appear the contracting reductions you are estimating amount to about 4 percent in 1981 and less than 15 percent in 1982. With the additional civilian personnel you are seeking, and given the strong criticism of this practice by GAO and others, why can't you cut back further?

General West. In fact, the reductions taken by Department of the Army amount to slightly more than 5% in FY 81 and 21% in FY 82.

The additional personnel spaces which the Army will be receiving have been specifically directed toward four areas: depot maintenance; procurement, including quality assurance, procurement operations and administration of Defense Acquisition Regulation procedures; supply, such as care of supplies in storage; and reduction of borrowed military manpower. None of the above-mentioned functions fall into the realm of consulting and related services and none of the spaces may be directed to any other types of functions. However, the Army is currently conducting an economy and efficiency study in which further savings in this area are being reviewed.

Senator Stevens. What are you doing to curb sole source, unsolicited contracting, especially to former Defense Department Employees?

General West. A special review, conducted in April 1980, informed Army leadership of the extent of management support services and related procurement practices. Although, in general, Army management control procedures were found adequate, two areas were identified as requiring further scrutiny. These were a greater than desirable amount of sole source contracting and concern over the use of recent or retired Army service members or employees as experts or consultants. As a result, for a one-year period which began 1 October 1980, Assistant Secretary of the Army approval is required for sole source contracting of analytical support services valued at $50,000 or more, or the hiring as an expert or consultant of a former Army employee. Currently in preparation is an Army regulation dealing with the administration of analytical support services. Contained within that regulation are procedures which will continue the requirement for Assistant Secretary of the Army approval for the use of former Army employees, and will establish the requirement for Senior Executive Service or General Officer management official level approval of efforts valued at $50,000 or greater.

We have not determined that unsolicited proposals are a problem. The Department of the Army is receptive to new ideas, but makes clear that the acceptance of a concept presented in an unsolicited proposal does not imply the award of a contract. Army policy is to compete contracts. The policies concerning the receipt, evaluation, and acceptance of unsolicited proposals are clearly set forth in DoD regulation. The procedures for unsolicited study proposals are further delineated by Army regulation; these procedures are being expanded to include the broader area of analytical support services.

Senator Stevens. Have you established any kind of system to control some of the redundant or unneeded studies the GAO found you to be funding through contracts?

General West. Department of the Army does not believe it conducts redundant or unneeded studies. A rigorous system already exists in current Army Regulation to control the requirement and validity of Army studies and analyses. This includes the requirement for Army study sponsors to validate the need for a study. Essential to this process is the requirement for the sponsor to conduct a literature search, including a review of all available reference material. These two procedures ensure that a valid requirement does exist and prevents duplication. Further, Department of the Army does recognize the need to evaluate the utility of studies. An evaluation of each study is prepared by the study sponsor. Additionally, each study program sponsor must provide a description and evaluation of the study program of the preceding fiscal year, to include cost and statistical data, methods of performance, and benefits received. Upon approval of the regulation referred to in the previous answer, this system will be applied to all analytical support services.

Senator Stevens. More importantly, what are you doing to insure vital in-house capabilities are not farmed out?

General West. Historically, ninety percent of Army studies are performed utilizing in-house assets. An Army-wide determination of the nonavailability of in-house capabilities is integral to the contract study approval process as required by Army Regulation. The small percentage of studies which are performed by civilian contractors provide a varied approach to the solution of problems, or fill in when requirements peak for short-term periods.

For the wider class of analytical support services, the new Army Regulation will require a comparison of the costs and benefits of in-house performance with those of contract performance.

Contracting is performed only after a determination has been made that is is the more efficient and economical means of accomplishing an objective.

Senator Stevens. How did you develop the estimated funding attributed to consultant and related contracting for 1980-82? How do we know that's complete?

General West. The estimated funding for consulting and related services is contained in the Congressionally mandated budget display Special Analysis - Consultants, Studies and Analyses and Management Support Contracts. The definitions of each of the categories in the display were provided by the Office of Management and Budget and the Office of the Secretary of Defense. Each command and operating agency is required to provide this data as part of its Command Operating Budget. In the past, there has been confusion over what types of contracts should be reported. Although that confusion has diminished, there are still occasional problems which may cause the values in the report to change. When the individual reports are reviewed and compiled to obtain the Army totals, any obvious discrepancies, significant changes from year to year, or questionable justifications are specifically investigated. Additionally, a newly implemented management information system will provide a means for comparing submissions with other existing data bases.

Senator Stevens. The revised program and financing statement submitted to the Committee (include in record if not already done so) shows your total contracting under the direct program estimated at $2.5 billion, which is a healthy $300 million increase over the revised 1981 program. Why can't that be reduced?

General West. Contracts represent a significant program within OMA. The FY 82 inflation alone on a $2 billion program will account for an increase of $170 million. Although certain types of contracts, such as consultants, studies and analyses, and management support contracts are being reduced, our contracts for equipment and facilities maintenance are being significantly increased. These increases can be attributed to several factors: OMB's emphasis on cost effectiveness is causing a migration to private industry for those activities that are shown to be more cost effectively accomplished out-of-house; lack of sufficient depot maintenance facilities is causing more equipment maintenance to be done by contract; and receipt of significant additional funding for facility maintenance, particularly for Europe, has increased our contracts for FY 82. Although it is certainly possible to reduce our contracts, we are reluctant to do so since these contracts are helping us accomplish much needed programs. Our depot maintenance backlog is being reduced; our facilities are now receiving longneeded repairs; and cost effectiveness is being attained. A copy of the revised program and financing statement is provided for record as requested.

Program and Financing (in thousands of dollars)

Identification code 21-2020-0-1-051		1980 actual	1981 est.	1982 est.
	Program by activities:			
	Direct program:			
	2. General purpose forces	3,700,998	4,081,142	5,584,374
	3. Intelligence and communications	602,413	699,265	861,822
	7. Central supply and maintenance	3,575,576	3,948,158	4,707,231
	8. Training, medical, and other general personnel activities	2,418,912	2,904,767	3,369,991
	9. Administration and associated activities	638,437	807,163	912,992
	10. Support of other nations	86,340	114,689	116,790
	Total direct program	11,022,676	12,555,184	15,553,200
	Reimbursable program (total)	1,480,864	1,561,063	1,715,300
10.0001	Total obligations	12,503,640	14,116,247	17,268,500
	Financing:			
	Offsetting collections from:			
11.0001	Federal funds	-1,077,091	-1,167,691	-1,289,492
13.0001	Trust funds	-289,295	-274,404	-301,608
14.0001	Non-federal sources	-114,454	-118,968	-124,200
15.0001	Off-budget federal agencies	-129	.....	.....
17.0001	Recovery of prior year obligations, bud plan	-48,000	.....	.....
22.4001	Unobligated balance transferred from other accounts	-12,297	-5,000	.....
23.4001	Unobligated balance transferred to other accounts	48,000	.....	.....
39.0001	Budget authority	11,010,374	12,550,184	15,553,200
	Budget authority:			
40.0001	Appropriation	10,602,468	12,302,784	15,553,200
40.0101	Appropriation rescinded	-8,700	.....	.....
41.0001	Transferred to other accounts	-7,109	-144,200	.....
42.0001	Transferred from other accounts	420,730	.....	.....
43.0001	Appropriation (adjusted)	11,007,389	12,158,584	15,553,200
44.1001	Supplemental now requested for wage-board pay raises	.....	87,400	.....
44.2001	Supplemental now requested for civilian pay raises	.....	227,200	.....
69.1001	Contract authority (Stat Cit)	2,985	.....	.....

		1980 actual	1981 est.	1982 est.
	Relation of obligations to outlays:			
71.0001	Obligations incurred, net	11,022,671	12,555,184	15,553,200
	Obligated balance, start of year:			
72.4001	Appropriation	2,173,006	2,463,220	2,729,404
72.4901	Contract authority	.....	2,985	2,985
	Obligated balance, end of year:			
74.4001	Appropriation	-2,463,220	-2,729,404	-3,181,904
74.4901	Contract authority	-2,985	-2,985	-2,985
77.0001	Adjustments in expired accounts	-60,226	.....	.....
78.0001	Adjustments in unexpired accounts	-48,000	.....	.....
90.0001	Outlays, excluding pay raise supplemental	10,621,246	12,289,000	15,100,700
91.1001	Outlays from wage-board pay raise supplemental	.....	85,700	1,700
91.2001	Outlays from civilian pay raise supplemental	.....	299,700	4,500
	Direct obligations:			
	Personnel compensation:			
111.101	Full-time permanent positions	2,736,852	3,001,121	3,110,139
111.301	Positions other than full-time permanent	114,036	125,327	129,880
111.501	Other personnel compensation	71,757	78,850	81,714
111.901	Total personnel compensation	2,922,645	3,205,298	3,321,733
112.101	Personnel benefits: civilian personnel	326,354	367,060	385,305
113.001	Benefits for former personnel	9,125	14,374	17,437
121.001	Travel and transportation of persons	283,127	307,736	365,784
122.001	Transportation of things	589,435	929,232	1,254,916
123.101	Standard level user charges	76,554	86,106	95,442
123.201	Communications, utilities and other rent	492,126	559,187	663,083
124.001	Printing and reproduction	69,509	78,182	81,153
	Other services:			
125.001	Payments of foreign national indirect hire personnel	644,347	900,303	1,047,591
125.002	Purchases from industrial funds	1,309,204	1,587,604	2,139,906
125.003	Contracts	2,207,743	2,223,342	2,519,965
126.001	Supplies and materials	1,689,555	1,843,531	3,080,936
131.001	Equipment	402,952	453,229	579,949
199.001	Total direct obligations	11,022,676	12,555,184	15,553,200
	Reimbursable obligations:			
	Personnel compensation:			
211.101	Full-time permanent positions	227,111	252,646	255,417
211.301	Positions other than full-time permanent	9,463	10,527	10,642
211.501	Other personnel compensation	6,127	4,225	4,281
211.901	Total personnel compensation	242,701	267,398	270,340

		1980 actual	1981 est.	1982 est.
212.101	Personnel benefits: civilian personnel	23,459	26,359	26,883
213.001	Benefits for former personnel	111	175	211
221.001	Travel and transportation of persons	31,608	34,927	36,645
222.001	Transportation of things	41,198	43,124	47,567
223.101	Standard level user charges	953	4,008	4,502
223.201	Communications, utilities and other rent	232,565	215,232	241,784
224.001	Printing and reproduction	7,213	4,522	5,080
	Other services:			
225.001	Payments to foreign national indirect hire personnel	83,965	117,218	122,513
225.002	Purchases from industrial funds	98,243	113,062	127,009
225.003	Contracts	364,816	394,424	450,241
226.001	Supplies and materials	341,818	315,213	353,980
231.001	Equipment	12,314	25,401	28,545
299.001	Total reimbursable obligations	1,480,964	1,561,063	1,715,300
999.901	Total obligations	12,503,640	14,116,247	17,268,500
	Program by activities:			
	Direct program:			
	2. General purpose forces	.....	221,655	.....
	3. Intelligence and communications	.....	13,072	.....
	7. Central supply and maintenance	.....	171,409	.....
	8. Training, medical, and other general personnel activities	.....	28,209	.....
	9. Administration and associated activities	.....	7,283	.....
	10. Support of other nations	.....	-320	.....
10.0001	Total obligations	.....	441,300	.....
	Financing:			
40.0001	Budget authority (appropriation)	.....	441,300	.....
	Budget authority:			
40.0001	Appropriation	.....	444,285	.....
40.4901	Portion applied to liquidate contract authority	.....	-2,985	.....
43.0001	Appropriation (adjusted)	.....	441,300	.....
	Relation of obligations to outlays:			
71.0001	Obligations incurred, net	.....	441,300	.....
	Obligated balance, start of year:			
72.4001	Appropriation	.....	.....	24,385
72.4901	Contract authority	.....	.....	-2,985

		1980 actual	1981 est.	1982 est.
	Obligated balance, end of year:			
74.4001	Appropriation	.....	-24,385	-4,685
74.4901	Contract authority	.....	2,985	2,985
90.0001	Outlays	.....	419,900	19,700
111.101	Full-time permanent positions	.....	11,951	.....
112.101	Personnel benefits: civilian personnel	.....	1,182	.....
121.001	Travel and transportation of persons	.....	32,590	.....
122.001	Transportation of things	.....	82,450	.....
123.101	Standard user charges	.....	27,571	.....
125.001	Payments to foreign national indirect hire personnel	.....	24,991	.....
125.002	Purchases from industrial funds	.....	69,300	.....
126.001	Supplies and materials	.....	191,265	.....
			441,300	

GENERAL PURPOSE FORCES EUROPE

Senator Stevens: Under the European general purpose forces activity, you show funding shifts in FY 1981 total $64.7 million, or about 8 percent of the total appropriation to date. Why is it necessary to realign funding to such a large extent?

Answer: The budget is developed approximately 15 months prior to its actual execution. The priorities of the Army change between the time the budget is developed and actually executed. The $64.7 million funding shifts are related to four areas: (a) Currency Fluctuation ($25.3 million); (b) Intra Appropriation Transfers ($.9 million); (c) Intra Program Changes ($22.8 million); and (d) Decreases to the Program ($15.7 million). The currency reduction reflects a strengthening of the US dollar in Europe. The intra appropriation transfers reflect the shifting of dollars to align them with workload from one Operation and Maintenance, Army (OMA) program to another OMA program. This has a zero effect on the OMA Appropriation. The two OMA programs are Program 3 Communications ($.4 million for leased communications) and Program 7 Supply ($.5 million for supply operations). The intra program changes ($22.8 million) reflect a realignment of dollars within Program 2 and has a zero effect on OMA. The Department of Defense restructured the base operations account into Base Operations (-) and Real Property Maintenance. Program 2 Mission transferred $9.6 million to the Base Operations (-) and Real Property Maintenance accounts in order to align dollars with workload. After submission of the FY 1981 budget, the Army was forced to shift dollars ($13.2 million) among various major commands (MACOMs) when decisions were finalized as to which MACOM would accomplish the mission. Examples of the initiatives are Joint Chiefs of Staff Exercises, Training Management Control System and Tactical Exploitation of National Capabilities. Finally, the program decrease for $15.7 million is associated with force structure initiatives ($3.7 million for conversion of artillery units and reduction of authorization for one Military Intelligence Battalion). The Program 2 portion of this requirement was $20.0 million, of which Europe was to provide $12.0 million and CONUS Forces $8.0 million. The FY 1981 supplemental requests the $20.0 million and if approved the $12.0 million for Europe and $8.0 million for CONUS Forces will be restored.

Senator Stevens. How is your $25.3 million estimate holding up for appropriation transfers to adjust Foreign Currency Fluctuation under the European general purpose forces activity? Does it need to be fine tuned?

General West. The proposed transfer to the Foreign Currency Fluctuation, Defense (FCF,D) Fund is still valid. No fine tuning is required at this time.

Senator Stevens: Please supply a more adequate justification for the $15.6 million in "program realignments" that are detailed on pages 20-25 and 20-26 of your January budget justifications.

Answer: The $15.6 million is associated with two issues. The first issue is for $3.638 million and is tied to FY 81 Force Structure initiatives. The money was removed because the Army made the decision to not convert five 155 Field Artillery Battalions (Self-Propelled) from six guns to eight guns per

battery and to reduce authorizations for one MI Battalion (CEWI). The rationale for not doing the force structure actions is facilities were not available to support the initiatives. The remaining $12 million was a transfer of funds to pay for leases in FY 81. The increased cost of purchased utilities as a result of rising fuel cost contributed to a significant shortfall in GSA and DOD recruiting lease programs. The $12 million reduction to Europe will cause units and organizations to delay purchase of supplies and equipment. The FY 81 Supplemental requests that the Army be provided the money for the leases and if approved; the $12 million will be restored to Europe. If the supplemental is not approved, the impact will be on the combat, combat support and combat service support forces in Europe. Those units will train with less than optimum levels of supplies and equipment.

Base Increases

Senator Stevens. Please share with the Committee how you calculated the increases requested to cover cost hikes for transportation, utilities and other than Stock Fund purchases.

General West. The inflation rates that are used to prepare the budget are based upon economic assumptions prepared by the Office of Management and Budget. The actual rates are issued by OSD based on the OMB assumptions; consequently, when OMB changes their economic assumptions; new inflation rates are issued by OSD. The rates used for transportation, utilities, stock fund, industrial fund, and private sector purchases are based on the OSD standard rates.

Senator Stevens. More information is also needed to support the substantial increases requested for force modernization and maintenance of material and logistics support.

General West. The total FY 82 OMA program for new systems is $977M, comprised of $745M ($415M Base, $330M FY 81 to FY 82 increase) provided by the Carter Budget plus a $232M increase provided by the FY 82 Amendment.

These funds will be provided to the Army's major subordinate commands to pay for the following at the appropriate point or over the life cycle of the equipment:

a. Procurement operations (equipment, repair parts, supplies).
b. Initial repair parts stockage, special tools, publications.
c. Replenishment repair parts and maintenance operations.
d. Training development and transition training.
e. Officer, NCO, and enlisted training courses and materiel.
f. Supply depot operations.
g. Maintenance depot overhaul, rebuild, conversion (new and replaced equip).
h. Line haul, port, overocean transportation (new and replaced equip).
i. Testing.
j. Other base support operations.

The FY 82 Amendment was requested for two purposes. First, it will be used to fund confirmed unfinanced requirements of $182M above the funding level in the Carter Budget. Second, it will be used to provide required OMA supports ($80M) for increased procurement arising from the FY 81 Supplemental/FY 82 Amendment. This total unfinanced requirement of $262M exceeds the amount provided in the FY 82 Amendment.

Failure to receive the full $562M increase will result in major subordinate commands such as US Army, Europe and Forces Command not being able to support and, therefore, not being able to accept or operate new and modernized equipment now scheduled for shipment to those commands in FY 1982. Additional details are available.

Senator Stevens: The $12.1 million increase for the Joint Chiefs of Staff (JCS) exercise program in support of the Rapid Deployment Force (RDF) is a rise of almost 25 percent. Please explain this increase and detail how it will be spent.

General West: Present FY 82 funding requests for Army participation in the JCS exercise program includes support of 40 exercises including four RDF exercises sponsored by US Readiness Command (REDCOM). Training of RDF forces in these field training exercises (FTX) is considered a minimum essential annual readiness goal by REDCOM.

The $12.1M increase is specifically programed for FTX BRIGHT STAR 82 to support deployment of RDF-Army forces from CONUS to an OCONUS location in Southwest Asia (SWA). This is the only OCONUS exercise planned for the RDF in FY 82. Annual training of the RDJTF headquarters and RDF-A forces in areas of the world where actual contingencies may take place is deemed essential by REDCOM.

Planning for BRIGHT STAR 82 is not complete due to negotiations with foreign governments through the State Department and determination of availability of Army forces, USAF airlift, USN sealift and Service exercise funds. The primary option being considered by JCS and REDCOM is movement of an Army brigade-size force to SWA to participate with the other three US Services in joint/combined operations with host country military units. Other options are being considered if negotiations with SWA governments cannot be satisfactorily completed in the near term.

Combat Development Activities

Senator Stevens: Give us more justification for the $1.6 million in policy changes listed on page 20-76 for the Combat Development Activity. Why is it necessary to more than double the funding for force modernization under Combat Development Activities.

Answer: The policy changes was for $11.6 million and not $1.6 million. The $11.6 million is associated with three issues: The issues are Supplies and Equipment ($5.5 million), Tactical Exploitation of National Capabilities (TENCAP) ($1.5 million) and a classified project ($4.6 million). The TENCAP redistribution ($1.5 million) was initiated after the FY 1981 Budget was submitted and aligns the dollars with the changes in Major Command (MACOM) missions. The supplies and equipment realignment was required to support Automatic Data Processing Upgrade at the TRADOC Systems Analysis Activity and the Air Defense Artillery Threat Simulator Program. Both of these items were requirements that developed after the submission of the FY 1981 Budget. The classified project was unfinanced and had to be resourced since bills were being incurred. The effect on Program 2 caused by the shifting of these dollars is zero inasmuch as, you are only realigning dollars with the MACOM accomplishing the mission.

The doubling of dollars for support of Combat Development Activities is related to the number of systems being fielded in FY 1982 over those in FY 1981. During FY 1981, the Combat

Development community was only supporting 8 systems while in FY 1982 they will support 58 systems. The dollars provide for the costs associated with the development of doctrinal concepts as well as the recurring costs incurred when the doctrinal concepts are tested.

Intelligence and Communications

Senator Stevens. Your $16.6 million request for ADP support to the Worldwide Military Command and Control System just about doubles the 1981 program, and a good part of that increase comes in the March amendment. The justification says this is to upgrade the ADP network but doesn't explain why this is needed. Is this increase aimed at correcting major deficiencies recently revealed by a major testing? Please elaborate on this proposal.

General West. The FY 1982 Budget requested an increase of $.5 million to support the expansion of the WWMCCS Intercomputer Network (WIN) to elements of the Army Staff and subordinate commands. This includes the resulting increased contractual maintenance and software development support required for the new ADP equipment. WIN is an integrated, interactive communication system between WWMCCS ADP sites that enables sites to communicate directly with each other, transfer/update files and otherwise directly exchange information on a real time basis.

As a result of deficiencies identified in mobilization exercises NIFTY NUGGET, MOBEX 78, REFORGER, Positive Leap '80 and MOBEX '80, the Joint Deployment Agency (JDA) identified a requirement to develop a prototype ADP system to assure the availability of responsive transportation data information. The Army will require $3.2 million for this deployment transportation management ADP system. The system is designed to support the planning, documentation and reporting of mobilization/deployment data from installations to the Military Traffic Management Command (MTMC) and the JDA. The system will expedite the coordination of surface, air and water movement requirements and the dissemination of necessary movement data back to the installation, MTMC area commands and the ocean ports.

The March amendment further increases the WWMCCS ADP program $4.8 million. This request is to support an upgrade of the WWMCCS ADP network at Army sites making the system more efficient. The upgrade includes: site preparation work for new equipment and communications connectivity ($.7 million); software development and support ($1.9 million); improved emergency power ($.6 million); maintenance contracts ($1.1 million); and the WWMCCS Information System Transition Plan ($.5 million). (This initiative supports $10.7 million of WWMCCS procurement items contained in the Other Procurement Army, amended request).

All of these increases total $8.5 million. They are designed to correct deficiencies and to make the system more responsive to commanders and decision makers around the world. This $8.5 million explains the program growth from $8.1 million in FY 1981 to $16.6 million in FY 1982.

Senator Stevens. The amended $225.8 million request for base communications is a sharp $72.1 million, 47 percent jump in funding for this activity. It is close to double the 1980 appropriation. We recognize a part of this increase is to support related procurement for upgrading Korean communications. Generally, however, there is no clear justification for an increase of this magnitude. Please

supply specific justification for this rapid program expansion. Also indicate out-year funding requirements.

General West. The increase of the $72.1M consists of the following ($M):

Inflation	$ 8.9
Support of Active Component Manning	6.5
Upgrade of Korean Communications	8.9
Modernization of Telephone Centers-CONUS	46.2
All Other	1.6
Total	$72.1

The January budget (Page 39-51) explains the increase for active component manning (recruiting) in some detail. (The January budget showed an increase of $9.3M for recruiting, but this is reduced to $6.5M in the March amendment since an additional $2.8M for recruiting activities has been added in FY 1981.) The January budget contains $5.4M for upgrade of Korean communications and this has been increased to $8.9M in the March budget based on increased procurement. The big increase is the $46.2M for the modernization of dial central offices (DCOs) in CONUS. This is a program that has been consistently deferred in the recent years of budget stringency, but cannot be deferred longer without a definite impact on Army readiness. Most of the CONUS DCO plants are 30 years or older and by industry standards are archaic. Ideally, purchase of new electronic switches is preferable to leasing, but the overwhelming demands on the procurement dollar from a priority standpoint do not permit the purchase of DCOs. Accordingly the Army has struck out on a bold course in FY 1982 to replace through lease arrangements its outmoded Base telephone plants in CONUS with modern electronic equipment. Site surveys, CITA arrangements and preliminary contractual work will be accomplished in FY 1981 to obtain maximum benefits from FY 1982 funds. Outyear funding requirements are under the process of resolution and cannot be stated at this time pending phasing of new switches, definitive leasing arrangements and offset savings in operating and maintenance personnel.

Senator Stevens. Some communications increases have been justified as the cost of converting from direct military to contract operations. How much in total is involved in this conversion? How cost-effective is it? Has any of the proposed conversion been modified by the March budget amendment?

General West. The January budget requested $2M to effect conversions. One of the program decreases reflected in the March Amendment was to reduce this request to $1M. Feasibility studies, cost analyses and bids from possible contractors are involved before a firm decision can be made to go contract and it is not possible at this time to identify the specific activities that may be converted. Conversion is not effected unless there is at least a 10% savings to the government in personnel costs.

Administration

Senator Stevens. Please supply more specific justification for requested increases in the following administrative subactivities:

Department headquarters support (+9.7 million, +12 percent);
Personnel administrative support (+27.3 million, +33 percent);
Service-wide support (+52.7 million, +9.5 percent);

General West: First let me say that $31.4 million (35%) of the increase is driven by factors external to these subactivities. Those include $26.2 million for inflation, $3.4 million to support the additional civilians requested for replacement of borrowed

military manpower, and $1.8 million for the military per diem rate increase of the Military Fair Benefits Package.

The remaining $58.3 million is needed for program deficiencies in the amount of $7 million for departmental headquarters support, $23.8 million for personnel administrative support, and $27.5 million for service-wide support.

The $7 million is for two programs: (1) .5 million to upgrade the facilities and equipment of the Army Headquarters' offices in the Pentagon for more efficient work flow and more rapid processing and (2) 6.5 million for upgrade of computer facilities and equipment to enable a smaller Army staff, reduced over 500 personnel authorizations since FY 1977, to manage the Army's vast world-wide resources on a "real time" basis.

The $23.8 million is for three programs: (1) $3 million to increase computer system utilization (REQUEST/RETAIN) and to continue the contract conversion to a less expensive source of computer support. These systems are absolutely critical to Army's enlistment/reenlistment programs, providing recruiters and reenlistment NCOs immediate information such as MOS vacancies, option and bonus availability, school availability dates, match of qualifications to availability of skill vacancies and school training seats, (2) $19.5 million to upgrade existing military personnel management systems, design and implement new systems to permit accommodation of additional workload and accurate and speedy processing of accessions in the event of mobilization, including automatic fill of military vacancies and maintenance of MOS/grade inventories, and (3) $1.3 million net increase for a myriad of smaller decreases and increases including elimination of lease costs for ADP to be purchased in FY 82, statutory requirements associated with discharge review actions and review of military records, and an automated system for civilian personnel management during mobilization.

The $27.5 million is for (1) $10.2 million to fund OMA engineering support of the 15 posts comprising the Mobilization Training Base and the remaining 32 Mobilization Stations including: contracts to site adapt standard drawings to individual installation requirements for Troop Support and Hospital Support to permit expeditious construction/upgrade on a pre-M-day priority; formulation, writing and updating the National Preparedness and Mobilization Plans; and training of key personnel throughout the Corps of Engineers for effective preparation and execution thereof. This also provides for planning and site adaptations for 39 DARCOM Production Facilities to assure increased production capability that will be demanded by a National Emergency/Mobilization, (2) $7.4 million for increased employee compensation claims reimbursable to Department of Labor for payments made to Army employees (Public Law 86-767), (3) $7.1 million to pay for program growth of GSA leases, Capital Region and Non Capital Region and Non-GSA DoD recruiting leases as executive agent for the four services, (4) $3.0 million to plan and implement a program to improve single soldier living conditions and development of new management methods to reduce Family Housing Maintenance costs, (5) $2.3 million to continue expansion of state-of-the-art technology in the Army's Combat Service Support Automation Communications Transition concept (systems include the Decentralized Automated Service Supply System (DAS3), Division Level Data Entry Device (DLDED), the Combat Service System (CS3) and Corps Interim Upgrade System (CIUS), (6) $5.0 million to start conversion to new credit card type plastic ID cards (estimated total cost of $20 million over a five year period) to replace easily altered military/retiree/dependent ID cards which

allow entry to military clubs, messes, exchanges, commissaries and medical treatment facilities. GAO and Defense Audit Agency reports estimate a total of $50-$60 million a year in military health care system fraud alone, and (7) a remaining net decrease of $7.5 million consists of miscellaneous increases and decreases.

Questions Submitted by Senator Stennis

Real Property Maintenance

Senator Stennis: The budget justification material indicates particular emphasis being placed on reducing the real property maintenance backlog in Europe. What was the backlog total at the end of fiscal year 1980 and where does the Army project it will be at the end of fiscal year 1982?

General West: The following table displays Europe's ending backlog of maintenance and repair (BMAR) for FYs 80, 81, and 82 ($ in millions):

	FY 80	FY 81	FY 82
Ending BMAR	1,019.4	1,385.8	1,298.4

Army Program Decreases

Senator Stennis. Your statement mentioned that the fiscal year 1981 supplemental request is offset by a reduction of $135 million for economic assumptions and efficiencies. Would you go through the offset and explain the items involved.

General West. Each O&M appropriation's reductions although similar are slightly different. In Operations and Maintenance, Army the reductions of $130M are in the following areas.

1. EUCOM Alternative HQ ($9M).

This would defer the co-location of EUCOM and SHAPE because the program is not ready.

2. Improve Supply Discipline - $34.3

The Army will attempt to generate these savings through more intensive management of existing inventories, cross-leveling excesses between organizations and quicker return of surplus items to the wholesale supply system. The extension of the Presidential reduction in office furniture to other supplies and equipment will provide additional savings. The reduced consumption will require equipment currently listed as unserviceable to continue in use, and will reduce the consumption of supplies and equipment necessary for combat readiness.

3. Other Engineer Support - $2M

Improved contract management can result in economies by making sure the Army gets what it pays for, broadens the application of competitive bidding and accepts only the lowest bona fide bids on other engineering support contracts for refuse disposal, custodial services, pest control, etc.

4. Administrative Use Vehicles - $1.3M

A large buy of new administrative vehicles will cause the wash out of overage and over mileage vehicles creating maintenance savings. Additionally, operating savings will result from the new lighter, better mileage AUVs.

5. Training Efficiencies ($2.5M)

Review Army correspondence program needs in light of increased service benefits and needs of the services.

6. Improved Transportation ($13M)

The recent decontrol of airlines and trucking, plus the expected decontrol of other transportation services will give the Army an opportunity to review our current methods and obtain the most cost effective method of transportation

7. Travel Reductons - ($5M)

Presidential reduction of administrative travel.

8. Contract Consultants - ($6M) - Presidential reduction in contract consultants.

9. Saving from Office Furniture Freeze - ($3)

Savings incurred due to delaying purchase of office furniture.

10. Reduced Inflation Rate - ($54M)

The offset for the Operation and Maintenance, Army Reserve appropriation is $3.5 million. A moratorium on the purchase of office furniture and equipment is expected to generate $.2 million. A reduction in contracts for consulting and other personal services is expected to save $.1 million. Supply economy, productivity gains, and curtailment of marginally effective programs is expected to generate savings of $3.2 million.

The Guard reduction for economics and efficiencies totaled $2.1 million. This consisted of a reduction in transportation of things ($.5 million), advertising ($.2 million), and depot maintenance ($1.4 million).

NATIONAL TRAINING CENTER - FT IRWIN

Senator Stennis. The supplement includes $28 million for the National Training Center. Please explain the Center concept and how the supplemental amount will be used.

General West. The National Training Center will provide the Army a training area where a total combat environment can be simulated. Such simulation and the realistic training it provides is not possible at installations where combat units are stationed. Training in such an environment comprising realistic maneuver areas comparable with modern battlefield requirements, warfare techniques, and weaponry developments will increase the Army's combat readiness. Exposure to such intensive and realistic battlefield conditions prior to participation in actual battle will enhance individual survivability and unit sustainability. Common training scenarios, instrumented ranges, and permanently stationed controllers, operations group and opposing forces will provide an objective measure of unit training readiness. The data collected will assist in developing improved Army-wide training programs and doctrine.

To permit progressive solutions to start-up problems, training at the Center is being phased-in over the next three years. Six heavy battalion task forces will train at the Center in fiscal year 1981. This will be increased to the full throughput of 42 heavy battalion task forces per year in fiscal year 1984. The duration of training will be approximately 14 days per battalion, two battalions training at the Center at a time. Although training will focus on the battalion task force, battalions will be controlled by their brigade headquarters and supported by engineer, artillery, air defense, air cavalry, signal, and logistics units that will also receive intensive training in their wartime missions. Every CONUS based Active Component heavy combat battalion will rotate through the Center every 18 months. Additionally, Reserve Component units will benefit from the unique training available at the Center.

The supplemental request includes $27.9 million to adequately fund the establishment of the National Training Center and the reactivation of Fort Irwin, California. Subsequent to the formulation of the fiscal year 1981 budget request, these additional funds were identified by the first personnel permanently stationed at Fort Irwin who conducted a better survey of existing facilities and improved the estimates of start-up costs. Funding will be used for the following specific purposes ($ in millions):

Program 2 Mission	1.000	To procure supplies and equipment to operate the Ft Irwin Training Aids Support Center.
Program 2 BASOPS	6.900	To procure equipment, supplies, and furnishings to begin base support operations at Ft Irwin. This includes maintenance tool kits ($0.107); dining facility equipment ($1.386); management Information System equipment ($.307); bachelor housing furnishings ($1.037); post, camp, and station property ($.536); recreation supplies and equipment ($2.182); contract buses ($ .185); contract guards and military police operations ($.560); reenlistment, chaplain, public affairs office, alcohol and drug abuse facilities start-up ($.300); supply operations/clothing sales store start-up ($.300M).
Program 2 Real Property	10.500	To design and repair/rehabilitate existing Ft Irwin facilities. This includes rehabilitation of barracks ($3.400); morale, welfare, and recreation building repairs ($.200); repair of water and sewer systems ($1.214); mechanical equipment repairs ($.359); cathodic protection for corrosion and leakage prevention ($.100); fence repairs ($.557); fire alarm system repair ($.250); cantonment road repair and landscaping ($1.220); engineering design and master planning ($1.900); archeological, water, and sewage studies ($1.200M); and minor construction ($.100).
Program 7 Supply	1.461M	To provide second destination transportation of 330 M551 Sheridans from Anniston Army Depot to Ft Irwin to serve as opposing force vehicles.
Program 8 Training	7.700M	To provide for the software procurement portion of the National Training Center's instrumentation procurement contract. Includes computer programing, system integration, management, maintenance and field support services, testing, and operator training.

Program 8		
Other	.339M	Provides start-up and operation funding for the Army Continuing Education System (ACES) facility at Ft Irwin.
Total	$27.900	

Senator Stennis. What is the annual cost of operating the National Training Center?

General West. The annual cost of operating Fort Irwin and the National Training Center is $66.7 million this year (fiscal year 1981) and, when the Center achieves full operations in fiscal year 1984, the annual cost will be approximately $112 million.

Educational Benefits

Senator Stennis. Your statement indicates that the educational benefits which you offer soldiers improve their education, enhance their contribution to the service and support the retention program. I recognize the value of the first two items, but can we really say that it supports retention?

General West. To maintain a responsive, flexible and technologically capable force, the US Army needs soldiers with a combination of general and specialized education and training. Helping to provide soldiers a continuum of opportunities for general and specialized education is the primary objective of Army education programs which enhance readiness while helping recruit and retain good soldiers. Each year thousands of soldiers enlist in the Army to take advantage of the Army's education programs, as advertised by the US Army Recruiting Command, and further their education while in uniform. The Army's Continuing Education System is dedicated to providing all soldiers wide-ranging educational opportunities, both academic and nonacademic. Through these education endeavors, soldier goals are met as promised. Satisfied soldiers are more apt to reenlist in the active force or join the Reserve Components than those who are dissatisfied. A 1980 Forces Command study on reenlistments, conducted at six division-sized installations, reflected that 25% of soldiers who reenlisted would not have done so without having participated in programs sponsored by the Army Continuing Education System.

Senator Stennis: What type of educational benefits are we talking about in this context?

General West. The Basic Skills Education Program, referred to as BSEP, is designed to reduce attrition in the training base and for soldiers during their first term enlistment. BSEP provides the reading, writing, speaking, listening and math skills needed for soldiers to perform in grades up through E-5. The first phase, which may include instruction in English-as-a-Second Language (ESL), provides these skills to trainees prior to the awarding of their Military Occupational Specialty (MOS). The instruction in this first phase is conducted in the training bases and is designed to bring reading and math competencies to the fifth grade level. Phase II, which again may include ESL, is provided at permanent duty stations after soldiers leave the training base and are MOS qualified. The second phase of BSEP is designed to improve military duty performance, skill qualification and career growth for soldiers through grade E-5 by bringing them to the ninth grade level in reading and math. Other educational benefits provide testing and counseling to soldiers. Education counseling in the Army is critical in explaining education benefits to servicemembers; it also

illustrates the advantages of continued military service either through active duty or in the Reserve Components. Off-duty high school, collegiate and skill development programs satisfy soldiers' personal and professional aspirations and goals as promised by recruiters.

Prepositioning of Materiel Configured to Unit Sets (POMCUS)

Senator Stennis. The Army is taking preliminary steps to establish a 5th division set of Prepositioning of Materiel to Unit Sets (POMCUS). There are four division sets already in existence. When will the 5th set be available?

General West. The Army is planning to begin equipment shipments to division set 5 as sites are completed in (Deleted) Equipment availability is the constraining factor in providing an operationally ready division set 5. It will probably be (Deleted) before this division set will be combat ready.

Senator Stennis. Are the four division sets complete or do they have equipment shortages? Is it planned to replace the items missing? What is the value of the equipment missing?

General West. The Army is short equipment Army-wide to include POMCUS sets 1-4. At the end of FY 81, Division Sets 1-4 will be short about $400 million worth of equipment. The Army wants to fill the POMCUS shortages as soon as possible.

Senator Stennis. What is your assessment of the airlift capability to deploy Army POMCUS units, given the existing priorities of airlift assets allocated to all the Services during the early conflict stages?

General West. Current airlift capability does not allow the US to meet NATO long term defense program requirements. Present equipment shortages which exist in the first three prepositioned division sets of POMCUS are scheduled to accompany deploying units and require substantial cargo airlift. In addition, Army non-divisional support units are included in the deployment sequence in order to build a balanced force as each combat division deploys.

The combination of the above factors allows us to deploy only [D] of the four preposition divisions by (Deleted)

Senator Stennis. What plans does the Army have to overcome existing deficiencies in the capability to deploy POMCUS assets within the objective timeframe?

General West. At the Department of Defense level, there are a number of actions involving other services to reduce lift requirements or to improve lift capability. For the Army, three major factors contribute to the strategic lift problem: equipment shortages, air-defense requirements, and helicopter movement requirements. The Army is requesting procurement funding for common items needed to fill equipment shortages in POMCUS and other high priority claimants. If the procurement program is supported, then the equipment shortage problem, over time, will be significantly reduced. On the air-defense and helicopter movement requirements, no easy solution exists. Fast sealift, and an eventual assumption of more of the air-defense mission by other NATO countries, appear to have the most potential for providing the solution to these problems. Work is ongoing on these two problems.

Senator Stennis. There have been concerns expressed in the past that expanding POMCUS beyond the current four sets could have a potential adverse effect on force projection capabilities to other parts of the world and on the effectiveness of training. Would you comment on this.

General West. The previous administration's policy included extensive dependence upon unit equipment withdrawals to fill POMCUS. The Army's leadership had serious reservations about the potential adverse effect this policy would have with regards to world-wide force flexibility. Equipment withdrawals to fill POMCUS projects beyond Division Set 4 would have been particularly severe. The new administration's emphasis on filling POMCUS from the wholesale system essentially eliminates the concern over the effects of POMCUS on training and world-wide force flexibility. The POMCUS program, as it is currently envisioned, will be a real asset to the overall US strategic capability.

Senator Stennis. There continues concern relative to the vulnerability of the stored POMCUS equipment. Would you assess the vulnerability and physical security of POMCUS storage sites and stocks in terms of potential sabotage, chemical attack, air attack and issue procedures.

General West. All reinforcement capabilities to include POMCUS, airlift, and sealift have extensive vulnerability problems. For POMCUS, [deleted].

Real Property Maintenance

Senator Stennis: The Army is proposing to double the funds available for real property maintenance from 1980 to 1982. Can the system accept this large increase and actually obligate $1.1 billion for this purpose in fiscal year 1982?

General West: Yes, the system can accept and obligate the increased FY 82 funding. The biggest increase over FY 1980 is in Europe (174%). A management plan was implemented during the summer of 1980 to establish a prioritized project listing, accomplish design with FY 80 and FY 81 funds, and identify procurement requirements for the contracting agencies.

Significant funding increases in other major commands are being similarly handled, i.e., through early planning to insure effective utilization of the resources and timely obligation. In fact, the Army could obligate up to an additional increase of $350 million in FY 82 to maintain and repair utilities systems and facilities (mostly in the United States) for troop housing, training, supply and storage.

Depot Maintenance

Senator Stennis. You mentioned that the request of $1.1 billion for the depot maintenance program will bring this backlog to a management level. What level of backlog are you trying to get down to?

General West. The Army has continued trying to reduce the depot maintenance backlog to the maintenance management level, which the Army does not consider to be backlog. The maintenance management level is defined as the quantity of unfinanced, unserviceable assets required to be on hand at the depot at the end of the fiscal year to insure continued inductions in the subsequent year.

The FY 82 budget, when the March FY 81 Supplemental and FY 82 Amendment are taken into consideration, allows the depot maintenance backlog to be reduced to the maintenance management level in all commodities except conventional ammunition and communications/electronics.

Recruiting Support

Senator Stennis. The greatest portion of the recruiting support budget for fiscal year 1982 ($249 million) is identified for the active force. Yet the Reserve forces have a greater number of recruits that are required than the Active force. Does this indicate that the cost of recruiting Reserve forces personnel is less than Active force personnel?

General West. The total Active Army Recruiting budget for FY 82 is $488.9 million as opposed to $175.4 million for the reserve components. In looking at the budget, it is clearly less costly to recruit reserve personnel. However, I hasten to add that there are fundamental differences between service in the reserves and the Active Army that causes the cost of Active Army recruiting to be higher. Chief among these is the fact that service in the reserves is not a full-time commitment and can most often be done without leaving ones hometown. While the length of commitment may be longer in the reserves, the overall commitment by an individual is seen as being much greater when one joins the Active Army. For these reasons, it costs more money to recruit the Active force.

Program to Join the Guard & Reserve

Senator Stennis. How is your program working whereby soldiers leaving the Active force are counseled as to the advantages of remaining in the Reserve forces?

General West. Since 1 January 1981, Active Army units have been required to inform soldiers within 60 days of separation about service opportunities in the Army National Guard (ARNG) and Army Reserve (USAR) including the Individual Ready Reserve (IRR). Prior to 1981, full-time Guard and Reserve in-service recruiters were responsible for gaining a commitment to join a Guard or Reserve unit during out-processing at separation points.

To assist Active Army commanders' performing "continuity of service" counseling, the in-service recruiter (ISR) program has been expanded. At present there are 23 ARNG and 30 USAR in-service recruiters located in 27 installations in the United States. In 1978 and 1979, 5 ARNG and 3 USAR positions were established in Europe. From November 1980 until February of this year 17 additional USAR in-service recruiters were placed in Europe and 2 in Korea. An ARNG in-service recruiter position has also been established in Korea.

All new active Army reenlistment NCO's receive instruction on ARNG and USAR organization, function, and training during their reenlistment training course. In-service recruiters often contribute to active Army reenlistments by referring undecided soldiers back to their units for reenlistment.

Beginning 13 April 1981, a 14 member ARNG team will be educating Active Army reenlistment NCO's in Europe on National Guard enlisted benefits for personnel who are not reenlisting in the Active Army. The education-awareness team will be operational for 30 days in Europe.

A project is underway to automate USAR unit vacancies so that specific unit vacancy information can be provided to potential USAR accessions who are completing their active duty service.

Since the pre-separation counseling mission in Active Army units is new, no exact figures are currently available. However, the in-service recruiter program alone has accounted for thousands of accessions into the Guard and Reserve since its establishment in 1972. These prior service members are highly cost effective because they are fully trained and provide experience and stability to the Guard and Reserve. The Army's goal is to secure a Guard or Reserve commitment from approximately 3 out of 10 eligible separating soldiers.

Examining Function

Senator Stennis: The Army supports the examining function for all military services. How does the $46 million request for fiscal year 1982 compare with prior years?

General West: The Military Enlistment Processing Command (MEPCOM), a DOD activity for which the Army serves as the Executive Agent, is responsible for examining and qualifying applicants for all the military services. MEPCOM is staffed by Department of the Army civilian and military of each of the services on a prorata basis of a five year forecast of projected accessions. Army funding support consists primarily of medical and other examining costs, although the $46 million mentioned in our statement is solely for other examining costs. Displayed below are both types of costs ($ in millions):

FY	79	80	81	82
Program 8 Other Examining:	21	26	34	46
Medical Costs :	10	13	14	15
TOTAL	31	39	48	61

The $46 million budgeted for FY 82 in Program 8 Other Examining costs is an increase of $12 million over FY 81. The reason for the increases are: $2.6 million for non-personnel price changes, $0.2 million civilian salary costs, and $9.2 million program growth. The program growth consists of: $2.7 million to support increased civilian staffing in the Armed Forces Examining and Entrance Station (AFEES) and MEPCOM; $0.5 million for centralized coordination of institutional testing program to enhance the number of high schools participating in the program; $1.8 million for increased costs of establishing and operating the Joint Computer Center for MEPCOM and the Selective Service System, $0.9 million for the relocation of MEPCOM to the Naval Training Center, Great Lakes, IL: $0.2 million for support of a new AFEES in Tampa to serve central Florida; $0.3 million for support of computer adaptive testing; and $3.0 million for support of the DOD military/civilian career occupational information system and updating the data source book. It should be noted that the March submission resulted in minor reductions to this program due to revised inflation assumptions (0.6 million in FY 81 and $0.4 million in FY 82).

Veterans Education Assistance Act

Senator Stennis. What percentage of the Active force takes advantage of contributing a portion of their pay so as to comply with provisions of the Veterans Educational Assistance Act (VEAP)?

General West. VEAP participation statistics for the first four years are as follows:

CY	ELIGIBLE	ENROLLED	PERCENT
1977	129,764	26,275	20.3
1978	124,010	42,462	34.2
1979	143,545	52,324	36.5
1980	152,821	61,748	40.4
	550,140	182,809	33.2

Education Center Operations

Senator Stennis. What does the $70 million request for Educational Center Operations provide in terms of functions? In other words, what will these funds be spent for?

General West. In FY 82 the education center operations cost of $70.3 million includes:

1. $14.6 million for continuation of a five-year project beginning in FY 80 to: develop functional (job related) curriculums for 100 military occupational specialty codes which will be integrated into the Basic Skills Education Program, develop new functional English-as-a-Second Language curriculums, improve quality of education programs, improve civilian career field management, expand existing education programs and to pay the salaries for 82 Department of Army Civilians.

2. $55.7 million for operations and management costs for: 369 education centers, salaries for 1,296 Department of Army Civilians, counseling, testing, supplies, professional development, temporary duty travel, Military Occupational Specialty (MOS) libraries, learning centers, language laboratories and equipment.

Civilian Personnel

Senator Stennis. Your statement mentions that the additional civilian personnel authorization will permit the return of approximately 16,000 soldiers to their units to participate in training activities. Does this mean that there will continue to be soldiers performing functions that should be performed by civilians and not available for unit training activities?

General West. Yes, there will continue to be soldiers performing functions that should be performed by civilians. As you recall, the Army has stated that it uses on the average between 25-28,000 soldiers as borrowed military manpower and other troop diversions. A 16,000 civilian increase will assist in reducing this problem by returning about 16,000 soldiers to their tactical units, resulting in improved readiness.

Noncommissioned Officer Corps Training

Senator Stennis. The budget request contains $24 million for professional development, education and training of the noncommissioned officer corps. Would you expand on your goals for this program and how the $24 million will be used?

General West. The Army's Noncommissioned Officer Education System (NCOES) goal is to prepare noncommissioned officers (NCO) through formal military education, to perform their duties efficiently and effectively at all levels of responsiblity. Because the Army's force modernization program places a premium on the

NCO's ability to train his subordinates, new weapons and equipment effectiveness will be enhanced by improving current NCO courses of instruction, increasing the number of NCOES courses to meet these force modernization requirements, and to ensure that the right soldiers receive the proper training at the right time. Of the $24.4 million required to operate the NCOES program, $14.5 million provides continued NCOES course development as well as the development, production and distribution of NCOES related resident and nonresident training support products for both Active and Reserve Components. An additional $9.2 million provides individual travel and per diem to support attendance at the various NCOES courses, while $0.7 million funds the operation of the Army's Sergeant Major Academy.

CIVILIAN PERSONNEL TRAINING

Senator Stennis. I am also interested in the civilian personnel training program. There is $14 million in the budget for programs other than the career intern program. What other programs are involved?

General West. The Civilian Training, Education, and Development Program includes, in addition to the career intern program, the following categories of civilian training:

Long-term training ($4.383 million). This program supports the pay and benefits, tuition, and associated costs of 107 carefully selected executives, professionals, and other key employees in full-time academic and other formal educational and developmental programs of more than 120 days duration. Such programs provide state-of-the-art update and increased managerial competence not attainable through shorter programs.

Executive and management development ($5.629 million). This program supports tuition and costs other than salary for approximately 26,000 civilian executives, managers and high-potential non-managers (GS 12-15) in a variety of short-term courses (i.e., less than 120 days). Many of these are attended on the employees' own time - i.e., after duty hours. Such training contributes to the managerial effectiveness and organizational productivity emphasized by the Civil Service Reform Act, and to the development of over 8,500 civilian personnel annually to fill executive and managerial positions vacated by retirements, advancement, and other attrition.

Facilities Engineering Apprenticeship ($4.217 million). This program supports pay, benefits and training costs of approximately 290 apprentices being systematically trained in skilled construction and maintenance trades in installation facility engineer organizations. Such training is necessary to provide quality replacements for experienced blue collar workers lost to Army's civilian work force, and useful as a focus for general skills upgrading in trade and craft employment. These apprentices are paid less than the journeyman rate while in the apprenticeship program, which can last 3 to 5 years.

Flying Hours

Senator Stennis: Why have the flying hours increased in fiscal year 1982 for our Active Forces and the Army Reserve, but decreased for the Army National Guard (ARNG) over the FY 1981 program?

General West: The Active Component (AC) Flying Hour Program (FHP) requirements have increased in FY 1982 for three reasons: (1) An increase in aviator strength requiring additional hours for proficiency as prescribed by the appropriate Aircrew Training Manual (ATM); (2) An increase in aviator force structure for both CONUS and Forward Deployed Forces; (3) Increased unit training requirements associated with the introduction of new units and aircraft. The Army Reserve FHP increase is attributed to the requirement to provide 8100 additional hours for Individual Ready Reserve (IRR) aviator training. The reduction in the Army National Guard FHP is attributable to the following: (1) A new program which increases utilization of flight simulators (already done by Active Component forces), which results in a corresponding reduction to the FHP; (2) A decrease in administrative flying hours to more nearly align the type of flight training in ARNG and AC FHP's.

Individual Ready Reserve/Standby Reserve

Senator Stennis. How will the $4 million identified for improvement in the Army's ability to recall and manage the Individual Ready Reserve and the Standby Reserve be used?

General West. The $4 million represents a restoration of funds which was reduced by the Congress in the FY 80 budget review as a result of the assumption that funding requested was exclusively for the pay of GS-3 and GS-4 clerks. These funds, in fact, are required for the pay of grades GS-3 through GS-11 and the net result of their reduction was an erosion of the US Army Reserve Components Personnel and Administration Center base at a time when additional missions were being assigned. Most importantly, it affected our ability to effectively maintain Reserve personnel records (as required by Title 10 U.S. Code, Section 275) which impact on efficient management of the Individual Ready Reserve and Standby reserve to include their timely mobilization. Additionally, they are required to support the implementation of expanded and new programs to increase and maintain the strength of the Individual Ready Reserve, examples of which are recruiting and retention, and locating individuals with obsolete addresses. Staffing for development of the Standard Installation/Division Personnel System-U.S. Army Reserve System and the purchase and maintenance of micrographic equipment for conversion of Individual Ready Reserve personnel records were similarly affected as a result of that reduction.

Joint Computer Facility

Senator Stennis: An increase of $8 million is in the budget to establish and operate a Joint Computer Facility to be used by the Military Enlistment Processing Command and the Selective Service System in the event of full mobilization. Does the Army receive reimbursement from the Selective Service for this item?

General West: The $8 million is for several initiatives, one of which is for $2 million solely for the Joint Computer facility also know as the Joint Computer Center (JCC). Yes - The Memorandum of Understanding between the Selective Service System (SSS) and the Military Enlistment Processing Command (MEPCOM) specifies that SSS will reimburse MEPCOM for incremental costs over the basic MEPCOM

requirements based on the support received. The computer facility is in the final stages of renovation, which has been fully funded by MEPCOM ($0.7 million in FY 80). Equipment will be installed commencing the end of May and the facility should be operational late in the 4th quarter of this fiscal year. SSS has reimbursed MEPCOM $58 thousand to date in FY 81 and will be billed for additional unique costs in the 3d and 4th quarters. For FY 82, SSS has requested an increase of $250 thousand for reimbursement to MEPCOM above the FY 81 level. Actual operating cost data will be used for the future SSS reimbursement purposes.

Senator Stennis: What is the full cost of this facility and the annual operating costs?

General West: MEPCOM obligated $725 thousand in FY 80 for design and renovation of the Joint Computer Center (JCC) site in Building 3400, Naval Training Center, Great Lakes, IL. MEPCOM is using an existing DOD main frame computer to minimize costs. Approximately $2 million will be obligated in FY 81 for the lease and maintenance of peripheral hardware, acquisition of software, salaries of contractor operators and software programmers, salaries of a limited in-house management force, and base operations support to the Navy for four months. Total costs for FY 82 are estimated to be $4 million, including reimbursement from SSS.

Senator Stennis: What will the facility be used for in periods other than mobilization?

General West: MEPCOM currently receives its computer interface support to the Armed Forces Examining and Entrance Stations (AFEES) from the US Army Recruiting Command (USAREC). This support includes the daily input for the AFEES Reporting System. This mission will be transferred to the Joint Computer Center in FY 82. In addition, the JCC will maintain the SSS registrant data files currently being maintained by the Department of Interior for the SSS. Security safeguards have been taken to maintain the integrity of the SSS data files both in the peripheral hardware configuration and in the access to the respective software programs.

Senator Stennis: Were existing government computer facilities surveyed prior to the decision to establish and operate a dedicated facility for this purpose?

General West: Great Lakes was chosen as the site after examining sites at Fort Benjamin Harrison, Indiana, Fort Sheridan, Illinois, Naval Postgraduate School, Monterey, California and the Pentagon, Washington, D.C. In the fall of 1979, the administration determined that a need existed to upgrade the capability of SSS but that it was not practical for SSS to have a computer system solely to support its mobilization reuirements. DOD and SSS recognized the need to select a processing site that could be made secure overnight and joint resolution of the problem of regulation of the flow of personnel into the AFEES during mobilization. OSD determined that MEPCOM was ideally suited for this interface since it controlled the AFEES and was independent of any individual service recruiting force. However, MEPCOM and USAREC were in competition for existing computer support and this additional mission could not be assumed without upgrading the existing system. Use of the USAREC computer was not satisfactory to the previous administration since it was contolled by a recruiting service and it was not compatible with existing software. The Office of the Secretary of Defense determined that MEPCOM needed its own computer facility to support its expanding peacetime and mobilization mission. In addition, because of the increased ADP requirements to support the SSS

registration program during peacetime, the need for a JCC was greatly increased. To insure the integrity of the SSS data files, especially after the initiation of registration, it was determined that the facility would operate as a Joint Computer Center under policies and procedures developed by the two agencies but with daily operations the responsibility of the MEPCOM Commander.

Professional Development Education

Senator Stennis. The request for professional development in fiscal year 1982 is $33 million. This is an increase of $13 million above the fiscal year 1980 program. What is this large increase requested?

General West. The increase of $12.4 million in professional education from FY 80 to FY 82 is due primarily to non-programmatic increases, which total $8.6 million while program revisions account for $3.8 million. These program changes include $1.9 million for the Combined Arms and Services Staff School (CAS^3) which is a part of a long range revision to the officer training system begun in FY 79. Also included is $1.6 million for training initiatives, primarily at the Defense Systems Management College (DSMC), which were mandated by the DoD sponsored DSMC policy guidance council. Additionally, $.3 million has been earmarked for the tactical command readinesss program at the Army War College. Major non-programmatic increases consist of $1.4 million for civilian pay raises and $6.9 million for FY 81 and FY 82 inflation.

One Station Unit Training

Senator Stennis. I note the training loads projected for One Station Unit Training has decreased significantly since fiscal year 1980 (17,700 versus 28,700). Why is this? Is the one station concept on the way out?

General West. The training loads projected for One Station Unit Training (OSUT) in the FY 82 Amended Budget for FY 80-82 are provided below:

FY 80	FY 81	FY 82
28,711	23,625	27,176

There is no significant decrease in OSUT training loads. The objectives of the Army's manpower accession program account for the differences in the training loads. The OSUT concept provides an efficient training strategy for those military occupational specialities that are not technically oriented, and it will continue to be used as a training strategy.

Senator Stennis. Does this cause a corresponding increase in travel funds as we move recruits from one base to another?

General West. Because One Station Unit Training combines initial entry skill training into one course, there is no requirement to move recruits from one base to another. In fact, there has been a decrease in the requirement for travel funds due to this concept.

Senator Stennis. Each of the Services is planning to contract for the operation of a hospital in fiscal year 1982 as a test. What do your initial cost estimates reflect on private

contract operation as opposed to military operation of hospital facilities?

General West. Fox Army Hospital, Redstone Arsenal, Alabama was approved by The Office Secretary of Defense as the test site on 11 March 1980. Congressional notification of this decision to study the possible conversion to contract performance was delayed until 1 December 1980. Pending such notification it was not possible to develop the required statement of work and management analysis. Completion of a statement of work is now expected this summer at which time a request for proposals will be developed and advertised. Bids from contractors as well as Government cost estimates are expected to be received by 1 April 1982. Until these are received we have no basis for cost comparisons.

Mainz Army Depot

Senator Stennis. The GAO has expressed concern about potential problems that could be caused at the Mainz, Germany, Army Depot in the event of mobilization. For example, a large portion of the contractor's work force is subject to draft by the German Army. Do we have assurances that the Depot workload can be maintained during mobilization?

General West. At present, there are no assurances that the depot workload can be maintained at Mainz during mobilization. The Depot Systems Command is currently performing a "DARCOM Support to Europe" study, which is concerned with anticipating potential problems which may result at Mainz should mobilization occur. Under study is the totality of the depot level maintenance requirements at Mainz. It is anticipated that feedback from the study should be received during the May/June 1981 time frame. There is also a study ongoing of the "Host Nation" agreement being conducted USAREUR-wide, which is looking into the issue of draft exempt status for those local nationals who are classified as in a "critical position" status. This study could impact Mainz support in wartime.

Senator Stennis. Does the Army have alternatives for assuring that projected wartime workloads can be accomplished if the Mainz Depot does not survive?

General West. Depot level support will be provided in the continental United States. There are provisions in the force structure to provide for on-site Direct Support/General Support maintenance. Mainz will continue to perform depot level maintenance during time of mobilization until they no longer have operational capabilities.

Senator Stennis. There was a task force formed under the Army Depot System Command to develop comparability of standards between the Mainz and CONUS depots. Have there been any changes made as a result of the task force's findings?

General West. Findings have not been finalized as of this reporting. A task force was established in August 1980 to develop comparability standards between Mainz and CONUS depots. To date, the study has not been completed. It is estimated that the study will progress into its final draft stage during the May/June 1981 time frame. The primary purpose is to effect a viable interchange of information between all depots to strive for efficiency, effectiveness and quality assurance in the Depot Maintenance Program. Items the study will address in final form are:

- What are the Depot Maintenance Work Requirements (DMWR) overall objectives?
- Interpretation of the DMWR standards
- Are there differences in the DMWR?
- Have there been waivers granted and do all the depots have knowledge of these waivers?
- Scrub team results based on the Reliability Centered Maintenance (RCM) Concept.
- System for interchange of information

Management Support Services

Senator Stennis. What is the amount contained in the fiscal year 1982 budget for management support services and how does this compare with fiscal year 1980 and 1981?

General West. The amount contained in the FY 1982 Amended Budget for management support services is $183.4 million compared to $200.1 million for FY 80 and $210.6 million for FY 81.

Senator Stennis. Would you describe actions that have been taken to improve controls over the procurement of management support services?

General West. The need to maintain and improve management controls over the acquisition of these services has been the focus of increased attention by top level management, during the past year.

A special review was conducted in April 1980 to inform the Army leadership of the extent of these services and related procurement practices. In general, Army management control practices were found adequate. Two areas were identified as requiring further scrutiny. As a result, Assistant Secretary of the Army approval is now required for proposed sole-source procurement of white collar services valued at $50,000 or more and for acquiring, as an expert or consultant, any recent or retired Army employee.

Additional steps are being taken to strengthen management control. An oversight manager has been designated with responsibility for an Army-wide control system which will document and certify the need for these services. To help facilitate this oversight and control, a management information system which will draw from existent data bases, is being developed.

Army Policy Letters were issued in October and November, 1980 expressing Army policy in the area of white collar services (including studies, analyses, research, surveys, appointed and contracted consultants and experts, and management support efforts), and establishing responsibilities of Army leadership to enforce this policy.

Emergency and Extra-ordinary Expenses

Senator Stennis. The Supplemental request includes a provision to increase the amount of funds available for emergencies and extraordinary expenses to $4,159,000 from $3,965,000. Why is this increase requested?

General West. The increases are displayed below: ($ in Thousands)

	Basic	Increases	New Total
Intelligence	$2,483	$103	$2,586
Representation	614	36	650
Criminal Investigation	850	55	905
Miscellaneous	18	0	18
	$3,965	$194	$4,159

The intelligence increase is for classified activities. Representation requirements have been increased because of:

1. Direction for the Army to fund Medal of Honor ceremonies not previously programed. ($10,000)

2. Defense policy change regarding who funds functions resulting from changes in the current administration. ($7,000) Previously this activity was funded by Defense.

3. The Army Chief of Staff directed participation in previously unprogramed activities such as support for the 5th NATO Land Forces Electric Warfare Symposium. ($19,000)

Criminal Investigative Activities have been expanded recently to broaden the scope in combating fraud and waste in the Army. Also a funding shortage exists due to an error in budget development concerning the proper foreign currency rate in use.

SUBCOMMITTEE RECESS

Senator RUDMAN. Now the subcommittee will stand in recess until Monday, April 6, at 8 a.m., when we will hear testimony from Secretary of the Navy Lehman and others on the fiscal 1982 budget request for the Department of the Navy.

[Whereupon, at 9:40 a.m., Thursday, April 2, the subcommittee was recessed, to reconvene at 8 a.m., April 6.]

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1982

TUESDAY, APRIL 21, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9 a.m. in room 1223, Everett McKinley Dirksen Senate Office Building, Hon. Ted Stevens (chairman) presiding.

Present: Senators Stevens and Rudman.

DEPARTMENT OF DEFENSE

NAVY/MARINE CORPS PROCUREMENT AND OPERATIONS AND MAINTENANCE

STATEMENTS OF:

REAR ADM. RICHARD A. MILLER, USN, DIRECTOR OF BUDGETS AND REPORTS, OFFICE OF THE COMPTROLLER

MAJ. GEN. HAROLD A. HATCH, U.S. MARINE CORPS, DEPUTY CHIEF OF STAFF FOR INSTALLATIONS AND LOGISTICS

BUDGET REQUEST

Senator STEVENS. We will start the hearing now.

We are here to receive testimony today on Navy and Marine Corps procurement and operation and maintenance for fiscal year 1982. We are pleased to have with us Rear Adm. Richard A. Miller and Maj. Gen. Harold A. Hatch.

The amended fiscal year 1982 budget request for other procurement, Navy is $3.8 billion, which is $827 million over fiscal year 1981.

The amended fiscal year 1982 budget request for operation and maintenance, Navy is $20 billion, which is an increase of $2.2 billion over fiscal year 1981.

The amended fiscal year 1982 budget request for the Marine Corps procurement is $1.8 billion, which is an increase of $1.3 billion over fiscal year 1981.

The amended fiscal year 1982 budget request for the Marine Corps operation and maintenance is $1.2 billion, an increase of $104 million over fiscal year 1981.

SUBCOMMITTEE PROCEDURE

In addition, we will receive testimony concerning the operation and maintenance accounts for the Navy and Marine Corps Reserve as well as fiscal year 1981 supplemental requests.

If it is necessary to close the hearing today due to classification of materials to be covered. Members of the subcommittee or witnesses should indicate their desire to close the hearing and we will set a time for going into closed session. Most likely this will be a period when there will be a majority of the members present. In this event, those individuals not cleared or not having the need to know will be required to leave.

Gentlemen, we would appreciate it if you would submit your detailed statements for the record and summarize your oral statements.

Let's go off the record for a minute.

[Discussion off the record.]

Senator STEVENS. Admiral Miller, I will be happy to have your statement, sir.

Admiral MILLER. Mr. Chairman, members of the committee, I am pleased to be here this morning to present the operation and maintenance accounts and the other procurements for the Department of the Navy.

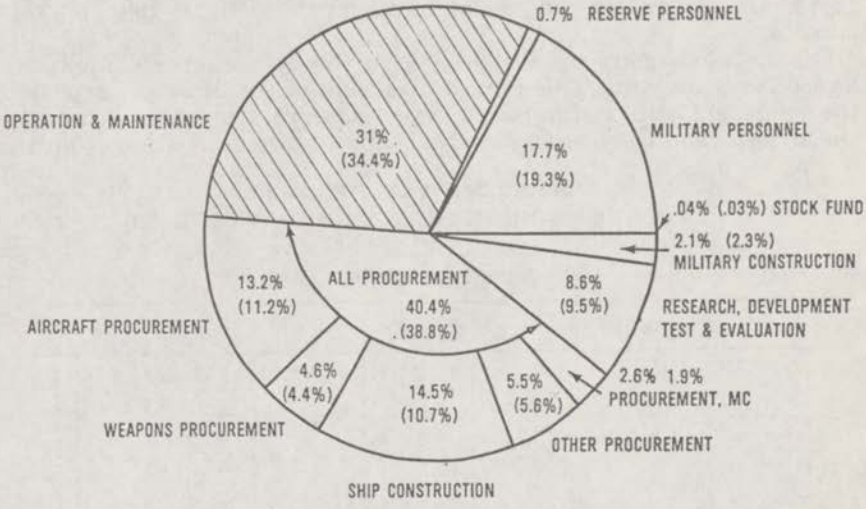
Major General Hatch will present the operation and maintenance accounts for the Marine Corps and the procurements for the Marine Corps in detail.

I have with me Captain Hancock of the Investment Division of the Department of the Navy and Mr. Tiedgen from the Operations Division of the Budget Office of the Department of the Navy.

I think in a brief opening statement I would like to use a couple of charts which I see you have before you. I think it is easiest to talk about the budget using these charts.

The first is the pie chart which gives us a perspective of the size of the O. & M.N. budget and the operations and maintenance total for the Department of the Navy.

DEPARTMENT OF THE NAVY
(CHART 1) SUMMARY OF THE FY 1982 BUDGET AS AMENDED



[CHART 1]

PERCENTAGE OF O. & M. IN NAVY BUDGET

You will notice in the cross-hatch there that 31 percent of the Department of the Navy's budget is devoted to operation and maintenance. The figures in parentheses are the percentages under the previously submitted budget. Under the Carter budget you can see that operation and maintenance as a percentage of the budget decreased in of the Reagan amendment. However, the size and the real value of the operation and maintenance did increase.

On the second chart we see the total Department of the Navy operation and maintenance request in millions of dollars. For 1982 $21.9 billion is being requested for all of O. & M. This is the dollar value for the percentage we just talked about a minute ago.

DEPARTMENT OF THE NAVY
OPERATION AND MAINTENANCE
(CHART 2) (IN MILLIONS OF DOLLARS)

APPROPRIATION	FY 1980	FY 1981	FY 1982	FY 1981-82 CHANGE
O&MN	14,986.6	17,867.4	20,096.3	+2,228.9
O&MMC	880.2	1,091.4	1,195.5	+ 104.1
O&MNR	431.4	552.5	585.9	+ 33.4
O&MMCR	21.2	28.9	40.3	+ 11.4
TOTAL O&M	16,319.4	19,540.2	21,918.0	+ 2,377.8

[CHART 2]

O. & M. ACCOUNTS INCREASES IN TOA

From 1981 to 1982 we had a 10-percent increase in the value of operation and maintenance accounts in TOA. The real program growth in operation and maintenance from 1981 to 1982 is 5.5 percent.

On the next chart we are talking to the operation and maintenance Navy account. This is now exclusive of the Marine Corps or the operation and maintenance Navy Reserve. These are some of the direct readiness programs that are included in the account.

DEPARTMENT OF THE NAVY
OPERATION AND MAINTENANCE, NAVY (O&MN)
DIRECT READINESS
(IN MILLIONS OF DOLLARS)

(CHART 3)

DIRECT READINESS	FY 1980	FY 1981	FY 1982	FY 1981-82 CHANGE
AIR OPERATIONS	$1,125.3	$1,328.0	$1,495.3	$+167.3
AIRCRAFT REWORK	994.8	1,387.7	1,495.4	+107.7
SHIP OPERATIONS	1,518.9	1,943.6	2,346.9	+403.3
SHIP CHARTER	280.3	404.4	451.9	+ 47.5
SHIP MAINTENANCE/ALTERATIONS	3,244.4	3,949.4	4,492.0	+542.6
FLEET SUPPORT	310.5	368.0	459.8	+ 91.8
TRIDENT SUPPORT	91.3	130.2	231.8	+101.6
STRATEGIC WEAPON SYSTEMS	398.9	455.2	478.4	+ 23.2
COMMUNICATIONS/INTELLIGENCE	494.5	584.5	666.6	+ 82.1
ASW MAINTENANCE SUPPORT	172.8	187.7	264.3	+ 76.6
AIR/SURFACE MISSILE REWORK	98.8	129.4	189.8	+ 60.4
AIRCRAFT SUPPORT	127.9	172.0	161.2	- 10.8
SURFACE ORDNANCE REWORK	23.6	34.2	58.1	+ 23.9
CALIBRATION	57.3	77.5	104.6	+ 27.1
GSE REWORK	36.2	50.4	76.1	+ 25.7
SUBTOTAL	$8,975.5	$11,202.2	$12,972.2	$+1,770.0

[CHART 3]

AIR OPERATIONS

Just to touch on a couple of them briefly, the first one, air operations, finances of our flight hour program and in 1982 we have provided funds to reach a level of 88 percent of primary mission readiness. This is the measure of effectiveness for the readiness of our pilots based to a large extent on the amount of flying they are able to do in training.

The aircraft rework is financed to a level to reduce the aircraft backlog, that is aircraft waiting for rework to 6 percent which is down from last year and is close to the goal that we set for ourselves.

Ship operations provides for 43 days of steaming on the average for our ships for each quarter.

Under ship charter we have funds in the O. & M.N. account to provide for an additional tanker and an additional supply ship on charter to support our operations in the Indian Ocean.

Skipping on down to aircraft support, which is the only minus you see in the right-hand column, that is due to a transfer of a function from the O. & M.N. account the stock fund account.

On the next slide is a continuation of the previous one, but rather than addressing not direct readiness support items it pre-

sents but what we classify as basic support items. In this category base operations which is the first item, funds are provided to reduce the backlog of maintenance and repair which is a measure of our well-being of our bases. We have provided funds in 1982 to reduce that backlog by $9 million.

DEPARTMENT OF THE NAVY
OPERATION AND MAINTENANCE, NAVY (O&MN)
SUPPORT ITEMS
(CHART 4) **(IN MILLIONS OF DOLLARS)**

SUPPORT ITEMS	FY 1980	FY 1981	FY 1982	FY 1981-82 CHANGE
BASE OPERATIONS	1,994.1	2,354.4	2,556.6	+202.2
TRAINING AND EDUCATION	352.2	452.8	540.8	+ 88.0
MEDICAL	274.0	315.0	354.8	+ 39.8
RECRUITING AND ADVERTISING	72.3	82.7	91.5	+ 8.8
SOSUS	64.3	79.7	92.5	+ 12.8
ICP	135.3	154.6	169.5	+ 14.9
SUPPLY DEPOT	129.5	162.8	182.4	+ 19.6
TRANSPORTATION	334.8	396.9	424.5	+ 27.6
ALL OTHER	2,654.6	2,666.3	2,711.5	+ 45.2
SUBTOTAL	$6,011.1	$6,665.2	$7,124.1	$+458.9
TOTAL: OPERATION AND MAINTENANCE, NAVY	$14,986.6	$17,867.4	$20,096.3	$+2,228.9

[CHART 4]

SUPPORT ITEMS

The large category at the bottom, "All Other," includes such things as administration, engineering support, CB support and so forth.

The next chart is the operation and maintenance account for the Naval Reserve. This is approximately 3 percent of the Navy's operation and maintenance funds.

DEPARTMENT OF THE NAVY
OPERATION AND MAINTENANCE, NAVY RESERVE
(CHART 5) **(IN MILLIONS OF DOLLARS)**

	FY 1980	FY 1981	FY 1982	FY 1981-82 CHANGE
AIR RESERVE FORCE	$152.1	$190.9	$209.7	+18.8
SURFACE SUPPORT FORCE	2.3	2.5	3.7	+1.2
SHIP OPERATIONS	36.8	47.8	57.1	+9.3
SHIP MAINTENANCE	69.1	103.6	86.1	-17.5
AIRCRAFT REWORKS	61.0	76.8	76.1	-.7
CONTRACTOR TECHNICAL ENGINEERING SERVICE	7.3	8.0	9.0	+1.0
BASE OPERATIONS	93.2	113.6	136.2	+22.6
OTHER	9.6	9.3	8.1	-1.2
TOTAL:*	$431.4	$552.5	$585.9	+33.4

*MAY NOT ADD DUE TO ROUNDING

[CHART 5]

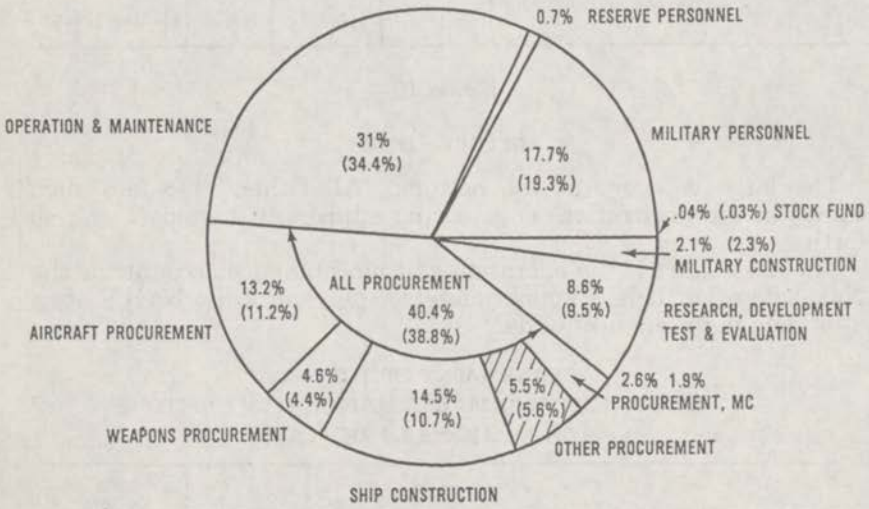
AIR RESERVE FORCE

The Air Reserve Force, the first item there, provide funds to support two carrier air wings in the reserve, two reserve patrol wings, one helicopter reserve wing and the support of the fourth United States Marine Corps wing, their reserve wing.

Another item of significance on that chart is the ship operations for the Reserve. Those funds provide steaming days for 43 ships in the Reserve and we are programing the Reserve ships to steam at a rate of 14 days per quarter.

This next chart is a repeat of the first one we used. This time I draw your attention to the other procurement quadrant. 5.5 percent of the total Navy budget for 1982 is in the other procurement account, which is the other one we are talking about this morning. In parentheses are the percentages under the previous administration's fiscal year 1982 submission.

(CHART 6) DEPARTMENT OF THE NAVY
SUMMARY OF THE FY 1982 BUDGET AS AMENDED



[CHART 6]

OTHER PROCUREMENT SUMMARY

The final chart is a summary of the Other Procurement, major categories, the first one being ship modernization. This is the category where we procure material for new ship's backfitting and for programs of maintenance and repair of existing systems, such systems as the AN/BQQ–5 or the LAMPS MK III or the AN/SQS–26 sonars.

The second item is ship reactor core/components. The funds there provide for the purchase of five reactor cores for the refueling of our nuclear-powered ships, both surface and submarine.

The item on shore modernization provides funds to keep our plants, particularly at our naval industrial facilities, as modern as we can.

The ordnance item procures our ammunition and our sonobuoys.

The item on fleet ballistic submarine support provides for shipboard equipment and for base support. We are, of course, at the present time building two bases for Trident support, the base at Bangor and the base at Kings Bay.

The item on spares and repair parts provides for both initial spares and replenishment spares.

Mr. Chairman, that is a very quick overview of the two appropriations that we will be examining this morning. They represent 36 percent of the budget request and I am ready for your questions.

Senator STEVENS. That covers both of your statements, does it not?

Admiral MILLER. Yes, sir; it does.

[The prepared statements of Adm. Richard A. Miller follow:]

PREPARED STATEMENT OF REAR ADM. RICHARD A. MILLER, USN, DIRECTOR

OFFICE OF BUDGET AND REPORTS—FISCAL MANAGEMENT DIVISION

OPERATION AND MAINTENANCE, NAVY

Mr. Chairman and members of the Committee. I appreciate the opportunity to present the Department of the Navy's FY 1981 supplemental and FY 1982 budget request for the Operation and Maintenance (O&M) appropriations.

Operation and Maintenance accounts for approximately 30 percent of the total Department of the Navy budget. Table 1 presents the entire Department of the Navy Operation and Maintenance budget by appropriation including the Marine Corps; it shows a total request of $21,918.0 million, an increase of $2,377.8 million over FY 1981.

TABLE 1

DEPARTMENT OF THE NAVY
OPERATION AND MAINTENANCE
(In Millions of Dollars)

Appropriation	FY 1980	FY 1981	FY 1982	FY 1981-82 CHANGE
O&MN	$14,986.6	$17,867.4	$20,096.3	$+2,228.9
O&MMC	880.2	1,091.4	1,195.5	+ 104.1
O&MNR	431.4	552.5	585.9	+ 33.4
O&MMCR	21.2	28.9	40.3	+ 11.4
TOTAL O&M	$16,319.4	$19,540.2	$21,918.0	$+ 2,377.8

These appropriations finance those operations which have the most direct and immediate impact on the current readiness of the Navy and Marine Forces. These forces, consisting of men and women, ships, aircraft, weapon systems and bases represent the Navy and Marine Corps capability to project the national policy of the United States virtually anywhere in the world. Seapower has been our strong suit in most issues of national interest which have arisen over the past 30 years. It has provided the United States a wide range of choices for immediate implementation of U.S. policy and for protection of national interests.

Table 2 is provided to clarify the FY 1981 budget base which is used to make comparisons with our FY 1982 budget. It shows the effect of the supplemental funding requests on the FY 1981 amounts previously appropriated by the Congress. The revised totals represent the most current funding requests for FY 1981. The table shows both the program and pay portions as well as the reductions applied to offset supplemental requirements. The requested increase for pay is $457.9 million and $612.2 million represents program increases for a net total of $1,070.1 million.

TABLE 2
DEPARTMENT OF THE NAVY
SUPPLEMENTAL REQUEST FOR FY 1981
(In Millions of Dollars)

	Previously Appropriated	Supplementals Pay	Supplementals Program	Revised Total	Reductions 1/ Inflation	Reductions 1/ Savings
O&MN	$16,893.3	$431.8	$542.3	$17,867.4	($-69.8)	($-52.0)
O&MMC	1,016.5	21.1	53.8	1,091.4	(-4.6)	(-7.4)
O&MNR	531.4	5.0	16.1	552.5	(-2.4)	(-.7)
O&MMCR	28.9	-	-	28.9	(-)	(-.2)
TOTAL	$18,470.1	$457.9	$612.2	$19,540.2	($-76.8)	($-60.3)

1/ Reductions already applied to offset supplemental requirements.

Inasmuch as the supplemental request covering pay raises has been covered by the Office of the Secretary of Defense for all of the Department of Defense, I will address only the program supplemental for Department of the Navy O&M appropriations.

The $612.2 million program supplemental funding requested for the Operation and Maintenance (O&M) appropriations is dominated by an increase in fuel prices, continued emphasis on readiness, Near Term Prepositioned Ships, Rapid Deployment Force and Indian Ocean/Persian Gulf operations.

Table 3 displays the Operation and Maintenance items included in the supplemental by appropriation. The items are categorized in three broad areas: Fact of Life, Quality of Life and Readiness. Fact of Life items include non-discretionary costs associated with our operational requirements; programs to improve the living conditions and morale of our personnel are contained in the Quality of Life category; readiness items enhance our combat posture and ability to meet national commitments. Economies and Efficiencies and Other Purchases Inflation are also contained in the table. I would like to address details related to some of the more prominent O&M items.

TABLE 3
DEPARTMENT OF THE NAVY
OPERATION AND MAINTENANCE
FY 1981 SUPPLEMENTAL
(In Millions of Dollars)

	O&M,N	O&M,MC	O&M,NR
Fact of Life	$ 479.1	$ 8.2	$ 19.2
Fuel	308.3	2.4	15.2
Indirect Fuel Costs	68.0	2.0	-
Indian Ocean Operations, TEMPO	15.0	-	-
Navy Pilot Training	3.0	-	-
Seal Team Six	3.0	-	-
Joint Task Force Support	1.0	-	-
Recruiter Expenses	4.0	2.5	-
Naval Investigative Service	1.0	-	-
Indicia Mail	5.0	1.0	-
DD-963 Feed Water Treatment	2.0	-	-
Reserve Ship Maintenance	-	-	4.0
Stock Fund Price Increases	68.8	.3	-
Quality of Life	$ .3	$ .1	$ -
New Compensation Legislation/ Fair Benefits	.3	.1	-

Readiness	$ 184.8	$ 57.5	$ -
Indian Ocean Operations, Forces	55.2	-	-
NTPS Augmentation/MAB Support	51.0	4.0	-
Depot Maintenance Backlog	39.0	-	-
Ship Charter	24.6	-	-
Special Mission Ships	5.0	-	-
RDF Enhancement/Equipment	-	41.0	-
Contract Engineering Services	7.0	-	-
Medical Material Requirements	-	11.3	-
National Foreign Intelligence Program	3.0	-	-
Increased Military Strength	-	1.2	-
Economies and Efficiencies	$- 52.1	$- 7.4	$- .74
Administrative Travel	- 2.9	- .5	- .09
Consulting and Related Services	- 12.0	- .2	- .06
Reduced Purchases of Equipment	- 24.5	- 4.5	- .03
Base Overhead Efficiencies	- 12.7	- 2.2	- .02
Other Purchases Inflation	$- 69.8	$- 4.6	$- 2.4
Stock Fund/Other Purchases	- 69.8	- 4.6	- 2.4
Net Grand Total:	$ 542.3	$ 53.8	$ 16.1

	(In Millions of Dollars) O&M,N	O&M,MC	O&M,NR
Fuel	$ 308.3	$ 2.4	$ 15.2

Of the $325.9 million requested for fuel, $237.9 million funds the fuel price increases charged by the Defense Fuel Supply Center. The remaining $88 million will cover the Defense Stock Fund costs associated with domestic deregulation and OPEC price increases.

	(In Millions of Dollars) O&M,N	O&M,MC	O&M,NR
Indirect Fuel Costs	$ 68.0	$ 2.0	$ -

Increased fuel costs have resulted in higher than budgeted utility bills and transportation rates. These higher costs are experienced principally in areas of heavy fleet concentration such as California and Hawaii.

	(In Millions of Dollars) O&M,N	O&M,MC	O&M,NR
Stock Fund Price Increases	$ 68.8	$ .3	$ -

The funds requested would finance the Stock Fund 3.9% fact of life increase over the amount budgeted for FY 1981. It includes $45 million for direct O&M,N costs, $300 thousand for direct O&M,MC costs and $23.8 million (budgeted in O&M,N) for injection into the Navy Industrial Fund for Stock Fund cost increases.

		(In Millions of Dollars) O&M,N	O&M,MC	O&M,NR
Indian Ocean Operations	Forces	$ 55.2	$ -	$ -
	Tempo	$ 15.0	-	-

After the FY 1981 budget amendment was submitted last year, a requirement was established to support the presence of two carrier battle groups (CVBGs) in

the Indian Ocean steaming at about 93% operating tempo (OPTEMPO). Since the amended FY 1981 budget was based on 80% OPTEMPO for two CVBGs in the first quarter, and only one for the remainder of the year, additional funds are required.

	(In Millions of Dollars) O&M,N	O&M,MC	O&M,NR
NTPS Augmentation/MAB Support	$ 51.0	$ 4.0	$ -

To enhance our forward deployed posture, three tanker and three cargo ships are requested for the Near Term Prepositioned Ships (NTPS) to increase the sustainability of the forces, primarily the 7th Marine Amphibious Brigade (MAB). Of the $55 million request, $43 million is associated with NTPS ship charter and and $12 million will fund two exercises involving the 7th MAB and NTPS. These exercises will test alert and deployment procedures such as embarkation and offload.

	(In Millions of Dollars) O&M,N	O&M,MC	O&M,NR
Ship Charter	$ 24.6	$ -	$ -

An additional oil tanker and resupply ship are urgently required to support the two CVBGs operating in the Indian Ocean. These MSC chartered ships will provide the necessary operational flexibility and ease the existing Indian Ocean logistic support shortfalls.

	(In Millions of Dollars) O&M,N	O&M,MC	O&M,NR
RDF Enhancement/Equipment	$ -	$ 41.0	$ -

The funds for enhancement of The Marine Corps Rapid Deployment Force (RDF) ($27 million) will reduce individual and organizational Table of Equipment (T/E) deficiencies and mount-out spare parts shortages, which are required to support three Marine Amphibious Forces (MAFs) and replace unserviceable components for the Marine Corps tactical fuel system. The remaining $14 million will provide camouflage module nets, support systems and desert camouflage uniforms.

	(In Millions of Dollars) O&M,N	O&M,MC	O&M,NR
Depot Maintenance Backlogs	$ 39.0	$ -	$ -

These funds will reduce the backlog of aviation components awaiting depot level repair from $34.3 to $7.3 million and the aircraft engine repair backlog from $43.5 to $31.5 million. This will improve the Navy's bare firewall position from 207 to 150 in FY 1981, and contribute to an improved average mission capable (MC) rate of 61% for active aircraft.

Approval of these Operation and Maintenance supplemental requests will result in significant improvements in Navy and Marine Corps operational readiness and our overall Defense posture. As previously indicated, a large portion of the supplemental for Operations and Maintenance is associated with Fact of Life items and the costs are already being incurred. To the degree they are not funded, Readiness related programs will have to be reduced with an attendant decline in readiness.

I would now like to address the Operation and Maintenance, Navy (O&M,N) and Operation and Maintenance, Navy Reserve (O&M,NR) FY 1982 budget requests. The U.S. Marine Corps representative will present the Operation and Maintenance, Marine Corps (O&M,MC) and Marine Corps Reserve (O&M,MCR) request.

Operation and Maintenance, Navy

As mentioned, the Operation and Maintenance, Navy appropriation finances those operations which have the most direct and immediate impact on the current readiness of the Navy. The FY 1982 budget reflects our continuing emphasis on operational readiness. This is not to say that readiness and O&M,N are synonymous. Certainly, other appropriations also have a large impact.

On table 4 the O&M,N budget is presented by significant programs relating to direct readiness and support. The columns include the FY 1982 supplementals and FY 1982 amendment.

TABLE 4
DEPARTMENT OF THE NAVY
OPERATION AND MAINTENANCE, NAVY
(In Millions of Dollars)

DIRECT READINESS	FY 1980	FY 1981	FY 1982	FY 1981-82 CHANGE
AIR OPERATIONS	$1,125.3	$1,328.0	$1,495.3	$+167.3
AIRCRAFT REWORK	994.8	1,387.7	1,495.4	+107.7
SHIP OPERATIONS	1,518.9	1,943.6	2,346.9	+403.3
SHIP CHARTER	280.3	404.4	451.9	+ 47.5
SHIP MAINTENANCE/ALTERATIONS	3,244.4	3,949.4	4,492.0	+542.6
FLEET SUPPORT	310.5	368.0	459.8	+ 91.8
TRIDENT SUPPORT	91.3	130.2	231.8	+101.6
STRATEGIC WEAPON SYSTEMS	398.9	455.2	478.4	+ 23.2
COMMUNICATIONS/INTELLIGENCE	494.5	584.5	666.6	+ 82.1
ASW MAINTENANCE SUPPORT	172.8	187.7	264.3	+ 76.6
AIR/SURFACE MISSILE REWORK	98.8	129.4	189.8	+ 60.4
AIRCRAFT SUPPORT	127.9	172.0	161.2	- 10.8
SURFACE ORDNANCE REWORK	23.6	34.2	58.1	+ 23.9
CALIBRATION	57.3	77.5	104.6	+ 27.1
GSE REWORK	36.2	50.4	76.1	+ 25.7
SUBTOTAL	$8,975.5	$11,202.2	$12,972.2	$+1,770.0
SUPPORT ITEMS				
BASE OPERATIONS	$1,994.0	$2,354.4	$2,556.6	$+202.2
TRAINING AND EDUCATION	352.2	452.8	540.8	+ 88.0
MEDICAL	274.0	315.0	354.8	+ 39.8
RECRUITING AND ADVERTISING	72.3	82.7	91.5	+ 8.8
SOSUS	64.3	79.7	92.5	+ 12.8
ICP	135.3	154.6	169.5	+ 14.9
SUPPLY DEPOT	129.5	162.8	182.4	+ 19.6
TRANSPORTATION	334.8	396.9	424.5	+ 27.6
ALL OTHER	2,654.6	2,666.3	2,711.5	+ 45.2
SUBTOTAL	$6,011.1	$6,665.2	$7,124.1	$+458.9
TOTAL: OPERATION AND MAINTENANCE, NAVY	$14,986.6	$17,867.4	$20,096.3	$2,228.9

Following is a detailed discussion of a few of the prominent O&M,N programs.

Air Operations	(In Millions of Dollars) FY 1980	FY 1981	FY 1982	FY 1981-82 CHANGE
	$1,125.3	$1,328.0	$1,495.3	$+167.3

Within aviation operations, the flying hour program in FY 1982 will allow tactical aircrew qualifications to be maintained at a Primary Mission Readiness (PMR) level for the Department of the Navy of 88 percent. This includes three percent achieved by using flight simulators. The Navy flying hour program readiness factors are shown in Table 5 below.

TABLE 5
DEPARTMENT OF THE NAVY
NAVY OPERATIONAL READINESS

FLYING HOUR PROGRAM

	FY 1980	FY 1981	FY 1982
% of PMR1/ (INCLUDES 3% SIMULATOR USE)	89	88	88
% of FRS2/	91	100	100
% FLEET SUPPORT	81	84	84
RESERVE (HR PER PILOT PER YR)	110	125	125

1/ PMR: Primary Mission Readines - TACAIR/ASW is the number of flying hours required to maintain the crew qualified and current to perform the primary mission of the assigned aircraft.

2/ FRS: Fleet Replacement Squadrons - Provides training to prepare pilots for specific operational assignments.

In FY 1982, the Navy will transition two additional squadrons from F-4 to F-14 aircraft. This change will increase the number of F-14 squadrons to 18 at the end of FY 1982. Also, one pilot has been added to each A-7 squadron, which will increase the capabilities and readiness of the light attack squadrons. To maintain fleet reconnaissance capability, older RF-8 aircraft are being phased out of the active fleets and are being replaced by F-14 aircraft equipped with reconnaissance pods.

	(In Millions of Dollars)			FY 1981-82
Air Rework	FY 1980	FY 1981	FY 1982	CHANGE
	$994.8	$1,387.7	$1,495.4	$+107.7

Increased funding for aircraft rework in FY 1982 will result in a significant reduction in the backlog of deferred depot level maintenance for aircraft, engines, and components. The percentage of active aircraft overdue for depot level maintenance will be reduced from 7.7% in FY 1981 to approximately 6.0% by the end of FY 1982. Reduction of the engine repair backlog will improve the Navy's bare firewall position from 150 in FY 1981 to 40 by the end of FY 1982. Projected average mission capable (MC) rates for all active aircraft is expected to reach 64% in FY 1982.

Table 6 below displays the level of effort applied to aircraft depot maintenance.

TABLE 6
DEPARTMENT OF THE NAVY
AIRCRAFT MAINTENANCE (O&M,N)
(In Millions of Dollars)

	FY 1980		FY 1981		FY 1982	
	#	$	#	$	#	$
AIRFRAMES	1,143	$254.8	1,558	$336.0	1,550	$382.3
ENGINES	2,327	111.6	3,277	183.0	3,732	195.6
COMPONENTS		510.3		677.4		660.4
MODIFICATIONS		95.9		161.1		222.4
OTHER SUPPORT		40.3		50.3		57.7
LESS REIMBURSEMENTS		- 18.1		-20.1		- 23.0
TOTAL		$994.8		$1,387.7		$1,495.4

Ship Operations	(In Millions of Dollars) FY 1980	FY 1981	FY 1982	FY 1981-82 CHANGE
	$1,518.9	$1,943.6	$2,346.9	$+403.3

The FY 1982 ship steaming profile supports the peacetime readiness operations tempo (OPTEMPO) required by the Navy to maintain a combat-ready general purpose and strategic force posture. The FY 1982 program upgrades the operational response in the Mediterranean area by a programmed OPTEMPO increase of two steaming days per quarter for the Sixth Fleet. It also provides for continuation of two carrier battle groups in the Indian Ocean. The individual Fleet OPTEMPO is shown in table 7. The overall composite average is 42.6 operating days per quarter for all deployed and state-side operating units. This program includes support for 28 new ships that will join the fleet in FY 1982.

TABLE 7
DEPARTMENT OF THE NAVY
NAVY OPERATIONAL READINESS

STEAMING OPTEMPO
(OPERATING DAYS PER QUARTER)

	FY 1980		FY 1981		FY 1982	
	1/	2/				
ACTIVE FLEET	LANT	PAC	LANT	PAC	LANT	PAC
6TH AND 7TH 3/	57.1	56.0	53.5	56.0	55.5	57.0
2ND AND 3RD 4/	30.2	27.0	31.0	26.0	31.0	26.7

1/ LANT: Atlantic Fleet
2/ PAC: Pacific Fleet
3/ 6th Fleet - Deployed to the Mediterranean and Indian Ocean.
7th Fleet - Deployed to Western Pacific and Indian Ocean

4/ 2nd and 3rd Fleets - Used principally for work-up following overhaul or prior to deployments, training and other fleet requirements such as test and evaluation support.

Ship Charter	(In Millions of Dollars) FY 1980	FY 1981	FY 1982	FY 1981-82 CHANGE
	$280.3	$404.4	$451.9	$+47.5

The ship charter program provides the resources needed to operate civilian manned fleet tugs, fleet oilers, and ammunition stores and cargo type ships in support of the deployed forces. FY 1981 and FY 1982 include start-up and operational costs for a larger number of near term prepositioning (NTP) ships in Diego Garcia and a commercial tanker to support the carrier battle groups in the Persian Gulf. The NTP group will consist of 13 ships and includes roll-on/roll-off types and tankers. The cost has grown from $40.1 million in FY 1980, for the original seven ships, to $163.1 million in FY 1982. Other changes to this program involve the delivery of new tugs in FY 1981 and FY 1982 and older units being placed in a ready reserve status.

Ship Maintenance/Alterations	(In Millions of Dollars) FY 1980	FY 1981	FY 1982	FY 1981-82 CHANGE
	$280.3	$404.4	$451.9	$+47.5

The FY 1982 ship overhaul program provides for the major overhaul and modernization of 65 ships, which includes 10 nuclear submarines, one aircraft carrier, 27 cruiser - destroyers types, and 27 other ships. Repairs and refurbishment of the ship and ship systems, as well as shipboard sensors and weapons are completed during overhaul in order to sustain and improve operational readiness and combat capability. The modernization program emphasizes extensive upgrading of defensive and offensive capabilities for aircraft carriers, enhancement of combat systems for submarines, and improvements in detection and weapon systems aboard surface ships so that the Navy will be capable of meeting the projected threat.

The ship maintenance program continues our efforts to extend the period between ship overhauls in order to provide additional operational time for mission requirements. The ships that are in these longer cycles are scheduled for interim selected repair periods to assure operational safety and reliability. The first two attack submarines under an extended operating cycle program completed 70 months of successful operations in FY 1979 and are currently in overhaul; the initial ballistic missile submarine in this cycle will complete major overhaul in calendar year 1981, following nearly nine years of operation. During these overhauls, the Navy conducts a detailed inspection of each ship to assess the effectiveness of the program. The results of the inspections conducted so far have been favorable. Frigates, cruisers and destroyers have also been placed in extended operating cycles to increase their operational availability. The first four frigates will complete their cycle and enter overhaul in FY 1982, at which time they will be similarly evaluated. The number of ships overdue for overhaul will remain at 16 at the end of fiscal year 1982. The backlog is due to operational constraints and funding is not requested for these overdue overhauls.

TRIDENT Support	(In Millions of Dollars) FY 1980	FY 1981	FY 1982	FY 1981-82 CHANGE
	$91.3	$130.2	$231.8	$+101.6

In preparation for the delivery of the first TRIDENT submarine, USS OHIO (SSBN 726), a comprehensive logistics support system (called a closed loop system) is being implemented in FY 1982. Military personnel are currently training at the Bangor, Washington facility and extensive efforts are underway to provide the necessary engineering programs which support operational hardware. Even before the first ship goes to sea, these engineering programs must be able to support equipment at the Bangor Training facility, various test facilities and contractor plants. The scope of this support system covers a spectrum of functional areas such as: performance evaluation, logistics, reliability, repair and missile processing.

Base Operations	(In Millions of Dollars) FY 1980	FY 1981	FY 1982	FY 1981-82 CHANGE
	$1,994.1	$2,354.4	$2,556.6	$+202.2

These funds allow our shore activities to support assigned forces in a manner that will achieve a high level of readiness. Funding is included for the maintenance and repair of real property, utilities, lease of space from the General Services Administration, supply operations, local transportation, bachelor housing, and base medical facilities and communications. Reflected in our FY 1982 budget request are increased maintenance and repair of shore facilities, and increased support of the Navy's Quality of Life and Hazardous Waste Disposal programs.

Training and Education	(In Millions of Dollars) FY 1980	FY 1981	FY 1982	FY 1981-82 CHANGE
	$352.2	$452.8	$540.8	$+88.0

The training and education program of $540.8 million finances staff, curricula, equipment support and other services to meet the Navy's training and education requirements. The principal effort within this category is to maintain a trained force of personnel able to man and support our active fleet of 491 ships, 5,550 aircraft, and installed weapons systems. The complexity of our weapons systems has increased significantly necessitating a proportionate increase in training. Training is an integral and necessary part of every sailors' career, beginning with recruit training and continuing with the specialized training required to maintain and operate our complex equipment. Leadership and managerial training for supervisors, and postgraduate education are also essential parts of the training program.

Operation and Maintenance, Navy Reserve

The FY 1982 Operation and Maintenance, Navy Reserve budget totals $585.9 million, an increase of $33.4 million over FY 1981. Much of this increase is the result of fuel price escalation, civilian personnel pay raises and general purchase inflation. Table 8 presents the significant programs within the O&M,NR appropriation. The columns include the FY 1981 supplementals and FY 1982 amendment.

TABLE 8
DEPARTMENT OF THE NAVY
OPERATION AND MAINTENANCE, NAVY RESERVE
(IN MILLIONS OF DOLLARS)

	FY 1980	FY 1981	FY 1982	FY 1981-82 CHANGE
AIR RESERVE FORCE	$152.1	$190.9	$209.7	$+18.8
SURFACE SUPPORT FORCE	2.3	2.5	3.7	+1.2
SHIP OPERATIONS	36.8	47.8	57.1	+9.3
SHIP MAINTENANCE	69.1	103.6	86.1	-17.5
AIRCRAFT REWORKS	61.0	76.8	76.1	- .7
CONTRACTOR TECHNICAL ENGINEERING SERVICE	7.3	8.0	9.0	+1.0
BASE OPERATIONS	93.2	113.6	136.2	+22.6
OTHER	9.6	9.3	8.1	-1.2
TOTAL:*	$431.4	$552.5	$585.9	$+33.4

*May not add due to rounding

Following is brief description of some of the major programs within this appropriation.

Air Reserve Force	(In Millions of Dollars) FY 1980	FY 1981	FY 1982	FY 1981-82 CHANGE
	$152.1	$190.9	$209.7	$+18.8

The mission of the air reserve force is to provide combat ready aviation units for immediate deployment in time of war or national emergency. This program consists of two carrier air wings, two long range ASW patrol wings, one helicopter wing, one air logistics wing and the Fourth Marine Corps air wing. The FY 1982 budget supports an average operating aircraft inventory of

621. Programmed flight hours are based on specific training requirements for each type of aircraft and will allow aircrew qualifications to be maintained at a Primary Mission Readiness (PMR) level of 85 percent. The FY 1982 program reflects the projected gain of one Tactical Electronic Warfare (VAQ) squadron and the continued phase out of the C-118 transport type aircraft.

	(In Millions of Dollars)			FY 1981-82
Ship Operations	FY 1980	FY 1981	FY 1982	CHANGE
	$36.8	$47.8	$57.1	$+9.3

The operations tempo (OPTEMPO) for the Naval Reserve Force (NRF) of 14 days per quarter remains at the level required to maintain an acceptable readiness posture. The FY 1982 NRF ship inventory is programmed to be 43 and includes 5 Destroyers, 4 Frigates, 22 Ocean minesweepers, 6 Amphibious ships and 6 Auxiliaries. The 4 Frigates are new gains to the NRF in FY 1982, replacing aging FRAM I destroyers.

	(In Millions of Dollars)			FY 1981-82
Ship Maintenance	FY 1980	FY 1981	FY 1982	CHANGE
	$69.1	$103.6	$86.1	$-17.5

The ship maintenance program encompasses public and private sector overhauls, emergent and scheduled repairs, and modernization of Naval Reserve Force (NRF) ships. The FY 1982 program provides for the major overhaul of 8 ships. Increased intermediate maintenance, restricted availabilities, and design service support are included as a readiness enhancement measure in FY 1982.

	(In Millions of Dollars)			FY 1981-82
Base Operations Support	FY 1980	FY 1981	FY 1982	CHANGE
	$93.2	$113.6	$136.2	$+22.6

Through this program the Naval Reserve units are provided with material, logistic, facility and service support. Areas include maintenance and repair of real property, food service facilities, minor construction, utilities, supply storage and warehousing. Also included are other base operation functions such as communications, security, and air field operations. The FY 1982 budget reflect increased emphasis on the maintenance and repair of real property, hazardous waste disposal, medical education, and automated financial management systems. Transfers to and from other appropriations resulted in a net increase of $8.1 million in Base Operations Support. This increase was primarily due to the transfer of funding support for the Naval Support Activity, New Orleans to this appropriation.

Operation and Maintenance, Trends
O&M,N and O&M,NR

The following displays the level of funding for the Navy's Operation and Maintenance appropriations in constant and current dollars from FY 1978 to the present.

Operation and Maintenance, Navy and Navy Reserve

	(In Millions of Dollars)				
Total O&M Funding	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982
Current Dollars	$11,345	$12,274	$15,418	$18,420	$20,682
Constant Dollars	$17,020	$17,184	$18,466	$19,788	$20,896*

*Includes contingencies for pay and legislative proposals

Presented in graphic terms, table 9 shows the real growth of the Navy O&M appropriations over the last five years.

CHART 9
DEPARTMENT OF THE NAVY
Operation and Maintenance, Navy and Navy Reserve
Five Year Growth Comparison
(In Constant FY-82 Millions of Dollars)

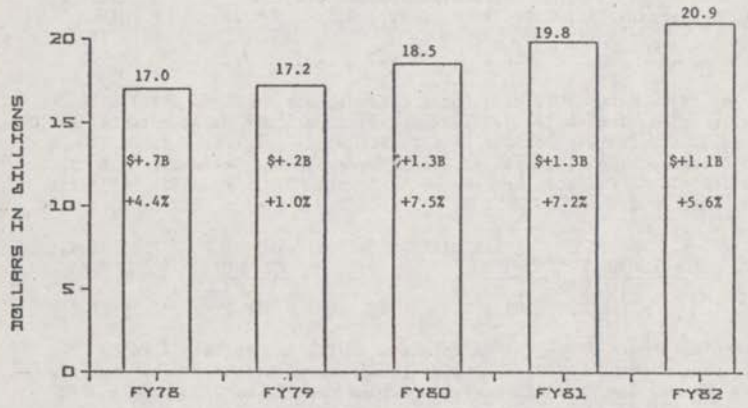


TABLE 10
DEPARTMENT OF THE NAVY
SUMMARY OF THE FY 1982 BUDGET AS AMENDED

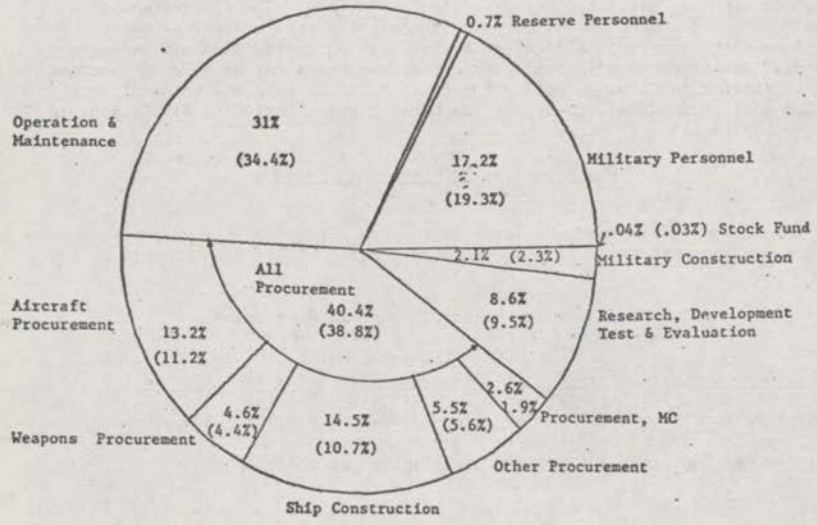


Table 10 shows the Department of the Navy budget for FY 1982, split by appropriations. Percentages shown in parentheses within each sector reflect the distribution of the FY 1982 budget as submitted by the previous administration. The new Administration FY 1982 amendment has increased the combined procurement accounts from 33.8 to 40.4%. Operation and Maintenance (O&M), on the other hand, decreases slightly as a percent of the budget even though O&M grows in real terms.

With the Navy goal of increased readiness in mind, we have made steady progress in improving our readiness indicators. Ship OPTEMPO has increased from 37.7 days per quarter in FY 1978 to 42.6 days per quarter in FY 1982. The increase in tempo will result in the active Navy reaching a TACAIR PMR of approximately 93% in FY 1982. Steady gains are also being made in our maintenance readiness indicators. The ship overhaul backlog has been reduced from 30 in FY 1978 to 16 in FY 1982. The component rework program will be fully funded in FY 1982. The percentage of airframes on extension and the number of bare firewalls have been reduced between FY 1978 and FY 1982 from 15.3 to 6% and 83 to 40, respectively.

In conclusion, I believe that our progress toward increased readiness has been based on the best application of resouces considering constraints. Mr. Chairman, that completes my statement on the FY 1982 Operation and Maintenance Budget.

Other Procurement, Navy

Mr. Chairman and members of the Committee, I am Rear Admiral Richard A. Miller, Director of the Fiscal Management Division, Office of the Chief of Naval Operations. It is a pleasure to appear before you to present the fiscal year 1982 budget request for the Other Procurement, Navy (OPN) appropriation.

The Other Procurement, Navy appropriation is essentially the same in program content and structure as presented last year. The FY 1982 OPN budget request is $3,865.0 million. This request is $827.3 million over the revised FY 1981 program. From a real program value point of view, this equates to an increase of $626.8 million in FY 1982 dollars. There are a myriad of equipment programs in this appropriation. Specifically, OPN finances the procurement of weapons and equipment other than aircraft, missiles, ships, and torpedoes. Equipments that are funded range from the latest electronic sensors and weapons systems to update our naval forces, to trucks, training equipments and spare parts; from simple office equipment to sophisticated electronics systems. The funds requested in this appropriation finance equipments vital to the efficient operation of our ships and shore establishment, procures the ammunition to meet training readiness and combat requirements, and provides necessary training equipment in support of operational equipment procurements.

This request of $3,865.0 million continues to emphasize modernization and improvement of fleet readiness and can be summarized in eight broad categories. (TABLE 1) As you know, the Other Procurement, Navy appropriation is structured on an equipment/commodity basis and the budget is officially submitted in an end item P-1 format. The major categories, which I am about to discuss, are intended to provide you with a capability oriented outline of the OPN appropriation by displaying broad areas within the Navy which will benefit from these requested procurements.

The first major Category is Ship Modernization Equipment at $1,507.0 million, an increase of $380.1 million over FY 1981. (TABLE 2) The funding requested in this Category will procure equipments to modernize the Anti-Submarine Warfare (ASW); AntiAir Warfare (AAW); Communications, Tactical Intelligence, and Other Tactical; and Hull, Mechanical and Electrical capabilities of our current Navy ships.

Significant programs included in the improved ASW capability area are the AN/BQQ-5 Submarine Sonar, Sonar Switches and Transducers, the AN/SQS-26 Surface Sonar, the MK-117 Fire Control System (All Digital Attack Center), and LAMPS MK III Shipboard Equipment.

The AN/BQQ-5 Sonar is planned for installation on all SSN-688 class submarines during construction and will be backfitted into all existing SSN-594 and SSN-637 class submarines during their regular overhauls. The FY 1982 OPN request for the AN/BQQ-5 Sonar is $90.2 million and finances the procurement of thirteen Increased Computer Capacity/Towed Array Broadband Processing (ICC/TABP) Backfit Kits to update thirteen installed systems to the AN/BQQ-5C configuration. The total OPN requirement of 57 basic systems will be completed with FY 1981 funding. Approval for Service Use (ASU) was granted in April 1979. To date, 34 systems have been installed. In all cases, the AN/BQQ-5 sonar is a substantial improvement over previous sonar systems.

Sonar Switches and Transducers at $35.4 million is another significant procurement program supportive of improved ASW shipboard capability. This program includes the procurement of transducers and electronic scanning switches for in-service ASW sonars on surface ships and submarines. These components are required to support units in the fleet on a replacement basis at regularly scheduled ship overhauls. The major items in this program are the TR-155 transducer, the TR-313 transducer, and electronic scan switches. The TR-155 transducer is used on sonars in the SSN-594, SSN-637, and SSN-688 class submarines. A full ship set of these transducers is required for each submarine at every second overhaul and for AN/BQQ-5 backfit. The improved wide-band TR-313 transducer is utilized in the AN/SQS-26 sonar system on the FF-1052, DD-963, and CGN-36 class ships. The electronic scan switches replace unreliable mechanical switches with electronic switches in both surface ship and submarine sonars.

The $37.7 million AN/SQS-26 Sonar Program provides for improvements to the AN/SQS-26 and AN/SQS-53 series sonars. These improvements include engineering changes, Louis Allis Power Supply (LAPS) input inverter, prealigned scan converter, the Passive Equipment Cabinet (PEC), and the Sonar In-site Mode Assessment (SIMA) system. The procurement of these improvements will enhance the reliability, maintainability and capabilities of the existing sonar installations as well as increasing their performance.

The FY 1981 request for the All Digital Attack Center (MK-117 Fire Control System) is $58.1 million. The MK-117 is being installed aboard SSN-594 and SSN-637 class submarines during regular overhaul. The MK-117 replaces the existing MK-113 system with a modern, high speed digital computing facility and digital driven display. This enables the submarine to conduct advanced target motion analysis, to automatically set the MK-48 torpedo, and to control and display weapon launch.

In the Anti-Air Warfare (AAW) area of Ship Modernization, several significant procurement programs will provide increased shipboard capabilities. These programs include: Surface Missile System (SMS) Ordnance Alterations (ORDALTS), the AN/SPS-49 Radar, and the MK-23 Target Acquisition System (TAS). The SMS ORDALT program is designed to improve the reliability, performance, and safety of currently deployed missile systems: TERRIER, SM-2, TARTAR, and NATO SEASPARROW. Significant items included in the FY 1982 request of $148.4 million are the procurement of six CG/SM-2 combat systems (five ship systems and one trainer) and the required baseline modifications to provide a system to fire the Extended Range Standard Missile 2. The CG/SM-2 combat system was granted approval for service use 2 October 1979. Also included are modifications to existing shipboard TARTAR fire control systems and the AAW modernization of the DDG-15 class ships by upgrading the existing radar, director and guided missile launching system. Lastly, SMS ORDALTS includes the procurement of self defense systems such as, NATO SEASPARROW Surface Missile System, Basic Point Defense Surface Missile System and associated improvements. Another major AAW Ship Modernization program is the AN/SPS-49 radar program. The AN/SPS-49 radar provides the fleet with a very long range two dimensional, air search capability. It utilizes previously unused frequencies thus minimizing interference between ships and the effects of electronic countermeasures. The FY 1982 request of $10.7 million provides for five radars. Additionally, $30.8

million is requested for seven MK-23 Target Acquisition Systems (TAS). This system is a rapid reaction, fully automatic, Electronics Counter/Counter Measure (ECCM) capable radar system developed as the target acquisition system for the Improved Point Defense Surface Missile System (IPDSMS).

The Communications, Tactical Intelligence, and Other Tactical Systems portion of the Ship Modernization Category includes the following representative programs: UHF Growth Radio, Satellite Communication Terminals, AN/WLQ-4(V) (PRAIRIE WAGON), TOMAHAWK Support Equipment, and Coast Guard Gun Systems. The UHF Growth Radio Program ($23.4 million) provides equipment to support shipboard UHF line-of-sight communication requirements. These shipboard radios will replace obsolescent radios currently in the fleet with modern high-reliability, solid state designed equipments to provide a significant improvement in UHF system capability and availability with minimum life cycle cost. The total OPN inventory objective is 3,247 radios with 1,578 funded through FY 1982. The Shipboard Satellite Communications request of $37.0 million finances the procurement of DAMA (Demand Assigned Multiple Access) which improves the efficiency of satellite communication by providing up to a five to one increase in channel capability. The FY 1982 request also funds the initial procurement of the AN/WSC-6 shipboard radio system which will operate through the DSCS satellite series in the Super High Frequency (SHF) band.

The AN/WLQ-4(V), also known as SEA NYMPH and PRAIRIE WAGON, is a highly classified electronic support measures suite for which $143.5 million is included in the FY 1982 OPN request. Details of this program will be provided to the Congress during intelligence briefings. The $169.4 million TOMAHAWK Support Equipment program provides five surface Weapon Control Systems (four ship systems and one trainer) and 17 submarine modifications (15 shipboard and 2 trainers). In addition, this funding provides for the backfit of the TOMAHAWK Vertical Launch System (VLS) on two DD-963 Class Ships and two SSN-688 Class submarines.

Another significant program in this area of Shipboard Modernization is Coast Guard Gun Systems. The FY 1982 budget request of $7.0 million provides for the procurement of the last of thirteen MK-92 Fire Control Systems to be installed in the new Coast Guard Bear class cutters being built to replace obsolescent ships. In accordance with Public Law and written agreements between Navy and Coast Guard, it is the policy of the Navy to provide military readiness equipments to the Coast Guard to ensure the ready integration of the Coast Guard into the Navy when appropriate.

The final area of the Ship Modernization Category consists of equipments we procure to improve the Hull, Mechanical and Electrical (HM&E) capabilities of today's active fleet ships. Examples of these equipments include air conditioners, various pumps, Submarine Silencing Equipment, and the Electrostatic Gyro Navigator (ESGN). The FY 1982 request includes $9.1 million for air conditioners. This program provides upgraded chilled water/cooling capability on major combatants. Generally, installation of new electronics systems will increase the requirement for air conditioning capacity. The request for $13.3 million in FY 1982 for pumps satisfies the requirement to replace difficult to maintain, old/worn out, and inefficient pumps with new upgraded pumps. Additionally, this program establishes a rotable pool to continually support the submarine Extended Operating Cycle (EOC) program. Submarine Silencing Equipment at $13.8 million procures hardware developed from a variety of technical efforts aimed at minimizing the detectability of our SSNs and SSBNs while improving their ability to detect other submarines.

The second major Category is Ship Reactor Core and Components. (TABLE 3) The FY 1982 request is $360.8 million, an increase of $74.7 million over the FY 1981 level. The major item procured in this category is nuclear reactor cores which are required for refueling of nuclear powered ships. The FY 1982 procurement request is for five cores at a total cost of $216.4 million; also included is $144.4 million for spares and replacement reactor plant components and equipment required for the continued safe operation of the Navy's nuclear reactors. Replacement core procurement plans have been approved for several years on the basis of being the most economical, efficient ways of procuring replacement fuel for nuclear powered ships. Further, procurement in accordance with these plans

minimizes the risk of unavailability of cores for emergency replacement while maintaining a viable, two-vendor base for reactor cores.

The third major category is Shore Modernization. (TABLE 4) The FY 1982 request is $634.8 million, an increase of $194.0 million from FY 1981. The funds required in this category procure equipments to modernize our Industrial Facilities, our Naval Air Stations, our Shore Communications, our Civil Engineering capabilities, our Supply Centers, and other shore activities.

There are four significant programs included in the Production Facilities area: Shipyard Modernization, Naval Aviation Facilities Modernization, Surface Intermediate Maintenance Activities, and Production Support Facilities. The Shipyard Modernization program procures non-MILCON investment equipment to update the industrial capabilities at our Naval Shipyards. The requested funds (14.0 million) will procure machine tools, shop equipment, and technical collateral equipment such as cranes that support and complement construction projects. Naval Aviation Facilities Modernization at $39.3 million provides for the procurement of industrial plant equipment for six Naval Air Rework Facilities (NARF) and the Naval Avionics Center (NAC). The equipment is general capital investment equipment in support of Navy-operated industrial fund activities. It is necessary to keep pace with rapidly changing technology and to replace conventional type equipment with more automatically controlled equipment designed to produce, test, and repair components faster, more accurately, and efficiently.

The Surface Intermediate Maintenance Activities request is $16.5 million, an increase of $2.3 million. The program consists of three distinct parts: Shore IMA (SIMA) improvements, $13.9 million; afloat IMA Upgrade Program, $1.0 million; and STEEP (Support and Test Equipment Engineering Program), $1.6 million. This funding will provide shop and other investment equipment to upgrade the capability and capacity of the Surface Intermediate Maintenance activities. MILCON funds for SIMAs Charleston and Norfolk (Sewells Point) were approved in FY 1981 with SIMA Norfolk (Little Creek), SUBSUPPFAC New London, and SUBASE Pearl Harbor being requested in FY 1982. Finally, the Production Support Facility request of $28.7 million in FY 1982 will provide for replacement and restoration of existing overage, obsolete machine tools, and production equipment at various Weapon Stations, Ordnance Stations, and other non-shipyard Production Suport Facilities.

Two representative programs included in the Shore Aviation Support Area are Marine Air Traffic Control and All-Weather Landing Systems (MATCALS) and Weapons Range Support Equipment. MATCALS will provide a fully automated air traffic control and landing system for use by the Marine Air Traffic Control Units at expeditionary airfields. The FY 1982 request of $21.4 million will permit procurement of three Command and Control Subsystems, leaving nine to be procured in subsequent years. The Weapons Range Support Equipment Program at $15.2 million provides equipment for the Navy's Fleet Ranges; the west and east coast Air Combat Maneuvering Ranges and Barking Sands Range complex. These ranges are used for fleet operational evaluation of air, surface and undersea weapons and for training in the employment of these weapons. Equipment procured under this program are used for the collection, transmission, processing and display of data generated by exercises on the ranges.

Shore Communications procures equipments for several programs that represent the shore end of Naval Communications. The Ashore Automation program for $9.5 million provides equipments which apply "state of the art" technology to message preparation, receipt, reproduction, distribution and recording functions of communication. This will ensure rapid and reliable response to contingent surges and normal growth in communications volume. Also included in the FY 1982 OPN request is $11.8 million for Satellite Communications Shore Terminals which will provide for the procurement of interconnect equipment between Navy shore terminals and the Army procured Defense Satellite Communications System, continuation of multi-year procurement of DAMA (Demand Assignment Multiple Access) equipment, and five OM-55 Shore Modems, four of which are for no-cost lease to NATO. (One of the five OM-55 Shore Modems procured in FY 1981 is also for no-cost lease to NATO).

Civil Engineering and Supply Support Equipment is a major area in the Shore Modernization category where we are investing significant resources. This equipment includes all the Navy's vehicular, construction, and material handling equipments. Equipment such as trucks, earth moving equipment, forklift trucks, passenger carrying vehicles, fire-fighting equipment, weight handling gear, and Automated Material Handling Systems (AMHS) are included in this area. A total of $155.1 million is included in our FY 1982 request for these equipments. The FY 1982 budget represents the sixth increment of a program designed to reduce substantial overage inventories of these equipments while maintaining a replacement program which will avoid block obsolescence. Due to funding constraints in FY 1982 the truck overage initiation continues to slip away from its goal of reducing the overage posture from 40 percent to 15 percent over a ten year period. The forklift overage posture has also slipped from its goal in this request. Also included in the FY 1982 request are funds ($32.3 million) to procure the third of three Navy Integrated Storage, Tracking, and Retrieval Systems (NISTARS). NISTARS provides complete automation of warehouse functions at Naval Supply Centers. They improve the efficiency of labor and materials, and accommodate increased tempos of operation without commensurate increase in personnel.

Personnel and Command Support is the last area in the Shore Modernization category. Major programs in this area are Manufacturing Technology, the Computer Acquisition Program, and Medical Support Equipment. $23.9 million is being requested for Manufacturing Technology. These funds will be used to fabricate, purchase, install, and demonstrate improved production equipment, tooling and methods of manufacturing. This has proven to be one of the most effective means we have found to reduce the costs of weapon system acquisition and maintenance. For example, we have reduced the labor required to produce a typical propeller from 37 weeks to 14 weeks shop time. The Computer Acquisition Program at $27.6 million was established to gain economic advantages through centralized management of automated data processing equipment procurement. Purchases planned in the FY 1982 program include automated support to management and personnel functions through the procurement of CRT terminals, mini-computers and procurement of a replacement computer to provide service for graduate education, research, and Department of Defense and other governmental agencies.

The Medical Support Equipment request for FY 1982 is $49.0 million. These funds provide medical and dental equipment such as Electrocardiographs, anesthesia machines, monitoring systems, laboratory analysis equipment, and industrial medicines equipment which monitors air, water and noise for 383 individual facilities. Additionally, the FY 1982 request provides funds for the Fleet Hospital Program. This program consists of relocatable, prepositioned units capable of becoming operational in very short time frames to provide care for Navy and Marine Corps combat casualties. A total of $92.6 million is included in the FY 1982 OPN budget request for the Fleet Hospital program, $23.6 million in the Medical Support Equipment line item and $69.0 million in various line items of Budget Activity 5, Civil Engineering Support Equipment. This funding will provide for the procurement of one 500 bed hospital and three 250 bed hospitals for the Rapid Deployment Joint Task Force, one 750 bed hospital core (medical equipment only, no support items) for the NATO theatre of operations, and support items to go with the 250 bed hospital core procured in FY 1981 for support of NATO.

The fourth major category is Ordnance. (TABLE 5) the FY 1982 request is $625.5 million, an increase of $236.0 million from the FY 1981 level. This Category includes Sonobuoys, Air Launched Ordnance and Ship Gun Ammunition.

The FY 1982 Sonobuoy request is $138.9 million which will cover projected consumption and allow some progress toward the attainment of our inventory objectives. Sonobuoys in the FY 1982 request include the continued procurement of the AN/SSQ-41 (JEZEBEL) and the AN/SSQ-53 (DIFAR). The AN/SSQ-41 is a passive omni-directional sonobuoy used in search, localization, and tracking tactics. The AN/SSQ-53 provides the ability to obtain a line of bearing to noise emitters as well as the ability to monitor selected sectors around the sonobuoy. The FY 1982 request includes $27.2 million for continued production of the AN/SSQ-62 (DICASS). This is an active directional sonobuoy that provides target bearing information to fix the submarine. The FY 1982 OPN request also includes $33.3 million for the AN/SSQ-77 Vertical Line Array DIFAR (VLAD) which is a passive directional sonobuoy providing a greater figure of merit

improvement over the AN/SSQ-53. The FY 1981 procurement will be the first large scale production buy of the AN/SSQ-77 from the three qualified contractors. The FY 1982 procurement will be the first competitive procurement of this sonobuoy.

The Air Launched Ordnance request is $253.8 million. This includes the procurement of general and special purpose bombs, air launched rockets, aircraft machine gun ammunition, and miscellaneous ordnance support. The FY 1982 request represents an increase of $100.9 million from FY 1981. The most significant air munition programs in the FY 1982 request are General Purpose Bombs at $36.9 million and Practice Bombs at $30.7 million. The General Purpose Bombs are used to build up our war reserve stocks, while the practice bombs are used for training pilots in various type bomb deliveries for both conventional and special weapons. Practice bombs are filled with an inert material without changing the flight characteristics of the bombs. With increased emphasis on utilizing quiet, nonexplosive ordnance where possible, additional procurement in this area will continue to be a trend.

A total of $136.8 million is requested for Ship Gun Ammunition which is an increase of $62.8 million from the FY 1981 program. The increase is attributable to the increased introduction of three weapons systems into the fleet. $35.3 million of the request is for 76MM ammunition which is used for the MK-75 Gun Mount on the FFG-7 in support of its primary AAW and ASUW mission. $18.5 million will provide for procurement of 20MM ammunition for the Close In Weapon Systems (PHALANX) to support the anti-missile/ self defense mission. Finally, $16.1 million will provide for procurement of the tooling required for production of the newly developed Five Inch Laser Guided Projectile. This new Projectile will provide precisely accurate Naval Gun Fire against targets ashore and at sea.

The fifth major Category is Training Equipment. (TABLE 5) The FY 1982 request is $84.0 million, an increase of $11.9 million from the FY 1981 level. This category procures equipment in support of the Navy's education and training mission related primarily to the active surface and subsurface fleet. The Navy continues to utilize simulator techniques in training of military personnel when it is cost effective and where it clearly strengthens military readiness. The FY 1982 request includes $29.2 million for the procurement of training devices. This amount includes $25.9 million in support of submarine training devices. The primary objective in the Navy's submarine, simulation area is to provide an increase in realism in fire control, weapons system, and sonar training in order for the devices to be compatible with present systems and to provide a level of simulation complexity equivalent to the tactical environment. Included is one simulator which supports sonar training for the AN/BQQ-5 currently being installed in our nuclear attack submarines one Naval Electronic Warfare Training System (NEWTS); and modifications to two Submarine Combat System Trainers.

The remaining $54.8 million in this category is for other training equipment which consists of a variety of small training programs.

The Sixth major category provides support and training equipment for the nation's first line strategic deterrent, the Fleet Ballistic Missile Submarines. (TABLE 6) The FY 1982 request is $113.0 million. Included in this category are items to provide continuing update of our existing POSEIDON submarines, equipment to support the deployment of TRIDENT I (C-4) missiles in POSEIDON submarines (TRIDENT Backfit), and shore based support required for the introduction of TRIDENT submarines. Training equipment for the crews of these present and future ballistic missile systems is also provided. A significant portion of these funds, $29.7 million, is related to the outfitting of the TRIDENT Training Facility and TRIDENT Refit Facility at Bangor, Washington.

Both the training facilities and the Intermediate Maintenance Facility associated with the TRIDENT systems must be operational to meet the stringent availability requirements of this critical deterrent system.

The POLARIS/POSEIDON Support portion of the FBM category is $34.9 million which finances those improvements required to maintain the operational capability of the current Fleet Ballistic Missile Submarines. Equipment procured in this line will be installed in submarines, submarine tenders, and shore installations providing direct FBM support.

The TRIDENT I Backfit program request comprises $4.2 million of the FBM category. The major share of this funding provides fire control, missile checkout, and other subsystem equipments in the SSBNs and tenders that will participate in the deployment of the C-4 missiles in POSEIDON submarines.

The seventh major Category is Spare and Repair Parts. (TABLE 7) The request for repairable spares and repair parts is $126.2 million. Of this total, $108.6 million is to procure initial spares for support of new systems and equipments and $17.6 million for replenishment of items which cannot be economically repaired. Of this total, $108.6 million is to procure initial spares for support of new systems and equipments and $17.6 million for replenishment of items which cannot be economically repaired.

The initial spares program is tailored to the end-term procurement program and installation schedules. Budget requests are phased to a procurement lead time before the installation date. The decrease in OPN initial spares from FY 1981 to FY 1982 reflects the transfer of non-aviation depot level repairables to the Navy Stock Fund. The "buy out" of these spares from the stock fund is funded in the O&MN appropriation rather than in the OPN appropriation. The $108.6 million for initial spares in the FY 1982 OPN request is for interim (contractor supported) spares not included in the Navy Supply System and for aviation and FBM spares. The decrease in replenishment spares is also attributable to the stock funding of the depot level repairables. The $17.6 million request in FY 1982 is for aviation and FBM replenishment spares only.

The eighth and final category is Other Equipments. (TABLE 7) The FY 1982 request is $413.7 million. Significant programs include Intelligence Support, which will be briefed to the Congress separately, and the SOSUS program which reflects a $16.4 million increase from the FY 1981 request. The SOSUS system is a network of ocean bottomed hydrophone arrays which feed back oceanographic and acoustic data to a shore processing site. The objectives of the current program are: to effectively maintain the operational readiness of the existing system; improve the performance of the existing system through cost-effective shore electronics backfits; and retain the capability to install new systems as they are approved. The FY 1982 funds will provide for the procurement of equipment, material and services needed to procure integrated systems which will work reliably and effectively throughout their installed life. These include engineering services and material used both ashore and at sea to support the present system and implement further system expansion.

Mr. Chairman, this completes my prepared statement. I hope that this presentation provides a meaningful display of the improved capablities within the Navy which we hope to achieve through the execution of the FY 1982 Other Procurement, Navy budget.

I am ready to respond to any questions you, or members of the Committee may have.

78-680 O - 81 - 11

OTHER PROCUREMENT, NAVY

MAJOR CATEGORIES

	FY 1981	FY 1982
TOTAL REQUEST	3,037.7	3,865.0
o SHIP MODERNIZATION	1,126.9	1,507.0
o SHIP REACTOR CORE/COMPONENTS	286.1	360.8
o SHORE MODERNIZATION	440.8	634.8
o ORDNANCE	389.5	625.5
o TRAINING	72.1	84.0
o FLEET BALLISTIC SUB SUPPORT	128.3	113.0
o SPARE AND REPAIR PARTS	282.1	126.2
o OTHER	311.9	413.7

OTHER PROCUREMENT, NAVY

BREAKDOWN BY MAJOR CATEGORY

	FY 1981	FY 1982
SHIP MODERNIZATION	1,126.9	1,507.0
ASW RELATED	387.9	363.8
o AN/BQQ-5 SONAR	165.7	90.2
o SONAR SWITCHES & TRANSDUCERS	41.9	35.4
o AN/SQS-26	26.2	37.7
o ALL DIGITAL ATTACK CENTER	34.9	58.1
o LAMPS III	-	40.1
AAW RELATED	279.0	352.0
o SURFACE MISSILE SYSTEMS ORDALTS	135.3	148.4
o AN/SPS-49	12.9	10.7
o MK 23 TAS	27.0	30.8
COMMUNICATION, TACTICAL INTELLIGENCE & OTHER TACTICAL SYSTEMS	291.4	572.4
o UHF GROWTH	7.0	23.4
o SATELLITE COMMUNICATIONS TERMINALS	10.9	37.0
o AN/WLQ-4(V)	64.6	143.5
o TOMAHAWK SUPPORT EQUIPMEN	31.7	169.4
o COAST GUARD GUN SYSTEMS	27.1	7.0
HULL MECHANICAL AND ELECTRICAL	168.6	218.4
o AIR CONDITONERS	10.2	9.1
o OTHER PUMPS	16.9	13.3
o ELECTROSTATIC GYRO NAVIGATOR	10.8	16.6
o SUBMARINE SILENCING EQUIPMENT	16.7	13.8

OTHER PROCUREMENT, NAVY

BREAKDOWN BY MAJOR CATEGORY

	FY 1981		FY 1982	
SHIP REACTOR CORE AND COMPONENTS		286.1		360.8
	QTY		QTY	
REACTOR CORES	7	151.5	5	216.4
SUBMARINES	6	114.4	2	70.5
SURFACE SHIPS	1	37.1	3	145.9
REACTOR COMPONENTS		134.6		144.4

OTHER PROCUREMENT, NAVY

BREAKDOWN BY MAJOR CATEGORY

	FY 1981	FY 1982
SHORE MODERNIZATION	440.8	634.8
PRODUCTION FACILITIES	110.5	138.6
o SHIPYARD MODERNIZATION	20.1	14.0
o NAVAL AVIATION FACILITIES MODERNIZATION	19.9	39.3
o SURFACE IMA	14.2	16.5
o PRODUCTION SUPPORT FACILITIES	11.1	28.7
SHORE AVIATION SUPPORT	70.5	91.0
o MARINE AIR TRAFFIC CONTROL & LANDING SYSTEMS	3.8	21.4
o WEAPONS RANGE SUPPORT EQUIPMENT	10.6	15.2
SHORE COMMUNICATIONS	47.6	83.3
o ASHORE AUTOMATION	9.2	9.5
o SATCOM SHORE TERMINALS	15.4	11.8
CIVIL ENGINEERING/SUPPLY SUPPORT	121.8	155.1
o TRUCKS	26.0	28.6
o AUTOMATED MATERIALS HANDLING SYSTEM	32.9	32.3
o FORKLIFT TRUCKS	19.5	19.4
PERSONNEL AND COMMAND SUPPORT	90.4	166.8
o MANUFACTURING TECHNOLOGY	5.5	23.9
o COMPUTER ACQUISITION	14.0	27.6
o MEDICAL SUPPORT EQ	25.8	49.0

OTHER PROCUREMENT, NAVY

BREAKDOWN BY MAJOR CATEGORY

	FY 1981	FY 1982
ORDNANCE	389.5	625.5
SONOBUOYS	105.9	138.9
AIR LAUNCHED	152.9	253.8
SHIP GUN AMMUNITION	74.0	136.8
OTHER ORDNANCE	56.7	96.0
TRAINING	72.1	84.0
TRAINING DEVICES	42.7	29.2
OTHER TRAINING	29.4	54.8

OTHER PROCUREMENT, NAVY

BREAKDOWN BY MAJOR CATEGORY

	FY 1981	FY 1982
FLEET BALLISTIC SUBMARINE SUPPORT	128.3	113.0
TRIDENT PROGRAM	74.9	78.1
POLARIS/POSEIDON PROGRAM	53.4	34.9

OTHER PROCUREMENT, NAVY

BREAKDOWN BY MAJOR CATEGORY

	FY 1981	FY 1982
SPARE AND REPAIR PARTS	282.1	126.2
INITIAL	143.3	108.6
REPLENISHMENT	138.8	17.6
OTHER	311.9	413.7
INTELLIGENCE	36.4	31.4
SOSUS	105.8	122.2
NUMEROUS SMALL PROGRAMS	169.7	260.1

REAR ADMIRAL RICHARD A. MILLER, U. S. NAVY

A native of West Orange, New Jersey, Rear Admiral Miller enlisted in the Navy in 1945. He received a fleet appointment to the United States Naval Academy, and graduated with the class of 1950. His first tour of duty after commissioning was as Main Propulsion Assistant in USS GOODRICH (DDR-831).

Following flight training and designation as a Naval Aviator in November 1952, he served with Patrol Squadron Forty Five, operating seaplanes from Naval Station, Coco Solo in the Panama Canal Zone. In 1955, he qualified as a helicopter pilot and served with Helicopter Anti-Submarine Squadron One. His next assignment was as Aircraft Maintenance Officer and Search and Rescue pilot at the Naval Air Station, Chincoteague, Virginia.

Rear Admiral Miller then served two years as an Exchange Officer with the Royal Navy, serving in HMS ARK ROYAL (R-09) and as Executive Officer of 820 Squadron. On return to the United States in 1961, he was Assistant Force ASW Officer on the staff of COMCRUDESLANT.

He served as Executive Officer and Commanding Officer of Helicopter Anti-Submarine Squadron Three aboard the USS RANDOLPH (CVS-15). Following his squadron command tour, he was assigned to the Anti-Submarine Warfare Systems Project Office in Washington, D.C. In 1969 and 1970 he was Commander, Carrier Anti-Submarine Air Group Fifty-Three in USS KEARSARGE (CVS-33) assigned to the Seventh Fleet.

He commanded the USS SPIEGEL GROVE (LSD-32) and in May 1974 he was assigned as Commander, Amphibious Squadron Four and from May 1976 to June 1978 served in the office of the Chief of Naval Operations, Systems Analysis Division, Washington, D.C., as Deputy Director. He was elevated to Flag Rank in June 1978 and became Commander Anti-Submarine Warfare Wing, U.S. Pacific Fleet on 8 August 1978.

In December 1980 he was appointed by the President as the Director of Budget and Reports, Office of the Navy Comptroller, and Director, Fiscal Management Division, Office of the Chief of Naval Operations.

Among Rear Admiral Miller's awards are the Legion of Merit, the Navy Commendation Medal, and the Vietnamese Navy Distinguished Service Order. He is a graduate of the United States Naval Postgraduate School, Monterey, California, and holds a Master of Science Degree in Operations Research. He is also a graduate of the Army War College, Carlisle Barracks, Pennsylvania and in 1971 he was assigned to Harvard University where he was a Fellow at the Center for International Affairs.

Rear Admiral Miller is married to the former Claire Meylich of West Orange, New Jersey. They have three sons.

U.S. Marine Corps

STATEMENT OF MAJ. GEN. HAROLD A. HATCH

Senator Stevens. General, why don't we proceed with your statement.

General Hatch. All right, sir. I will also include two appropriations plus the Marine Corps Reserve O. & M. appropriation. I believe you have another set of charts in front of you that I will proceed with.

(Chart 7)

FY 1982 PRESIDENTS BUDGET AMENDMENT

($ IN MILLIONS)

	FY 1980	FY 1981	FY 1982 PRES BUD	FY 1981 VS FY 1982
MILITARY PERSONNEL, MARINE CORPS (MPMC)	2,235.3	2,670.8	2,807.9	+137.1
RESERVE PERSONNEL, MARINE CORPS (RPMC)	96.1	120.4	138.9	+18.5
OPERATION & MAINTENANCE, MARINE CORPS (O&MMC)	880.2	1,091.4	1,195.5	+104.1
OPERATION & MAINTENANCE, MARINE CORPS RESERVE (O&MMCR)	21.2	28.9	40.3	+11.4
PROCUREMENT, MARINE CORPS (PMC)	275.1	506.0	1,828.2	+1,322.2
MARINE CORPS STOCK FUND (MCSF)	-0-	4.1	13.3	+9.2
TOTAL	3,507.8	4,421.5	6,024.2	+1,602.7

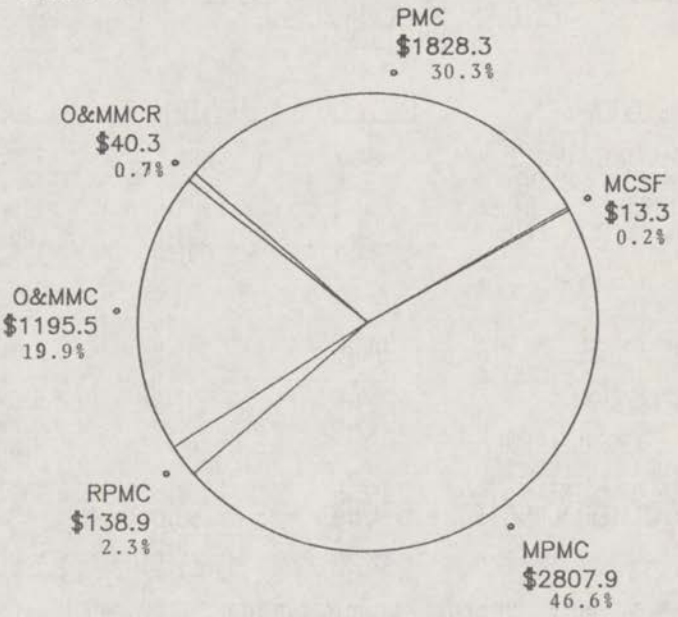
[Chart 7]

MARINE CORPS APPROPRIATIONS

Chart 7 merely shows a reflection of the appropriations that the Marine Corps has. The real growth is in the Procurement Marine Corps appropriation (PMC).

FISCAL YEAR 1982 PRESIDENT'S BUDGET

(CHART 8)



TOTAL $6024.2
($ IN MILLIONS)

[CHART 8]

PIE CHART

Chart 8 takes the same appropriations and breaks them down into a pie chart. We will be talking this morning on the O. & M. Marine Corps, the O. & M. Marine Corps Reserve and the PMC. As the chart reflects, we are still manpower intensive; however, less so than we have been in previous years.

(CHART 9)

OPERATION AND MAINTENANCE, MARINE CORPS (O&MMC)
FY 1982 PRESIDENTS BUDGET
($IN MILLIONS)

BY BUDGET ACTIVITY	FY 1980	FY 1981	FY 1982
2:GENERAL PURPOSE FORCES	484.7	681.5	735.4
7:CENTRAL SUPPLY & MAINT	216.6	210.7	237.9
8:TRAINING, MEDICAL & OTHER	130.4	144.4	163.9
9:ADMIN & ASSOC ACTIVITIES	48.5	54.7	58.3
TOTAL	880.2	1,091.4	1,195.5
BY MISSION			
FLEET MARINE FORCE	146.6	263.0	263.6
BASE OPS (TO INCLUDE CMSY & BASE COMM)	454.6	542.4	610.6
TRAINING	23.6	26.8	28.2
RECRUITERS & ADVERSTISING	38.7	44.3	50.4
SUPPLY SUPPORT (TO INCLUDE TRANS & DEPOT MAINT)	166.5	158.3	182.3
ADMIN & ASSOCIATED ACTIVITIES	44.9	50.0	53.4
MISC 1/	5.3	6.6	7.0
TOTAL	880.2	1,091.4	1,195.5

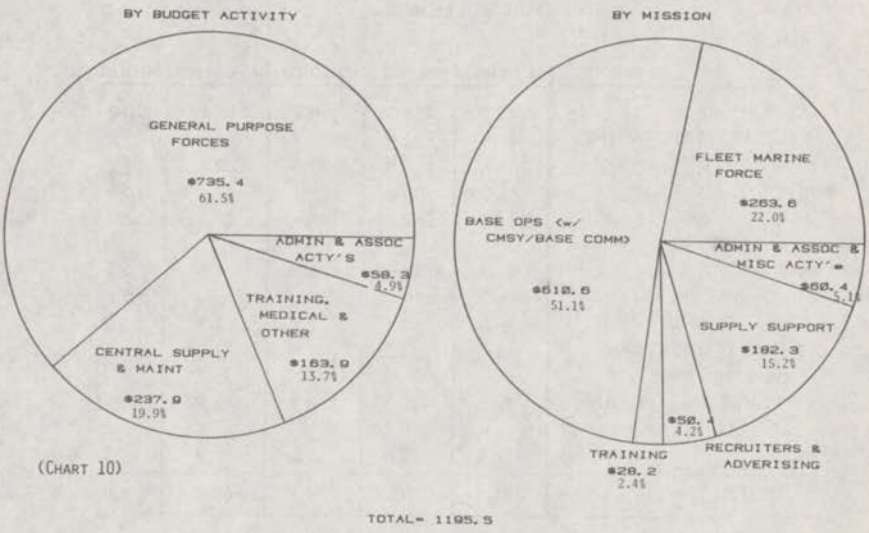
1/ INCLUDES OFF-DUTY EDUCATION, MCJROTC AND OTHER PERSONNEL SUPPPORT.

[CHART 9]

BUDGET ACTIVITIES AND MISSIONS

Chart 9 takes the same sums of money and breaks them down into the various budget activities and missions for the fiscal years 1980, 1981 and 1982. It is merely a reflection of where we spend our money.

OPERATION AND MAINTENANCE, MARINE CORPS (O&MMC)
FY 1982 PRESIDENT'S BUDGET
($ IN MILLIONS)



(CHART 10)

[CHART 10]

BUDGET ACTIVITY BREAKDOWN

Chart 10 is a pie chart of those same two breakdowns by budget activity and by mission.

OPERATION AND MAINTENANCE, MARINE CORPS FUNDING TRENDS
(IN MILLIONS OF DOLLARS)

(CHART 11)

	FY 1976	FY 1977	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982
CURRENT YEAR DOLLARS	512.2	591.3	657.5	745.1	880.2	1,091.4	1,195.5
CONSTANT FY 1982 DOLLARS	834.0	890.0	918.0	969.0	1,032.0	1,171.0	1,195.5
CONSTANT DOLLAR INCREASE	-	6.7%	3.1%	5.6%	6.5%	13.5%	2.1%

[CHART 11]

O. & M. FUNDING TRENDS

Chart 11 shows the operations and maintenance funding trends over the years. The 13.5-percent growth in 1981 reflects DOD inflators. It includes the congressional add-on of last year plus both the Carter and Reagan supplementals.

OPERATION AND MAINTENANCE, MARINE CORPS
SIGNIFICANT PROGRAM CHANGES FY 1981 TO FY 1982

($ IN MILLIONS)

(CHART 12)

	FY 1981	FY 1982	CHANGE	INFLATION	PROGRAM
FMF SUPPORT	245.2	237.0	-8.2	12.1	-20.3
6-MOS UNIT DEPLOYMENT	17.8	26.5	8.7	1.4	7.3
FMF LOGISTICS SUPPORT	101.6	121.6	20.0	8.6	11.4
DEPOT MAINTENANCE	56.7	60.8	4.1	1.8	2.3
REAL PROPERTY MAINTENANCE ACTIVITIES	314.5	362.6	48.1	22.0	26.1
HABITABILITY	21.7	28.6	6.9	1.8	5.1
OTHER BASE OPERATIONS	206.2	219.4	13.2	7.4	5.8
ADMINISTRATION	50.0	53.4	3.4	1.1	2.3
FORMAL TRAINING AND EDUCATION	26.7	28.2	1.5	1.0	.5
RECRUITING AND RECRUIT ADVERTISING	44.3	50.4	6.1	4.8	1.3
OTHER	6.6	7.0	.4	.5	-.1
TOTAL	1,091.4 a/	1,195.5	104.1 a/	62.5	41.6 a/

a/ DOES NOT ADD DUE TO ROUNDING.

[CHART 12]

PROGRAMS AND CHANGES

Chart 12 shows the changes from 1981 to 1982 and the significant programs. You may note on the top line that the Fleet Marine Forces support decreases by $20.3 million. This is as a result of one time increases in 1981 in such areas as table of equipment deficiencies, cold weather clothing, and vehicle winterization kits that were not repeated in 1982.

The 7.3-percent increase in 6 month unit deployment is offset by permanent change of station moves that are decreased and transient man-years that are saved so there is a net decrease of 3.4 percent as a result of the unit deployment program.

The real property maintenance program which increases $26.1 million will be discussed more on chart 14.

As this committee knows, we put our money into readiness in the Marine Corps which is sometimes at the sacrifice of other programs.

(CHART 13)

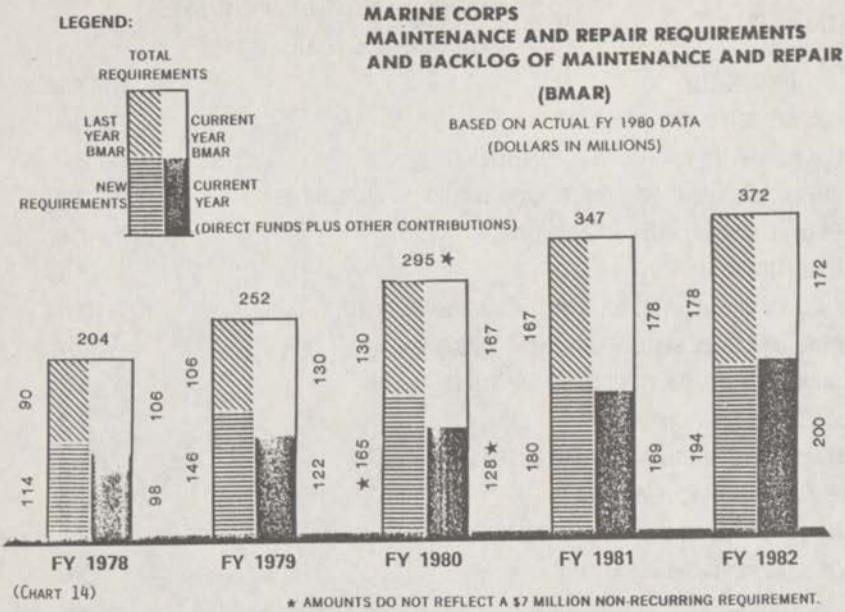
OPERATION AND MAINTENANCE MARINE CORPS
FISCAL YEAR 1982
COMBAT READINESS RELATED INCREASES

PROGRAM/ITEM	$ IN MILLIONS
INCREASED ACTIVE DUTY STRENGTH	2.6
MEDICAL SUPPLIES AND EQUIPMENT REQUIREMENTS	11.0
NUCLEAR, BIOLOGICAL AND CHEMICAL WARFARE CLOTHING AND EQUIPMENT	2.0
PERSONNEL ARMOR SYSTEM FOR GROUP TROOPS	12.0
PREPOSITIONING PROGRAMS	13.1
DESERT BLEND OF LIGHTWEIGHT CAMOUFLAGE SCREENING SYSTEM	13.1
MARINE CORPS FUEL SYSTEMS - COMPONENT REPLACEMENT	2.2
TRAINING SUPPORT FOR RAPID DEPLOYMENT FORCES	6.0
UNIT DEPLOYMENT PROGRAM	7.3
OPERATION AND MAINTENANCE OF NEW EQUIPMENT	1.0
INSTALLATION OF MODIFICATION KITS	2.3
LANDING VEHICLE TRACKED TRANSPORTATION SUPPORT	1.0
MISCELLANEOUS TRAINING SUPPORT	5.0
TOTAL	78.6

[CHART 13]

COMBAT READINESS

These are some of the programs on chart 13 that we have enhanced in combat readiness as a result of this budget submission.



(CHART 14)

[CHART 14]

BACKLOG MAINTENANCE AND REPAIR

Chart 14 reflects the backlog maintenance and repair (BMAR). And to help you understand quickly, taking any one of those years, the two columns on the left are the previous year's BMAR plus additive new requirements that come up during the year. This is offset by on the right by the planned expenditures against the total requirement which leaves you a balance and that is the new end-of-year backlog.

For the first time in several years we have been able to put enough money into maintenance of real property to decrease that backlog from $178 to $ 172 million by the end of 1982.

MARINE CORPS DEPOT MAINTENANCE PROGRAM
($ IN MILLIONS)

(CHART 15)

	FY 1980	FY 1981	FY 1982
FINANCED	48.9	58.0	62.1
O&MMC	(48.0)	(56.7)	(60.8)
O&MMCR	(0.9)	(1.3)	(1.3)
UNFINANCED	57.6	26.8	23.0

[CHART 15]

DEPOT MAINTENANCE PROGRAM

Chart 15 shows the Depot Maintenance program. I think the significant trend is the decrease from 1980 to 1981 which is continued through 1982 in the unfinanced backlog. This is a result of going into the LVT, Landing Vehicle Tracked, SLEP, Service Life Extension program: so that those tractors are no longer carried as unfinanced backlog but are in fact being funded through the SLEP for rebuild.

MARINE CORPS CIVILIAN PERSONNEL END STRENGTH

(CHART 16)

	FY 1980	FY 1981	FY 1982
O&MMC			
DIRECT FUND	13,238	13,331	13,000
REIMB	1,873	1,804	2,005
O&MMCR			
DIRECT FUND	142	144	201
REIMB	-	-	-
MCIF	1,335	1,318	1,318
FNIH*			
DIRECT FUND	2,786	2,853	2,853
REIMB	156	156	140
TOTAL	19,530	19,606	19,517

*FOREIGN NATIONAL INDIRECT HIRE

[CHART 16]

CIVILIAN PERSONNEL END STRENGTH

Chart 16 shows our civilian personnel end strength over the years. The 19,517 for 1982 does not include the 2,000 that I speak of in my statement for which we have requirements in the Marine Corps.

OPERATION AND MAINTENANCE, MARINE CORPS RESERVE (O&MMCR) FY 1982 PRESIDENT'S BUDGET

(CHART 17)

($ IN MILLIONS)

BUDGET ACTIVITY	FY 1980	FY 1981	FY 1982
1. MISSION FORCES	$ 8.5	$13.0	$19.1
2. DEPOT MAINT	.9	1.2	1.3
3. OTHER SUPPORT	11.7	14.8	19.9
TOTAL	$21.2	$29.0	$40.3

[CHART 17]

MARINE CORPS RESERVE O. & M.

Chart 17 is the operations and maintenance chart for the Marine Corps Reserves which supports the 4th Marine Division and the 4th Marine Aircraft Wing and the 4th Force Service Support Group. It is a force of some 37,600. The mission forces funding includes training, equipment, operations, and training exercises. Depot maintenance would be the rebuild of some 82 items, the other support is about $10.2 million for facility maintenance, and another $9.7 million is for administration.

(CHART 18)

FY 1982 BUDGET
PROCUREMENT, MARINE CORPS
($ IN MILLIONS)

BUDGET ACTIVITY	FY 1981	FY 1982	△
AMMUNITION	$ 80.3	$ 367.9	$ +287.6
WEAPONS AND COMBAT VEHICLES	100.1	418.1	+318.0
GUIDED MISSILES AND EQUIPMENT	102.3	223.0	+120.7
COMMUNICATIONS AND ELECTRONICS	88.7	410.9	+322.2
SUPPORT VEHICLES, ENGINEER & OTHER EQUIPMENT	134.6	408.3	+273.7
TOTALS	$506.0	$1,828.2	$+1,322.2

[CHART 18]

PROCUREMENT, MARINE CORPS

On chart 18 we move into the Procurement, Marine Corps appropriation which shows significant increases from 1981 to 1982. I will discuss each of the budget activities in a little bit more detail on subsequent charts.

Of the $1,828 million, $342 million of that is for pre-positioning programs. That will be demonstrated on the next chart.

(CHART 19)

FY 1982 BUDGET
PROCUREMENT, MARINE CORPS
($ IN MILLIONS)

	CURRENT FORCE STRUCTURE	GEOGRAPHICAL PREPOSITIONING	MARITIME PREPOSITIONING	TOTAL
1. AMMUNITION	355.0	12.9	-	367.9
2. WEAPONS AND TRACKED COMBAT VEHICLES	321.3	8.7	88.1	418.1
3. GUIDED MISSILES AND EQUIPMENT	198.5	-	24.5	223.0
4. COMMUNICATIONS AND ELECTRONICS EQUIPMENT	352.8	-	58.1	410.9
5. SUPPORT VEHICLES	87.3	1.6	59.7	148.6
6. ENGINEER AND OTHER EQUIPMENT	171.2	-	88.5	259.7
TOTAL	1,486.1	23.2	318.9	1,828.2

[CHART 19]

ACTIVITIES SUPPORT

Chart 19 contains the same budget activities that you saw on chart 18 but they are broken down into that which supports the current force and that which supports geographical pre-positioning and maritime pre-positioning.

(CHART 20)

FY 1982 BUDGET
PROCUREMENT, MARINE CORPS
($ IN MILLIONS)

	CURRENT FORCE STRUCTURE	GEOGRAPHICAL PREPOSITIONING	MARITIME PREPOSITIONING	TOTAL
AMMUNITION	$355.0	$12.9	-	$367.9
TANK AMMUNITION	50.8	-	-	50.8
155MM ARTILLERY AMMUNITION	149.3	10.5	-	159.8
8" ARTILLERY AMMUNITION	31.5	-	-	31.5
LINEAR CHARGES	15.5	-	-	15.5
70MM VIPER	18.0	-	-	18.0
MORTAR AMMUNITION	12.9	2.4	-	15.3
SMALL ARMS	55.0	-	-	55.0
OTHER	22.0	-	-	22.0

[CHART 20]

AMMUNITION

Chart 20 pertains to the first of our budget activities, ammunition. This is the first time since the early 1970's that we have been able to program more ammunition in a given year than we have shot up in training. In the interim, we have been eating into either excesses or pre-positioned war reserve to the tune of about $40 million per year to support training needs.

Our large deficiencies in ammunition are on the first three items, tank ammunition, and 155mm and 8-inch artillery ammunition. We are just about at the production saturation point along with the Army in those items for this year. It would take more production base or more hours at the production plants to increase productivity.

(CHART 21)

FY 1982 BUDGET
PROCUREMENT, MARINE CORPS
($ IN MILLIONS)

	CURRENT FORCE STRUCTURE	GEOGRAPHICAL PREPOSITIONING	MARITIME PREPOSITIONING	TOTAL
WEAPONS AND COMBAT VEHICLES	$321.3	$8.7	$88.1	$418.1
LVT7A1	-	-	53.6	53.6
LVT SERVICE LIFE EXT PROGRAM	173.6	-	-	173.6
LIGHT ARMORED VEHICLE	36.2	-	-	36.2
HOWITZER, M198, 155MM	40.9	8.7	8.7	58.3
SMALL CALIBER WEAPONS	49.5	-	10.8	60.3
OTHER	21.1	-	15.0	36.1

[CHART 21]

WEAPONS AND COMBAT VEHICLES

Chart 21 pertains to weapons and combat vehicles. The LVT program, the first line, supports the acquisition of 28 additional LVT's, representing the second year of a 5-year program. The service-life extension program on the second line, will provide sufficient funds to extend the life of 393 vehicles.

The light armored vehicle is a new program. We will acquire the first 72 vehicles in fiscal year 1982 of a program of 742. The 155-mm M-198 Howitzer completes our current requirements in that program. There is a total of 159 of them in this year's budget.

(CHART 22)

FY 1982 BUDGET
PROCUREMENT, MARINE CORPS
($ IN MILLIONS)

	CURRENT FORCE STRUCTURE	GEOGRAPHICAL PREPOSITIONING	MARITIME PREPOSITIONING	TOTAL
GUIDED MISSILES AND EQUIPMENT	$198.5	-	$24.5	$223.0
IMPROVED HAWK	85.1	-	-	85.1
IMPROVED HAWK (MOD)	18.4	-	-	18.4
STINGER MISSILE SYSTEM	38.9	-	-	38.9
TOW MISSILE SYSTEM	21.2	-	24.5	45.7
IMPROVED TOW PIP	23.1	-	-	23.1
OTHER	11.8	-	-	11.8

[CHART 22]

GUIDED MISSILES AND EQUIPMENT

Chart 22 pertains to guided missiles and equipment. The improved Hawk line is for the continuation of our Triad program and for 440 missiles.

The Stinger missile is replacing the Redeye. This request is for 700 of them and it is the fourth year of a 7-year program. It includes missiles and some ground support equipment.

There are 2,666 TOW missiles plus 95 launchers and some GSE equipment under the TOW missile system.

(CHART 23)

FY 1982 BUDGET
PROCUREMENT, MARINE CORPS
($ IN MILLIONS)

	CURRENT FORCE STRUCTURE	GEOGRAPHICAL PREPOSITIONING	MARITIME PREPOSITIONING	TOTAL
COMMUNICATIONS AND ELECTRONICS EQUIPMENT	$352.8	-	$58.1	$410.9
TACTICAL RADIOS AND EQUIPMENT	25.0	-	27.7	52.7
OTHER TELECOMMUNICATIONS	40.6	-	15.9	56.5
PLRS SYSTEMS	40.5	-	-	40.5
IMPROVED TAOC/TDCC	18.0	-	3.3	21.3
INTELLIGENCE ANALYSIS CENTER	64.0	-	-	64.0
AN/TPB-1C RADAR BOMBING SET	8.3	-	-	8.3
RADAR SET AN/TPS-63	23.1	-	-	23.1
MODULAR UNIVERSAL LASER EQUIPMENT	20.7	-	-	20.7
ADP EQUIPMENT	30.7	-	-	30.7
DIRECTION FINDERS	8.6	-	-	8.6
NIGHT SIGHTS	40.1	-	3.4	43.5
OTHER ELECTRONICS	33.2	-	7.8	41.0

[CHART 23]

COMMUNICATIONS AND ELECTRONIC EQUIPMENT

Chart 23 displays our request for the communications and electronics equipment. A new item is the PLRS. The $40.5 million for PLRS buys two systems. This is a joint program with the Army. The Marine Corps acquisition is now programed over 5 years. We will buy a total of 10 systems.

Our programing considers that the production base for a unit called the basic user unit is roughly 100 a month. The total program for us and the Army will require approximately 5,000 units, which is why it is going to take several years to buy out this program for both us and the Army.

The AN/TPB-1C radar bombing set, which is an Air Force system, is a change of program. We were after the TPQ-27 which is a highly efficient piece of precise radar bombing equipment. It became so expensive that it was just unaffordable. The Air Force system meets most of our requirements. While this is a fine piece of equipment, it is still not as good as the TPQ-27, but it is certainly a more economical buy. The new system is replacing the TPQ-10, which we have had for many years.

(CHART 24)

FY 1982 BUDGET
PROCUREMENT, MARINE CORPS
($ IN MILLIONS)

	CURRENT FORCE STRUCTURE	GEOGRAPHICAL PREPOSITIONING	MARITIME PREPOSITIONING	TOTAL
SUPPORT VEHICLES	$87.3	$1.6	$59.7	$148.6
COMMERCIAL VEHICLES	9.1	-	-	9.1
5 TON VEHICLE FAMILY	55.5	1.6	38.3	95.4
5/4 TON TRUCK	10.4	-	5.6	16.0
OTHER	12.3	-	15.8	28.1

[CHART 24]

SUPPORT VEHICLES

Our request for support vehicles is on chart 24. We are continuing to buy 5-ton trucks. That $95.4 million provides us 1,245 5-ton trucks. The five-quarter ton program would include 656 vehicles. This is a program that we are hoping to adjust.

(CHART 25)

FY 1982 BUDGET
PROCUREMENT, MARINE CORPS
($ IN MILLIONS)

	CURRENT FORCE STRUCTURE	GEOGRAPHICAL PREPOSITIONING	MARITIME PREPOSITIONING	TOTAL
ENGINEER AND OTHER EQUIPMENT	$171.2	-	$88.5	$259.7
MINE CLEARANCE KIT	6.5	-	-	6.5
TRACTOR, MEDIUM, FULL TRACKED	10.2	-	3.0	13.2
TRACTOR, RT, ARTICULATED	-	-	6.8	6.8
TRUCK, FORKLIFT, RT	-	-	5.3	5.3
REVERSE OSMOSIS/WATER PURIFICATION UNIT	31.7	-	12.8	44.5
WATER DISTRIBUTION EQUIPMENT	-	-	11.2	11.2
AMPHIBIOUS ASSAULT FUEL SYSTEM	17.9	-	12.6	30.5
MEDIUM GIRDER BRIDGE	22.8	-	8.5	31.3
POWER EQUIP ASSORTED	3.3	-	9.2	12.5
GARRISON SUPPORT	12.5	-	-	12.5
POSITION AZIMUTH DETERMINING SYSTEM	11.8	-	-	11.8
SHELTER AND CONTAINERS	19.9	-	1.3	21.2
OTHER	34.6	-	17.8	52.4

[CHART 25]

ADDITIONAL TERMS

On the last chart, chart 25, there are three new items.

Funds requested for the reverse osmosis water purification unit, which is about the sixth one down, will provide for 287 units. In some of the world where Marine forces may be deployed, probably the greatest constraint to our ability to fight would be the lack of potable water.

Today the Marine Corps probably owns as much or more water processing equipment as the total of our armed services and what

we have really isn't worth very much. It takes roughly a pound of fuel to produce a pound of pure water, which is not very economical.

REVERSE OSMOSIS SYSTEM

The reverse osmosis system is state-of-the-art equipment. It is used in the commercial world. It is currently being adapted by the Army to meet military standards. It will not only distill water but purify it and it will also take out NBC contamination.

The water obviously will not distribute itself and the next line is for water distribution equipment. This is really a storage and movement capability.

Drop down two more lines and there is the medium girder bridge. This is a bridge that is standard within the Army. We have been attempting to get this in our budget for several years and this is the first year that we have had sufficient TOA to be able to afford it. It is much improved over the bridges that we used from World War II and currently have in our inventories. It is much lighter; it takes a lot less people to handle it and a lot less equipment to maintain.

Sir, that concludes the charts and the coverage of the Marine Corps O. & M., the O. & M. Marine Corps Reserve, and the PMC. I am prepared for your questions.

[The prepared statement of Maj. Gen. Harold A. Hatch, USMC follows:]

PREPARED STATEMENT OF MAJ. GEN. HAROLD A. HATCH, USMC

DEPUTY CHIEF OF STAFF FOR INSTALLATIONS AND LOGISTICS

OPERATION AND MAINTENANCE

Mr. Chairman and members of the Committee: I am Major General Harold A. Hatch, Deputy Chief of Staff for Installations and Logistics, Headquarters, U.S. Marine Corps. I am pleased to have this opportunity to present to you the Operation and Maintenance, Marine Corps and Operation and Maintenance, Marine Corps Reserve budget requests for fiscal year 1982.

OPERATION AND MAINTENANCE, MARINE CORPS

During the fiscal year 1980 and fiscal year 1981 Congressional reviews, Congress added funding to the Marine Corps operation and maintenance requests for emergent unbudgeted requirements such as inflation increases and also for Marine Corps program shortfalls. As a result, the Marine Corps has been able to maintain the readiness of its operating forces and to provide for a marginally adequate supporting establishment. The fiscal year 1981 additional Congressional funding of $33.2 million will provide for transportation and utilities rate increases; increased per diem costs impacting primarily on the Marine Corps' unit deployment program; support for the ongoing requirements of the Near Term Prepositioning Ships Program; and for critical base funding shortfalls mainly at Camp Butler on Okinawa. The Marine Corps sincerely appreciates the support of Congress and we can assure you that the Marine Corps is committed to managing its financial and personnel resources to provide the best combination of equipment, maintenance and training which will ensure success in combat.

The Marine Corps' fiscal year 1981 Operation and Maintenance budget totals $1,003.9 million. Supplemental funding of $21.1 million has been requested for civilian pay raises. In addition, a net program supplemental of $53.8 million provides for various fact of life changes, offsets for revised inflation assumptions and efficiencies and economies. The program increases provide $57.5 million for readiness related items such as funding for training in support of Near Term Prepositioning Ships and transportation support of our Indian Ocean operations; critical medical material requirements; and equipment to provide adequate support for rapid deployment force units, particularly in a desert environment. As a result of these supplementals and a transfer of $12.6 million for foreign currency fluctuation, the Marine Corps' fiscal year 1981 current estimate is $1,091.4 million.

The fiscal year 1982 Operation and Maintenance, Marine Corps budget request is $1,195.5 million. This includes $62.5 million for Department of Defense approved inflation increases and $41.7 million net real program growth over the fiscal year 1981 current estimate.

The funds contained in the Operation and Maintenance, Marine Corps appropriation are intended primarily to maintain the combat readiness and rapid deployment capability of two Fleet Marine Forces composed of three Marine Amphibious Forces task organized from three Marine Divisions, Marine Aircraft Wings and Force Service Support Groups. Attainment of this readiness, which is paramount, is often at the expense of other programs such as quality of life and other support functions which have less direct impact on our readiness. Funds are also provided for Marine detachments afloat and security forces assigned to Naval and other government activities ashore. Shore facilities which support the the Fleet Marine Forces include four major ground unit support bases, ten air installations, two recruit depots, two logistics bases, a development and education command, and two landing force training commands.

Combat readiness has always been the hallmark of the Marine Corps. Although operation and maintenance funding is not the only yardstick for readiness measurement and thus cannot be considered in isolation, approximately $78.6 million of the funding contained in the budget request is for improved readiness.

This readiness related funding includes $2.6 million to support an additional 4,000 active duty military strength; an additional $11.0 million for medical supplies and equipment requirements; and $2.0 million for nuclear, biological and chemical equipment deficiencies. Additionally, $12.0 million is provided for the new personnel armor system for ground troops.

Funding of $29.3 million is also included for several programs to ehnance the Fleet Marine Forces rapid deployment capability. This funding includes $13.1 million for the desert blend of lightweight camouflage screening; $8.0 million for the Maritime Prepositioning Ships Program; $2.2 million to replace unserviceable components of Marine Corps fuel systems; and $6.0 million for rapid deployment forces training support.

Another significant program increase is $7.3 million for the annualization of Phase IV and the implementation of Phase V of the six month unit deployment of Marine ground and aviation units supporting commitments in the Western Pacific area. This program is a six-phase evolution which replaces twelve month unaccompanied overseas tours for a large number of Marines. It is well received by most Marines since it reduces personnel turbulence, increases family stability and leads to greater unit identity and integrity.

As a result, the Unit Deployment Program contributes significantly to uniform readiness throughout the Fleet Marine Forces and promotes esprit de corps.

Recognizing that realistic training has a direct and immediate impact on combat readiness, we have included over $5.0 million in our fiscal year 1982 operation and maintenance request for increased participation in Joint Chiefs of Staff directed/coordinated exercises; for increased tactical airlift to support the desired level of combined arms training; and for expanded training support capability at the Marine Corps Air Ground Combat Center and the Marine Corps Mountain Warfare Training Center.

The budget request also provides increased funding of $4.3 million for the incremental costs associated with the operation and maintenance of new items of equipment to be provided to the operating forces in fiscal year 1982; to reimburse commercial and industrially funded activities for labor associated with the installation of modification kits on equipment; and transportation funding in support of the Landing Vehicle Tracked (LVT) Service Life Extension Program. Additionally, $5.1 million is provided to support prepositioning programs.

The backlog of maintenance and repair (BMAR) of real property is projected to increase from $167 million at the end of fiscal year 1980 to $178 million in fiscal year 1981. Maintenance of real property funding will increase by approximately $31.0 million from fiscal year 1981 to fiscal year 1982, resulting in a backlog of $172 million by the end of fiscal year 1982. This level of funding, if continued, would lead to the Congressionally mandated BMAR containment level of $106 million in fiscal year 1988.

The quality of life of the individual Marine remains one of the Marine Corps' primary concerns. Approximately $17.3 million will be applied to Food Preparation and Serving Equipment and Personnel Support Equipment Programs in fiscal year 1982. Combined with military construction projects to improve living conditions, these quality of life programs will enhance morale, retention and contribute to enhanced readiness.

The following displays the trend in Operation and Maintenance, Marine Corps from fiscal year 1976 to the present.

(IN MILLIONS OF DOLLARS)

	FY 1976	FY 1977	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982
Current Dollars	512.2	591.3	657.5	745.1	880.2	1,091.4	1,195.5
Constant Dollars	834.0	890.0	918.0	969.0	1,032.0	1,171.0	1,195.5
Real Growth %	-	6.7	3.1	5.6	6.5	13.5	2.1

The program growths in fiscal years 1980 and 1981 were made possible by the additional funding of $58.0 million and $33.2 million respectively which was provided by Congress as a result of the Congressional review of our Operation and Maintenance, Marine Corps budget requests.

Although requirements always exceed available resources, the funding being requested in the fiscal year 1981 and fiscal year 1982 budget requests for both the Active and Reserve components significantly contribute to the Marine Corps' ability to remain a dominant fighting force with a strong support establishment. with a strong support establishment. To the extent that the anticipated cost

growth matches the actual price increases, the operation and maintenance appropriations will have the necessary resources to fulfill assigned missions.

OPERATION AND MAINTENANCE, MARINE CORPS RESERVE

The Fiscal Year 1982 Operation and Maintenance, Marine Corps Reserve budget request of $40.3 million has been formulated to continue improvement in the mobilization readiness posture of the Marine Corps Reserve which is necessitated by increasingly stringent mobilization response parameters. This request supports a Selected Marine Corps Reserve consisting of the Fourth Marine Division/Wing Team, the Fourth Force Service Support Group, and an average strength of 37,600 personnel.

The budget request includes $19.1 million for mission forces to support the training, equipment, operations and maintenance costs of Selected Marine Corps Reserve units. Included are funds for weekend training and Annual Training Duty exercises, which provide for Marine Corps Reserve participation in Joint Chiefs of Staff (JCS) directed and coordinated, intraservice, and interservice training exercises in addition to field training exercises and command post exercises. To improve Selected Marine Corps Reserve readiness, resources are included to expand the Mobilization Operational Readiness Deployment Test Program; for acquisition of nuclear, biological and chemical warfare equipment; and for increased weekend training away from home station.

Funding of $1.3 million will support the depot maintenance and rebuild of 82 major end items of reserve equipment.

Other support funding of $19.9 million includes $10.2 million for support and facility maintenance of the training centers. Additionally, $9.7 million is related to the administration of the Ready Reserve, Standby Reserve and the Fleet Marine Corps Reserve, to include operation of the Marine Corps Reserve Forces Administrative Center in Kansas City, Missouri; funding for initiation of the new comprehensive prior service recruiting program; and establishment of the Individual Reserve Management Organization.

ISSUES AND CONCERNS

The Marine Corps considers the manpower, investment and operations and maintenance decisions reached through the Program Objective Memorandum (POM) process to be the optimum allocation of available resources. Consequently, every effort is made to structure the resulting budgets to mirror the POM decisions. Although requirements always exceed resource availability and emergent requirements sometimes take precedence over programmed requirements, I can assure you that our operations and maintenance budgets are executable and they provide the best combination of training, maintenance and support to ensure a high state state of readiness.

The Marine Corps is convinced that the individual commander is in the best position to utilize his available resources to maximize readiness. Therefore, an objective during execution is to provide the field comander the earliest indication of his total projected funding for the year with minimum restrictions on its application. This is particularly important since it is estimated that between 85 to 89 percent of operations and maintenance funding is applied to fixed costs. Minimizing restrictions allows both the base and operational commander to respond to emergent unbudgeted requirements with a minimal short-term impact on combat readiness.

I would like to turn now to problems we have encountered with the budget. None of these are unique to the Marine Corps and your assistance in correcting these problems would be sincerely appreciated.

The uncertainties associated with the late enactment of the Appropriation Act the past two years and the necessity of operating under a Continuing Resolution have caused may lost work hours, frustration, and opportunities lost. In some instances, the perception by individual Marines that payrolls could not be met adversely affected morale and retention. Additionally, new programs often had to be delayed which sometimes led to budget execution problems such as increased program costs and cancellation of mission essential travel. This problem is exacerbated by the Congressional limitation of not greater than 20 percent obligations during the last two months of the fiscal year.

Another chronic problem has been the late passage of supplemental funding which also often leads to severe execution problems. The civilian pay raise supplemental is an excellent example because of its magnitude and the fact that it affects the entire support establishment. Budgeted programs must be delayed in order to meet payrolls and some programs become unexecutable, thus the funding is shifted to lower priority programs.

The underfunding of inflation experienced in previous years has resulted in direct reductions to budgeted programs. Because of the continuing understandable bias in favor of maintaining readiness, base support functions such as maintenance of real property and troop habitability programs have suffered the most. As a a current example, when the initial budgeted fiscal year 1982 inflation rates increased over the programmed rates with no increase in overall controls, the Marine Corps' Maintenance of Real Property (MRP) Program suffered a reduction of $5.0 million. In addition to the fiscal year 1982 MRP reduction, over $3 million of base operating support and FMF programs had to be reduced to accommodate the the revised escalation rates.

Civilian personnel is also an area of concern. The field commands have reported civilian personnel deficiencies of over 2,000 but we have been unsuccessful in obtaining new civilian personnel authorizations without trade-offs. The total civilian personnel requested for the Marine Corps in fiscal year 1982 is 19,517 which is essentially level from fiscal year 1980. This comes at a time when the Marine Corps has civilian shortages throughout its supporting structure and at the same time is attempting to free Marines to perform operational roles which would enhance readiness. I strongly urge the management of civilian personnel levels by dollars rather than by end strength. This would give the services greater flexibility to manage their personnel assets to achieve maximum benefits. The deletion of civilian personnel ceilings would provide flexibility to commanders to more efficiently accommodate workload variations and to manage critical skill requirements while maintaining integrity of baseline requirements for mobilization.

In the past, restrictions on temporary duty travel have had an adverse effect on mission performance. With the possibility that travel ceilings might be imposed, all levels of command have been forced to hold back on travel at the beginning of the fiscal year resulting in many lost opportunities in such areas as mission essential inspections and technical conferences. The Marine Corps considers travel to be a valuable investment and you can be assured that we continually review our travel requirements to obtain the maximum possible benefits.

Many Congressional actions affecting the Marine Corps' operation and maintenance appropriations, while programmatic in nature, are the result of analyses in across the board programs, after which the Marine Corps is assessed its share of an overall Department of Defense reduction. The reduction may be based on factors which relate solely to the Marine Corps' involvement in the subject program or may be in essence a statistical reduction based on information obtained from audit reports or similar sources. These reductions are not necessarily difficult to assess. They usually must be allocated to field and headquarters activities based on a pro rata share of funds budgeted for that particular program. But the application of the reduction at the field level may not bear much relationship to the purpose for which the adjustment was made.

SUMMARY

In summary, the Marine Corps has made every effort to structure its limited operation and maintenance resources to provide the maximum support for its operating forces. Congressional support of the Marine Corps in recent years is greatly appreciated. It has allowed the Marine Corps to maintain the readiness of the Fleet Forces and Selected Marine Corps Reserve units in addition to providing an adequate supporting establishment.

The Marine Corps feels that the fiscal year 1981 supplemental and the fiscal year 1982 budget will significantly enhance the capability of the active and reserve forces to respond to worldwide contingencies and will also strengthen our supporting establishment. The Marine Corps will continue to evaluate its resources management to ensure the attainment of maximum readiness from the resources provided.

Mr. Chairman, this concludes my formal statement. I would welcome the opportunity to respond to any questions you may have.

PROCUREMENT

FY1982 PROCUREMENT, MARINE CORPS OVERVIEW

Mr. Chairman and members of the Committee, I am Major General Harold A. Hatch, Deputy Chief of Staff for Installations and Logistics, Headquarters, U. S. Marine Corps. It is a priviledge to appear before you today to present the fiscal year 1982 Procurement, Marine Corps budget request.

This year our budget request totals $1,828.2 million, an increase of $1,322.2 million over last year's approved budget. A significant portion of this increase will be dedicated to force modernization with emphasis on increasing and improving the tactical mobility and firepower of our ground forces in order to ensure future readiness. The composition of this budget alleviates, to some extent, our previously expressed concern in connection with the extremely limited force modernization accomplished under the austere budgets of recent years. Not only will this budget allow us to proceed with critically needed force modernization, it will also provide for adequately phased acquisition of our other prepositioning needs. As formulated, this budget will contribute greatly to our constant endeavor to improve readiness and provide for modest improvement in sustainability.

Mr. Chairman, if approved, this budget will permit the Commandant of the Marine Corps to carry on effectively his responsibilities for equipping, training, and maintaining an integrated air-ground general purpose force, ready and capable of conducting successful amphibious or other types of conventional operations in support of our national objectives.

The $1,828.2 million we are requesting represents requirements for the current force structure as well as maritime and geographical prepositioning sets of equipment. This year, we have programmed $307.7 million for the procurement of principal end items which will be prepositioned aboard ships as part of the Maritime Prepositioning Ships (MPS) program. Additionally, we have programmed $23.2 million to support requirements for the planned geographical prepositioning of ammunition and certain end items. I have identified the significant items to be acquired under these prepositioning programs in the table appended to this statement. The following summarization portrays a broader picture, identifying planned acquisition, by budget activity, to current force structure and prepositioning needs.

FY 1982
Procurement, Marine Corps
Budget Request

($ in Millions)

	Activity	Current Force Structure	Maritime and Geographical Prepositioning	Total
1.	Ammunition	355.0	12.9	367.9
2.	Weapons and Tracked Combat Vehicles	321.3	96.8	418.1
3.	Guided Missiles and Equipment	198.5	24.5	223.0
4.	Communications and Electronics Equipment	352.8	58.1	410.9
5.	Support Vehicles	87.3	61.3	148.6
6.	Engineer and Other Equipment	182.4	77.3	259.7
	Total	1,497.3	330.9	1,828.2

The significant programs in each of these budget activities are as follows:

AMMUNITION

As noted above, the fiscal year 1982 request for ammunition is $367.9 million. This year's request marks the first year since the early 1970's that we do not plan to consume more ammunition in training than we have procured. Training ammunition requirements for fiscal year 1982 are planned at $143.0 million. This direction is positive and a welcome change. It will enable us to reduce our deficiency to $1.7 billion (against a $3.2 billion requirement to meet our authorized levels). Specifically, we are requesting $15.5 million for mine clearing linear demolition charges to include inert charges for support of training; $55.0 million for small arms ammunition; $18.0 million to initiate procurement

of a 70mm anti-tank weapons system (VIPER) to replace the current 66mm light anti-tank assault weapon; $191.3 million for improved artillery munitions and fuzes; $50.8 million for tank ammunition; $15.3 million for mortar ammunition; and $12.9 million for modernization of ammunition assets currently in inventory. The balance of our requirements in this activity totals $9.1 million needed for other essential programs. Funds requested under this activity will support annual training requirements, permit the phased acquisition of badly deficient war reserve stocks, partially satisfy geographical prepositioning requirements, and also provide for authorized levels of mobilization training stocks.

WEAPONS AND TRACKED COMBAT VEHICLES

In Budget Activity 2, Weapons and Tracked Combat Vehicles, $55.6 million is requested to support the second year of a planned five-year effort to acquire an additional 329 assault amphibian vehicles of the latest approved configuration (LVT7A1). This planned increase in inventory satisfies currently known requirements for the MPS program and adds two command vehicles in support of live fire, combined arms exercises. Associated with this requirement is a request for $173.6 million needed to continue an approved service life extension program (SLEP) for the current amphibian vehicle fleet. Funds requested represent the third year of a five-year program to bring current inventory to the more modern LVT7A1 configuration. This program, together with acquisition for maritime prepositioning, will provide sufficient amphibious capability until introduction of a replacement vehicle sometime in 1990 or beyond.

Our request also includes $36.2 million to initiate the acquisition of a new light armored vehicle. This program will lead to the attainment of a planned inventory objective of 742 vehicles. These vehicles will provide added armored mobility and assault fire support which will aid Marine forces in meeting the current threat and more effectively accomplish assigned missions.

We are requesting $58.3 million for the acquisition of 159 M198 howitzers. This request will support the final phase of a four-year program to replace most of the standard 155mm M114A2 howitzers and 105mm M101A1 howitzers in our active forces. It also includes funds required for procurement of 48 howitzers for maritime and geographical prepositioning. The M198 howitzer provides the range, reliability, and maintainability required to support today's battlefield scenarios.

We are requesting $60.3 million for small caliber weapons to include $3.7 million for 50 caliber machine guns required for maritime prepositioning; $6.4 million for a new lightweight, squad automatic weapon; $20.6 million for a new 40mm machine gun (MK-19); $18.1 million required to replace worn out M16A1 rifles with an updated version that includes improvements in reliability and operational capability; and $11.5 million to provide for the replacement of M60 machine guns worn out in service.

In this activity we are requesting $22.3 million for initial and replenishment spare parts essential to the fielding of new items of equipment and the continued support of items already in the field. We are also requesting $8.0 million to acquire modification kits for fielded weapons and tracked combat vehicles to improve safety, reliability, and serviceability of specific equipments. The remaining $3.8 million requested in Budget Activity 2 is needed for other essential programs costing less than $900,000 each.

GUIDED MISSILES

In Budget Activity 3, Guided Missiles and Equipment, we are requesting $85.1 million to support the HAWK Missile System to include acquisition of 440 missiles plus ground support equipment required for continuation of the HAWK Missile TRIAD program. The TRIAD requirement represents the second year of a planned four-year program to equip three HAWK battalions with four TRIAD batteries each. We are also requesting $18.4 million for continued product improvement of the HAWK Missile System. In a separate but related program, modifications acquired will be applied to existing system radar equipment to increase reliability and maintainability.

We are requesting $38.9 million for procurement of 700 STINGER missiles and system equipment representing the fourth year of a planned seven-year procurement of the STINGER air defense missile system. Acquisition of STINGER ground support equipment will be completed with procurement planned in fiscal year 1983; however, missile acquisition will continue through fiscal year 1986. The lightweight, shoulder-fired STINGER, which is replacing our present REDEYE missile system, will provide Fleet Marine Force units with a vastly improved

low-altitude air defense missile capability during amphibious operations and subsequent operations ashore.

We are requesting $45.7 million for acquisition of additional TOW (Tube Launched Optically Tracked, Wire Command Link) guided missiles and associated ground support equipment required to support our planned inventory objective and to meet immediate maritime prepositioning needs. We are also requesting $23.1 million to support the third year of a planned four year product improvement program for the TOW Missile. This program provides for modification of missile warheads and guidance link equipment in order to counter the opposing tank threat.

The balance of requirements in this budget activity totals $11.8 million consisting of $2.9 million for the Cutlass Spirit, which is a classified program, and $8.9 million for initial and replenishment spare parts and specific minor modifications to missile system componentry.

COMMUNICATIONS AND ELECTRONICS EQUIPMENT

In Budget Activity 4, Communications and Electronics Equipment, we are requesting $410.9 million for the replacement of obsolescent equipment currently in use; acquisition of inventory shortages; and partial satisfaction of maritime prepositioning needs. Our requirements are for both telecommunications and non-telecommunications equipment.

In telecommunications, we are requesting a total of $109.2 million. Significant acquisitions consist of $22.4 million for AN/PRC-68, AN-VRC47, and AN/GRC-UHF radios required to meet phased acquisition of inventory objectives and satisfy currently known maritime prepositioning needs; $8.2 million for the initial procurement of a Tactical Frequency Management System (AN/TRQ-35) for measuring high frequency propagation conditions to ensure proper frequency assignment; and $7.2 million for 3,472 Vinson Installation Kits, an ongoing program required for interfacing Vinson secure voice equipment with wideband VHF/FM radios.

Our telecommunications request also includes $5.5 million for acquisition of the Communications Central, AN/TRA-( ) for use within Marine Air Command and Control Systems for communications purposes. We are also requesting $9.0 million for the Digital Communications Terminal, AN/PSG-( ), representing the initial acquisition of a hand-held programmable unit used for composing, editing, transmitting, receiving, and displaying messages in conjunction with standard military radios. We are requesting $3.5 million for the continued acquisition of Satellite Communications Terminals. This equipment provides reliable, secure, intra-theater communications from the Landing Force Commander to subordinate infantry, aviation, and logistics commanders. Funds requested will support the fourth year of a planned five-year program to attain the currently authorized inventory objective.

The balance of our requirements for telecommunications equipment consists of $4.6 million for electronic shop sets and general purpose test, measurement, and diagnostic equipment; $12.9 million for spares and repair parts required for the fielding of new end items of equipment and the continued support of end items already in the field; $9.6 million for modification kits to correct deficiencies or increase operational capabilities of fielded end items; and $26.3 million for other essential telecommunications programs.

In non-telecommunications category we are requesting $301.7 million. Our budget contains $40.5 million for the Position Location and Reporting System, a new capability which provides accurate position locating information relative to friendly combat elements to the tactical commander. This capability will significantly enhance combat effectiveness and improve the probability of success on the battlefield while reducing the possibility of friendly casualties.

We are requesting $21.3 million for Tactical Data Communication Centrals (TDCC, AN/TYQ-3A) to provide data link capability for the Improved Tactical Air Operations Central/Tactical Air Communications Central. We are also requesting $64.0 million for the initial acquisition of the Intelligence Analysis Center which is an integral segment of the Marine Air-Ground Intelligence System. The analysis center will process intelligence information gathered from the Naval Intelligence Processing System; EA-6B and RF-4B aircraft; signal intelligence sources; and ground intelligence reports, as well as theater and national sources. It will meet a vital part of our battlefield surveillance requirements.

Our request includes $8.3 million for the Radar Bombing System, AN/TPB-1C. This is a ground-based fire control radar designed to enable aircraft to deliver bombs on fixed targets during periods of reduced visibility. The AN/TPB-1C is being procured by the Air Force and has been evaluated by the Marine Corps as a lower-cost, acceptable alternative to the previously budgeted Radar Course Directing Central, AN/TPQ-27. This request together with authorized FY 1981 funding, a subject of a separate reprogramming request, will allow for the attainment of our acquisition objective of 13 systems.

We are requesting $23.1 million to complete phased procurement of our inventory objective for the Radar Set, AN/TPS-63.

We are also requesting $20.7 million for the initial acquisition of 57 Modular Universal Laser Equipment systems. This device is designed to provide forward observers the capability of determining location and range to military targets and designation of targets for aircraft and artillery weapons having guided munitions. In addition, we are requesting $30.7 million to continue replacement of IBM 360 computers and peripheral equipments currently in Marine Corps inventory, as well as the acquisition of data processing equipment used with more efficient accounting and supply systems.

The balance of our funding requirements for non-telecommunications equipment includes $8.6 million to support the acquisition of team portable and airborne direction finding equipment designed to locate enemy emitters; $43.5 million for the continuation of approved programs for the acquisition of night vision systems; $25.6 million for spares and repair parts and modification kit requirements; and $15.4 million for other essential non-telecommunications requirements.

SUPPORT VEHICLES

Under Budget Activity 5, Support Vehicles, we are requesting $95.4 million to support the acquisition of the product improved five-ton series of vehicles. This request includes $18.9 million for 294 five-ton tractors. This product-improved vehicle is used as the prime mover for various semi-trailers and replaces the outdated M52 truck tractor currently in inventory. Our request also includes $47.9 million for 754 product improved 5-ton cargo trucks. Of this quantity, 503 vehicles are required to support phased replacement of our outdated M54 five-ton and M35 2 1/2-ton cargo fleet. The balance, 251 vehicles, is required for maritime and other prepositioning needs. This cargo vehicle is the designated prime mover for the M198 howitzer and a vital element of our field logistics system. Additionally, we are requesting $15.9 million for the acquisition of 129 five-ton wreckers; $8.2 million for 102 five-ton dump trucks for maritime prepositioning needs; and $4.5 million for 62 five-ton long wheel base cargo trucks, representing continuation of a phased program to replace outdated M55 five-ton and M36 2 1/2-ton long wheel base vehicles. This latter vehicle is designed to carry heavy, oversize loads over rough terrain and will also be used to transport the HAWK Missile.

We are requesting $9.1 million for replacement of commercial passenger and cargo vehicles required for administrative support of our bases and air stations and our Fleet Marine Forces while they are in a garrison environment.

The balance of our requirements in this activity includes $4.7 million for aircraft fire and rescue vehicles; $12.0 million for spares and repair parts and modification kit requirements; and $27.4 million for other essential tactical vehicle programs.

ENGINEER AND OTHER EQUIPMENT

Under Budget Activity 6, Engineer and Other Equipment, we are requesting $6.5 million for procurement of 55 mine clearance kits. This item is mounted on the LVTP7A1 vehicle and provides the improved capabililty of launching and detonating three M58A1 linear demolition charges without reloading. Included in this request is $13.2 million for 121 medium, fulltracked tractors, a general construction and earthmoving item which will provide for higher productivity, lower maintenance, and improved capability over equipment currently in inventory, and $6.8 million for 76 articulated tractors to support maritime prepositioning needs. We are also requesting $44.5 million for the procurement of 287 Reverse Osmosis Water Purification Units. This is the second year of a phased program to replace four different types of overage water purification equipment now in inventory. We are also requesting $11.2 million for water distribution equipment which will enhance our capability to efficiently distribute water to forward areas in a mobile environment.

Our request also includes $30.5 million for procurement of 29 Amphibious Assault Fuel Systems required for application towards existing inventory deficiencies and maritime prepositioning needs; $31.3 million for 22 medium girder bridges which represents the initial acquisition of a lightweight, easily transportable bridging system which can be erected by hand in various configurations in support of a wide range of military bridging requirements; $11.8 million for a Position Azimuth Determining System (PADS) which provides state-of-the-art improvement in artillery battalion survey capability; $12.5 million for assorted power generating/conversion equipment for support of our operating forces and maritime prepositioning requirements; $3.3 million for the first year of a phased introduction

of shipping containers. The container subsystem is composed of seven basic containers which will provide an improved method of handling and moving materiel during military operations. We are also requesting $17.9 million for procurement of 745 expeditionary shelters needed to provide environmental protection for specific functions supporting multi-climate operations.

Other significant requirements include $5.3 million for the procurement of 90 rough terrain forklift trucks in support of the maritime prepositioning program; $10.2 million to continue the progressive elimination of deficiencies in command support equipment; and $2.3 million for replacement of overage garrison mobile engineer equipment.

The balance of our requirements in this activity includes $2.6 million for standard military air conditioners; $2.8 million for utility tractors; $4.2 million for refrigeration systems; $2.7 million for materiel handling equipment; $3.5 million for spares and repair parts; and $36.6 million for other essential minor programs.

Mr. Chairman and members of the Committee this concludes my formal statement. I will be pleased to answer questions the Committee may have regarding this request.

PREPOSITIONING SUMMARY

	GEOGRAPHICAL PREPOSITIONING	MARITIME PREPOSITIONING	TOTAL
AMMUNITION	$12.9	-	$12.9
ARTILLERY AMMUNITION	10.5	-	10.5
MORTAR AMMUNITION	2.4	-	2.4
WEAPONS AND TRACKED COMBAT VEHICLES	$8.7	$88.1	$96.8
LVTP7A1	-	53.6	53.6
HOWITZER 155MM M198	8.7	8.7	17.4
HOWITZER SP 8 INCH M110E2 MODS	-	2.7	2.7
MACHINE GUN .50 CALIBER	-	3.7	3.7
MACHINE GUN 7.62MM M60	-	2.4	2.4
SQUAD AUTOMATIC WEAPON	-	1.7	1.7
RIFLE 5.56MM M16A1	-	3.0	3.0
OTHER	-	12.3	12.3
GUIDED MISSILES AND EQUIPMENT	-	$24.5	$24.5
TOW MISSILES	-	21.0	21.0
TOW GROUND SUPPORT EQUIPMENT	-	3.5	3.5

	GEOGRAPHICAL PREPOSITIONING	MARITIME PREPOSITIONING	TOTAL
COMMUNICATIONS AND ELECTRONIC EQUIPMENT	-	$58.1	$58.1
RADAR SET AN/PPS-15	-	1.1	1.1
RADIO SET AN/GRC-201	-	2.9	2.9
RADIO SET AN/MRC-138	-	2.1	2.1
RADIO SET AN/PRC-68	-	1.4	1.4
RADIO SET AN/PRC-104	-	2.4	2.4
RADIO SET AN/MRC-135	-	2.1	2.1
RADIO SET AN/VRC-47	-	11.7	11.7
SWITCHBOARD SB-3614	-	1.0	1.0
RADIO SET CONTROL GROUP	-	2.6	2.6
TRITAC DIGITAL FACSIMILE SET	-	1.8	1.8
TAC DATA COMM CENTRAL AN/TYQ-3A	-	3.3	3.3
NIGHT SIGHT AN/TAS-4	-	3.4	3.4
OTHER	-	22.3	22.3
SUPPORT VEHICLES	$1.6	$59.7	$61.3
TRUCK CARGO 5 TON	1.6	13.8	15.4
TRUCK DUMP 5 TON	-	8.2	8.2
TRUCK TRACTOR 5 TON	-	8.3	8.3
TRUCK 5/4 TON	-	5.6	5.6

	GEOGRAPHICAL PREPOSITIONING	MARITIME PREPOSITIONING	TOTAL
SUPPORT VEHICLES (CONT D)			
TRUCK WRECKER 5 TON	-	7.4	7.4
TRAILER 22 1/2 T	-	3.8	3.8
OTHER	-	12.6	12.6
ENGINEER AND OTHER EQUIPMENT	-	$77.3	$77.3
MEDIUM GIRDER BRIDGE	-	8.5	8.5
DECONTAMINATION APPARATUS	-	1.1	1.1
FUEL DISPENSING SYSTEM	-	1.6	1.6
AMPHIBIOUS ASSAULT FUEL SYSTEM	-	12.6	12.6
GENERATORS	-	9.2	9.2
REFRIGERATION UNIT	-	2.4	2.4
TRACTOR MEDIUM FULL TRACKED	-	3.0	3.0
TRACTOR RT ARTICULATED	-	6.8	6.8
TRUCK FORKLIFT	-	5.3	5.3
ENGINEER AND OTHER EQUIPMENT (CONT D)			
WATER PURIFICATION UNIT REVERSE OSMOSIS	-	12.8	12.8
SHELTER FAMILY	-	1.3	1.3
CHEMICAL ALARM SYSTEMS	-	1.2	1.2
OTHER	-	11.5	11.5

Biographical Sketch

General Hatch was born December 29, 1924, in Avon, Ill. He enlisted in the active duty Marine Corps Reserve in December 1942, served in Japan, and later at the Marine Barracks, Naval Training Center, Great Lakes, Ill. He became a member of the regular Marine Corps in March 1947 and, through subsequent promotions, attained the rank of Master Sergeant prior to receiving his commission as a Marine Second Lieutenant in September 1949. He graduated from the Basic School, Quantico, Va. in June 1950, and was ordered to the 2d Marine Division, Camp Lejeune, N.C., where he served as a Platoon Leader, Company Commander, and in various other positions. He was promoted to First Lieutenant in June 1951.

General Hatch participated in combat operations in Korea while serving as Commanding Officer of the Marine Detachment aboard the USS Saint Paul (CA-73). He was promoted to Captain in August 1953 and served at Camp Pendleton, Cal., Camp Lejeune, N.C., and on recruiting duty in Richmond, Va. In April 1959, while on recruiting duty he was promoted to Major and in September 1961, he entered the College Degree Program, graduating in June 1962 from Richmond Professional Institute (College of William and Mary) with a B.S. Degree in Business Education/General Business. He completed the Junior Course, Amphibious Warfare School in May 1963, and was transferred to the 1st Marine Division where he was assigned as Executive Officer, 3d Battalion, 1st Marine Regiment, 1st Marine Division. In March 1965, he was transferred to the 3d Marine Division on Okinawa, and then served in the Republic of Vietnam as a Battalion Executive Officer. He was promoted to Lieutenant Colonel in October 1965 while serving as Commanding Officer, 1st Battalion, 1st Marine Regiment, 3d Marine Division.

From April 1966 to June 1969, General Hatch was assigned as a Contingency Plans Officer in the J-5 Directorate, Headquarters, U.S. Southern Command, Panama Canal Zone. He was then reassigned as Executive Officer of the 2d Marine Regiment, 2d Marine Division at Camp Lejeune, N.C., and subsequently became the Commanding Officer, 2d Service Battalion, 2d Marine Division. He was later assigned as Commanding Officer, 8th Marine Regiment, 2d Marine Division.

General Hatch was promoted to Colonel in February 1970 and was assigned to the 3d Marine Division in Okinawa. He subsequently served as Deputy Chief of Staff, Headquarters, Fleet Marine Force, Pacific, in Hawaii, from July 1971 until his advancement to Brigadier General in May 1974 when he became Commanding General, Marine Corps Base, Camp Smedley D. Butler, and the Deputy Commander, Marine Corps Bases, Pacific (Forward). He was advanced to Major General in July 1976 and assumed duties as Fiscal Director of the Marine Corps from that date until his current assignment to Deputy Chief of Staff for Installations and Logistics on July 5, 1977.

General Hatch's awards and decorations include the Legion of Merit, Bronze Star with Combat "V", the Meritorious Service Medal, Air Medal, the Joint Service Commendation Medal, the Combat Action Ribbon the Presidential Unit Citation with one bronze star, the Good Conduct Medal with one bronze star, the China Service Medal, the American Campaign Medal, the Asiatic-Pacific Campaign Medal, the World War II Victory Medal, the Navy Occupation Service Medal with Asia Clasp, the National Defense Service Medal with one bronze star, the Korean Service Medal with two bronze stars, the Vietnam Service Medal with two bronze stars, the Korean Presidential Unit Citation, the Republic of Vietnam Meritorious Unit Citation (Gallantry Cross Color), the Republic of Vietnam Meritorious Unit Citation (Civil Actions Color First Class), the United Nations Service Medal, and the Vietnam Campaign Medal with device.

Major General Hatch and his wife, the former Mildred Jean Gehrig of Reedsburg, Wis., have three children, Sue, Sara and Sallie.

78-680 O - 81 - 13

EFFECT OF INFLATION ON NAVY ACCOUNTS

Senator STEVENS. Thank you.

Are either of the battleships in your account here today?

Admiral MILLER. No, sir, they are not.

Senator STEVENS. What have you had in terms of inflation? What is the impact of actual inflation rates on your Navy accounts today?

Admiral MILLER. Well, some of it has been quite severe. I will just cite a couple of examples, if I may. We have an item called indirect fuel and utilities, which is the item that pays for the operations of the facilities on bases. We budgeted for an indirect fuel increase of 25 percent for 1981. We are experiencing inflation rates for utilities of about 38.9 percent. As a consequence we are inadequately funded for that particular operation and maintenance line.

In our supplemental for 1981 we have requested additional funds to help pay those bills. We spent approximately one-third of our budgeted amounts for utilities in the first quarter of the year. So we are running way ahead of available funds. Utility rates just went out of sight.

Senator STEVENS. Are you asking for inflation funding in that item of the indirect fuel costs?

Admiral MILLER. We are asking for funds in addition to the funds that we originally had budgeted because the costs of the utilities have gone higher than we budgeted for, yes, sir.

Senator STEVENS. Didn't you have an inflation factor in the budget when you submitted it last year?

Admiral MILLER. Yes, sir, we had in 25 percent and that was inadequate.

Senator STEVENS. And now you need $68 million more?

Admiral MILLER. Yes, sir.

Senator STEVENS. Isn't that redundant inflation budgeting?

Admiral MILLER. No, sir, we budgeted for the utility rate that we experienced in 1980 escalated by 25 percent. That is what we budgeted for and the funds were appropriated at that level. We are actually experiencing in 1981 an increase of 38.9 percent. So the difference between 25 and 38 is what we are asking for.

REQUEST FOR 1982 LOWER INFLATION RATE

Senator STEVENS. The staff tells me you are asking for more money for this year but you are asking for a lower inflation rate at this time.

Admiral MILLER. For 1982.

Senator STEVENS. For 1982.

Admiral MILLER. Yes, sir.

Senator STEVENS. Well, where did you get your inflation rate for 1982?

Admiral MILLER. Well, those inflation rates are provided to us by OMB.

Senator STEVENS. Did they give you the 25 percent for 1981?

Admiral MILLER. Yes, sir.

Senator STEVENS. In other words, that inflation rate is just pulled out of the air and it is not yours?

Admiral MILLER. No, sir, it is not just pulled out of the air. That is what the economists have estimated the inflation rates to be and they were wrong in 1981. The administration's recovery program for 1982 to get inflation under control is the basis upon which they have reduced the inflation rate for 1982.

INDIRECT FUEL COSTS

Senator STEVENS. On the factsheet on indirect fuel costs you have got for 1982—$3 million. Can you explain that to us? Do you have the indirect fuel costs sheet with you?

Admiral MILLER. I do not know exacly what sheet you are referring to. What is the question specifically?

Senator STEVENS. It is a Marine Corps item. Mr. Dwyer thinks you are going both ways and so do I. I can not quite understand how you could go up in procurement and down in inflation estimates. How do you get that indirect cost going up, that $68 million, and at the same time go down for 1982 as far as your inflation estimate is concerned? Did you work with OMB on that figure?

Admiral MILLER. The Department of Defense Comptroller worked with OMB on putting the figures together. The $68 million request in 1981 of course is based on actuals.

Senator STEVENS. Well, what would it have been if the 25 percent was accurate?

Admiral MILLER. We would not be requesting the $68 million additional funds. We would have the right amount budgeted.

Senator STEVENS. You budgeted in a 25-percent increase and you need $68 million on top of that?

Admiral MILLER. Yes, sir, that is correct.

Senator STEVENS. Why don't you give us little statement for the record on that. I am not so sure that I understand how you can go along with the OMB figure that goes contrary to your past experience as far as the inflation factor is concerned. You exceeded 25 percent in 1981.

Admiral MILLER. Yes, sir, we did. They are predicting that the inflation rates for utilities, across-the-board inflation rates, are going to be lower in 1982 than they were in 1981. That is what they are predicting.

NONFUNDED ITEMS

Senator STEVENS. Are there any items in your 1981 "Other procurement, Navy" account that will not be funded because of escalation and procurement costs?

Admiral MILLER. That will not be funded at all?

Senator STEVENS. Yes.

Admiral MILLER. No, sir, I don't believe so.

Senator STEVENS. How about a reduction, lower funding than previous years?

Admiral MILLER. Yes, sir.

Senator STEVENS. What are they?

Admiral MILLER. Well, there was an across-the-board reduction in all accounts based on revised escalation rates that were provided to us when the new administration came into office. Our 1981

budget was decreased by $413 million based on lower escalation rates.

In 1982 our budget was reduced by about $890 million based on the fact that escalation rates were predicted to be lower in 1982.

Those reductions were spread across all programs. It was a percentage reduction of all programs. So O. & M.N. and OPN and the procurement account took their share of the reduced inflation rates.

Senator STEVENS. This again as far as 1982 is concerned is based upon an economic projection from OMB, right?

Admiral MILLER. Yes, sir.

Senator STEVENS. Inflation rates are going to be lower and therefore there is more money to put in other places.

Admiral MILLER. Yes, sir.

Senator STEVENS. Had your people projected reduced inflation rates in 1982? When you submitted to OMB did you have that concept in you budget?

Admiral MILLER. Our budget is prepared based on the rates that are given to us. So we projected what were given to us originally by the Carter administration.

Senator STEVENS. What was that?

Admiral MILLER. These were slightly higher.

Senator STEVENS. Is this the 10 percent, 13.2 percent thing we have been hearing about?

Admiral MILLER. Yes, sir.

SHIP MODERNIZATION PROGRAM

Senator STEVENS. How many ships will receive equipment in the Navy's ship modernization program for 1982?

Admiral MILLER. We have 65 ships which will be in overhaul in 1982. All of those will receive some modifications. Then we have 74 ships that will be in what we call selected or restricted availabilities, and to some extent all of those will receive some modernization.

We have a program where we have what we call Ship Alts or Ord Alts and, depending upon the configuration of a particular ship when it comes in for overhaul, it will be designated to receive certain Ord Alts or Ship Alts. The ones that are very extensive Ship Alts and Ord Alts are done only during the overhaul. We have 65 of those. Those will be where the extensive fleet modernization will be done. There will be lesser modernization programs done on the others.

Senator Stevens. Do you have an overall long-range ship modernization program? Have you got an outyears program for this modernization?

Admiral MILLER. We have a program by class of ships that determines what modernization will be done to that particular class of ships in the future years. For the fleet modernization program we normally do it by class of ships.

COST PROJECTION ON NEW EQUIPMENT

Senator STEVENS. When we had the Secretary and the CNO here, we were asking them questions about cost projection for operation

and maintenance on new ships. Do you have any 5-year estimates on that? That is the cost projection for operation and maintenance of the new ships and new weapon systems that are in the procurement pipeline.

Admiral MILLER. As you know, Mr. Chairman, the present administration has told us that they have focused their attention on 1981 and 1982 and has not approved our shipbuilding program beyond 1982.

Senator STEVENS. All I asked for was the cost projection on O. & M. on all the new ships and the new weapon systems that are in the procurement pipeline that you are asking for money now. Have you figured out what it is going to cost in terms of O. & M. for those items on a 5-year basis?

Admiral MILLER. Yes, sir.

Senator STEVENS. Do you have that to provide to the committee today?

Admiral MILLER. Yes, sir. For the new ships and the new programs that are in the supplemental and the amendment we have that over the next 5 years, yes, sir. It is $1.3 billion for 5 years.

OWNERSHIP COST

Senator STEVENS. We don't mean the supplemental amendment. We want everything that you have asked us for 1981 and for 1982. Do you know what those cost projections are for O. & M. for what you are asking us to provide money for?

Admiral MILLER. I will have to provide that for the record, Mr. Chairman. I don't have that with me.

[The information follows:]

CONSTANT FY-82 DOLLARS

System	FY81/82 Quantity	Estimated Delivery	FY 82-86 Ship Yrs	FY 82-86 OMN Ownership Cost ($M)
Combat Aircraft				
A-6E	24	1984-86		79.2
EA-6B	12	1982-84		61.6
AV-8B	12	1984		18.0
F-14A	60	1983-85		360.0
F/A-18A	123	1983-85		429.0
CH-53E	28	1983-86		84.0
SH-60B	18	1984		81.0
P-3C	24	1982-84		163.2
E-2C	12	1982-84		90.1
SH-2F	18	1984-85		33.6
Other Aircraft				
C-9	2	1983		12.8
T-34C	120	1983-85		68.8
TH-57	62	1982-85		24.9
EC-130Q	3	1983-84		34.0
TOTAL	518			1,540.2
Ships				
TAK (Conv)	1	1982	3.9	27.3
SSN-688	4	1986-88	0	0
CG-47	5	1985-87	1.5	25.2
LSD-41	1	1984	2.0	24.6
FFG-7	9	1985-86	7.5	43.5
MCM	1	1985	1.5	3.3
NEW JERSEY	1	1983	3.5	280.0
ORISKANY	1	1984	2.5	214.2
TALS	1	1982	5.0	97.5
TAKX	1	1983	2.7	42.7
TAKX (Conv)	2	1983	7.2	124.6
TAKRX (Conv)	8	1983	15.3	298.4
TAO-187	1	1986	0.5	7.1
TAGOS	9	1983-85	18.9	64.3
ARS	3	1984-85	5.5	19.8
TAFS	2	1982	10.0	177.0*
TOTAL	50			1,449.5

* Includes $33M for the TAFS Conversion

MODERNIZATION PROGRAM

Senator STEVENS. How about the modernization program that will go out into the outyears? I just asked if you had a long-range ship modernization program. When we looked at the Army's modernization estimate, they had an estimate of $27 million in 1980. But if we track that out for 5 more years from this year it is $2.6 billion in 1986, the same item of modernization. Now, have you tracked out your modernization of existing equipment plus these new ships and weapons systems into a long-range concept?

Admiral MILLER. I don't have that figure with me. We would have to say that it would have to be netted out because if we have a modernization program for certain classes of ships and you have a projection of the O. & M. costs going out on that particular modernization, while you are putting those Alts in there are others that would be coming out because they are replacing some. There would be a netting-out effect.

Senator STEVENS. Well, that is what we want to know. Do you have a systems control on weapons in the procurement decisions that involves O. & M. and modernization for the long range?

Admiral MILLER. Yes, sir.

Senator STEVENS. That ought to be easily computerized. Do you have that? Is it part of your decisionmaking function as to how much equipment you are going to buy and how many new vessels you are going to ask for and how much you are going to ask for in new weapons?

Admiral MILLER. It is part of our decisionmaking process to determine what we call cost of ownership, which is what you are talking about out into the future. To the extent that we know what our program is going to be in the outyears we can predict that.

FIVE-YEAR COST ESTIMATE FOR MODERNIZATION

Senator STEVENS. Well, we would like to have a 5-year cost estimate, including inflation, for O. & M. and for modernization. I will give you a listing of the items we would like it covered on. I am particularly obviously interested in the reactivation and operation of the battleships that are now planned to be brought back in.

Admiral MILLER. Yes, sir.

[The information follows:]

OPERATIONS AND MAINTENANCE

At this time, the fiscal year 1983 and outyear programs are still being developed and have not yet been reviewed or approved by the Secretary of Defense. Therefore, I cannot present approved outyear data.

BUDGET GROWTH FACTORS

Senator STEVENS. Senator Rudman.

Senator RUDMAN. Thank you, Mr. Chairman.

I find your exchange with the chairman on these inflation rates rather interesting. Obviously what you are really saying is that you are taking by necessity economic data provided to you by OMB and you are putting that into your projections.

You have got to keep in mind that one of my favorite definitions of an economist is he is generally always wrong but never in doubt. [Laughter.]

I will tell you that I think that to the extent we have got some of these tremedous growth factors contained within your budget and every other budget we are going to have to look very carefully at what kind of supplements you are going to be coming back with if in fact these figures don't work. We all hope they will, but they haven't.

I want to talk to you specifically, both you and General Hatch, about some specific items in your testimony. If any of these areas are classified, I wish you would tell me immediately and we will go on to something else that isn't so we can have that in one section at the end of the hearing.

Admiral MILLER. Yes, sir.

SHIP MODERNIZATION PROGRAM

Senator RUDMAN. I assume that in your ship modernization program one of the items which is very, very costly is this MK-86 system that is going on: the *Ticonderoga* class cruisers. Those are the CG-47's I believe?

Admiral MILLER. Yes.

Senator RUDMAN. Is the MK-86 control system going to be part of the modernization of these vessels in for overhaul and modernization at this time on all of the new ships?

Admiral MILLER. Let us just look at it for a second.

[Pause.]

MK-86 GUN FIRE CONTROL SYSTEM

Admiral MILLER. The MK-86 gun fire control system is a program that provides for procurement of equipment, material and ORDALTS in support of 46 fleet systems to correct the performance and the operation of deficiencies as reported by our INSURV and our fleet units.

Included in this program are ships of the following classes: the DDG-993, the DD-963, CGN-36 and 38 and LHA-1 classes.

In addition to the fleet system this program provides for the procurement of equipment, material and ORDALTS to maintain the MK-86 gunfine control system training facilities in the same configuration as the systems in the fleet.

Senator RUDMAN. What is the appropriation for that particular item? Do you know or is not broken out in that line?

Admiral MILLER. Yes; it is. We show $15.5 million in 1982 in the other procurement, Navy account.

Senator RUDMAN. The reason I asked that question is because the Secretary of Defense's Program Analysis and Evaluation Section as well as GAO in citing the runaway costs of some of the high technology items had cited a number of systems and this is one that they have cited that tends to have chronic breakdown and serious problems.

I wanted to ask you here this morning, and you may not have the answer, whether or not we are going to have more cost growth which is not related to inflation in this kind of a high technology

fire control system in which we come back next year and find out that it is not going to cost us 15 but it is going to cost us 30 or 60 or whatever? Has much consideration been given to the fact that this system has had some problems in design and in deployment?

Admiral MILLER. Yes, sir. The specific purpose for the funds that we are requesting right now are for material an ORDALTS to support the improvement in the 36 ships that we have this in right now.

NEW SHIP SYSTEMS

Senator RUDMAN. What about the new systems that are being installed in the new ships?

Admiral MILLER. Well, when we install new systems we would configure them up with the improvements of the ORDALTS that have already been identified for the previous systems.

Senator RUDMAN. Well, I guess my question really is, is the Navy now satisfied that with this fix that you have put in which you have this appropriation for in terms of ORDALTS, is the system now operational and have the chronic defects in this system been solved? I mean, are we buying something that is going to work?

Admiral MILLER. Yes, sir. Well, the system is operational and we have made the corrections that we have identified to make the system a workable system. I don't think that I could claim that the system won't have any more failures but we have certainly upgraded the performance of the system based on the ORDALTS that we have put in so far and we hope we have made the improvements that are really necessary.

FILED TESTING REPORT

Senator RUDMAN. For the record, Mr. Chairman, I would like them to furnish to the committee the latest report of field testing, the quality assurance testing of that system, the latest test that has been done with the fix that has been put on the system. Can we have that?

Admiral MILLER. Yes, sir.

[The information follows:]

MK 86 MOD 3 GUN FIRE CONTROL SYSTEM

The latest available report of comprehensive field testing of the MK 86 MOD 3 Gun Fire Control System (GFCS) is the Operational Evaluation (CNO Project C/S 79) report of Commander Operational Test and Evaluation Force conducted in 1972. This report does not represent current configurations with installed reliability improvements. The first testing with all available fixes (MK 86 MOD 10) is currently underway on U.S.S. *Briscoe* (DD-977). Testing is scheduled to be completed 3 June 1981. A copy of this report will be provided when available.

EQUIPPING OF ASW AIRCRAFT

Senator RUDMAN. The second question I have for you, Admiral, relates to the whole ASW field. Your budget is requesting, according to my information, about $138.9, $139 million for a series of tactical ASW sonobuoys, both active and passive and such things as the AN/SSQ-41, 62 and so forth.

I don't see any substantial amounts of money in your budget for the equipping of your ASW aircraft, your monitoring aircraft, with

defensive systems, some of which have been proposed. It seems to me that we can have this highly sophisticated ASW equipment worldwide, but if our monitoring aircraft are so vulnerable, as they are, then we are going to have some very serious problems if we don't have the aircraft there to monitor at the time that we might need to, and that would have to be assumed to be a prime target of any aggression against this country.

Why don't we have substantial sums in the budget to equip these ASW aircraft for defensive purposes so they can survive at least long enough to put out the word?

And if you don't know the answer to that, I would like that for the record, too.

Admiral MILLER. Well, I can provide you a general answer and then we will provide you more detail for the record.

The aircraft that do our ASW mission, because of the type of mission it is, are not high performance aircraft. Therefore, the defense of such aircraft is normally related to other methods rather than an offensive type, or an active defense with weapons. Normally we look to a passive type of a defensive system which——

ECM-EQUIPPED AIRCRAFT

Senator RUDMAN. I am talking more of ECM. I am not talking about offensive weapons. I am talking about why you don't equip these with the latest ECM that is available. That is my question.

Admiral MILLER. Well, we have an R. & D. program to improve the ECM. The aircraft are not without ECM at the present time. We are looking to increase the ECM capability of particular BP and we have a program to do that.

Senator RUDMAN. Well, again for the record, I would like to know about that because I think it is of the highest priority that these aircraft have the most sophisticated ECM aboard considering the absolute high priority of their mission.

Admiral MILLER. Yes, sir.

Senator RUDMAN. I would like to know about that program for the record also.

[The information follows:]

ESM CAPABILITY FOR ASW AIRCRAFT

The current and projected Electronic Support Measures (ESM) capability for ASW aircraft is as follows.

A P-3C modernization program includes a major improvement to the ESM (Electronic Support Measures) system for self protection from anti-aircraft weapons during anti-submarine warfare (ASW) missions. The frequency range will cover the .5-18GHz spectrum. A Request for Proposal has been issued that will lead to a contract award in late fiscal year 1981 for modernization to the P-3C and an Initial Operational Capability (IOC) of fical year 1986. In the case of the P-3A/B aircraft, the Navy is in the process of procuring the ALR-66 systems augumented to meet the requirements listed above and provide a similar fleet capability in fiscal year 1981.

The addition of a full spectrum threat warning system is a part of the above ESM modernization programs. Each system will include audio/visual warnings and lines of bearing to hostile emitters.

Naval Air Test Center at Patuxent River, MD, is currently conducting a survivability/vulnerability study of the P-3 aircraft to determine the effectiveness of providing chaff/flare dispenser and/or infrared jamming equipment for the P-3 aircraft. Upon completion of that program in later fiscal year 1981, a decision will be made concerning the type of equipment that will be added to the P-3.

An S-3A weapons system improvement is underway which encompasses improvements to the ALR-47 ESM and incorporation of the ALE-39 system. [Deleted.] The ALE-39 is a programmable mini-ECM system which dispenses chaff, decoys and flares.

A contract for full scale engineering development will be signed in May. IOC for the S-3 weapon system improvement program is in 1988.

The SH-60B air vehicle for the LAMPS MK III system utilizes the ALR-142, a state-of-the-art, ESM system. The LAMPS III data link is capable of transmitting signals received by the airborne ESM receivers back to the LAMPS III ship for additional processing.

The SH-2F avionics improvement program incorporates the ALR-66 to replace the existing ALR-54 ESM receiver. This is a quantum improvement in ESM capability for the SH-2F. The ALE-29 manual chaff dispenser can be carried by the SH-2F.

FOURTH MARINES

Senator RUDMAN. General Hatch, I just have a couple of questions for you, sir.

I would like to turn to your chart 17, if I could.

General HATCH. Yes, sir.

Senator RUDMAN. That is a remarkable chart and I would like to know a little bit about what is behind the chart. You go from in the Reserve Forces, and that is the 4th Marines I think——

General HATCH. The 4th Division, the 4th Aircraft Wing, the 4th Force Service Support Group (FSSG), yes, sir.

Senator RUDMAN. You go from $8.5 to $19 million in mission forces and you go from $11.7 to $19.9, almost $20, million in 1982, almost doubling from 1980 to 1982. Tell us what we are doing with that unit and where it is and where it is going. I want to know where all that money is going. Some of it is inflation, I am sure, and practically all of it.

General HATCH. Yes, sir. I think there are two things that explain almost all of that. In 1979 and 1980 our TOA was constrained to the point that we couldn't do nearly all we wanted to with the 4th Marine Aircraft Wing, Division, and FSSG. This reflects an increased tempo of operational exercises and also reflects some increase in numbers. We have been able to add strength to both the division and the wing—and the FSSG naturally.

Senator RUDMAN. Well, specifically, you know, what kind of activities will you now able to engage in, training activities that you weren't under the prior budget restraints?

General HATCH. We will be able to take Reserve organizations and run readiness drills with them. We count on these Reserves strongly to augment the Regular Forces where there may be requirements at the present time due to force structure gaps in the Active Forces. We will be able to take them to 29 Palms, Calif., for instance, to the Marine Corps training base we have out there for exercises. These moves really increase airlift costs primarily because of the short periods of time it is necessary to move them by air.

It is really an expansion then in training exercises and training capability. It covers other more mundane things such as table of equipment deficiencies that have existed for some time due to constrained total obligational authority (TOA). Those things that just fell below a prioritization line before are now included in here.

STRENGTH LEVEL OF UNITS

Senator RUDMAN. At what strength level are those units?

General HATCH. The total of the three units is 37,600. I would think that about half of those belong to the division and then the next largest chunk belongs to the wing. The FSSG is probably around 6,000.

Senator RUDMAN. Is this at full strength?

General HATCH. It is nearly at full strength. It is generally a mirror image of the Active Forces, except that it is not truly a mirror image. We dont have the same number of rifle companies, the same number of artillery batteries, the same number of ration companies, and bulk fuel companies, but we do have most units structured in nearly a mirror image.

TRAINING AND READINESS INCREASES

Senator RUDMAN. So what we essentially will do with this money, we will not substantially increase forces but we will increase training, readiness——

General HATCH. Table of Equipment (TE) deficiencies will be corrected.

Senator RUDMAN [continuing]. And deficiencies of the units so they will be able to engage in the kind of training that they have not heretofore had at least in the recent past.

General HATCH. That is correct, sir.

Senator RUDMAN. So we are not getting a force increase but we are getting a higher state of readiness. Is that an accurate statement?

General HATCH. When you say we are not getting a force increase, that is true if you are talking force structure.

Senator RUDMAN. Yes.

General HATCH. We are perhaps going to 90 percent instead of 85 percent fill of units. So in effect we are getting an end-year strength increase of small numbers, but it is in fact an increase.

Senator RUDMAN. This unit is located in what, many locations throughout the country?

General HATCH. Many locations. The headquarters is in New Orleans but the units are scattered throughout the country at 175 other locations.

Senator RUDMAN. Are all Reserve Forces part of these three units, the Marine Reserve Forces?

General HATCH. The Active Reserves are part of these three units, yes sir.

Senator RUDMAN. I have two other questions, if I have a few more minutes.

AMMUNITION

Senator STEVENS. No rush. Go ahead.

Senator RUDMAN. I wanted to go to chart 12 which I also think commands a remarkable figure on that chart. It is probably a correct figure and I expect there is justification for it.

That is the first line, ammunition. From 1981 to 1982 an increase of $287.6 million. I have heard your testimony and I heard what you said. I guess what I want to ask you is are you telling us that

as of this particular moment that our ammunition reserves are so depleted that we have to spend this kind of money in the next fiscal year to just come back to combat readiness and training readiness? If that is classified we can talk about that later.

General HATCH. No, I don't think it is. The sheet of paper I am going to read from is unclassified.

The total requirement for the Marine Corps' ammunition today is $3.24 billion. We have on hand applicable assets of $1.14 billion. Our request this year is for $368 million. This will leave us a deficiency at the end of 1982 of $1.7 billion.

Now, there are several things that have occurred over the years that have run this cost of total requirements up. The pre-positioning obviously is one of them, although that is a relatively small point. We have gone from 105-mm Howitzers in our direct support battalions to 155's. It is a much enhanced capability but a big, big cost increase.

The consumption rates are another factor increasing our requirements. We were generally using World War II, Korean and Vietnamese consumption rates. We have now gone to, as the Army has, to more realistic consumption rates. Our greatest deficiencies are in the 8-inch and the 155 howitzer ammunition. Those ammunitions are technologically sophisticated today which has run the prices up very high.

So our requirements grew over a period of about 2 years from $1.1 billion to the $3.24 billion that I speak of today. It will take us several years at this level of ammunition buying to acquire what we call today an acquisition objective.

Senator RUDMAN. That objective has, I assume a certain number of combat days for full deployment of the Marine Corps.

General HATCH. Yes, sir, [deleted] days.

VIPER PROCUREMENT

Senator RUDMAN. The last question, General Hatch, I would like to refer to chart 14. The fifth item dows on chart 14 is $18 million for the procurement of the 70-mm Viper. As I am sure you know, General, the army has had, and we had an interesting discussion with them during their hearings some serious program deficiencies with that particular weapon, serious enough that they had a very high dud rate and other problems.

Now, I have asked them to supply me with additional testing data, particularly because there happens to be a weapon that is made abroad that seems to work rather well and we are trying to do some procurement back and forth with forces.

What is your experience with the test program on this? The Army they are getting back some more tests and so forth. You have made a procurement decision and you surely don't want your infantry soldiers to have duds going off on them at the rate they were in test programs. Where are you at this point with this test program?

General HATCH. The information that we have pertaining to the 70-millimeter Viper is all provided to us from the Army. We participate in their program. We may or may not have any R. & D. money in the program. We follow very closely the results of failures that they may have. We are completely aware of some of the

dud problems and also aware of a couple of the misfires they have had.

In R. & D. you hope to work out any deficiencies in a new program, so at the point where you go to production you are not buying untested and unreliable equipment.

We will continue to watch their program very closely and if they decide to go to some other weapon, to obtain a similar capability, we would obviously go right with them. We would not do anything unilaterally in a program of this type.

Senator RUDMAN. Do you have observers from the Marine Corps who observe these test programs on weapons systems such as this that there will be joint procurement on?

General HATCH. We do. However, it is usually one individual and he may be observing as many as six, seven or eight different programs that are ongoing.

Senator RUDMAN. Well, again, not for the record but just as a general note General Hatch, I would appreciate it if you have any new concerns raised by the procurement of this particular weapon I would like to know about that, too.

General HATCH. Very well, sir.

Senator RUDMAN. Thank you.

Thank you, Mr. Chairman.

REAL PROPERTY MAINTENANCE ACTIVITY

Senator STEVENS. The chart I was interested in, General, was chart No. 6 on this real property maintenance activity. Could we discuss that a little bit. We have got a 22-percent inflation rate there.

General HATCH. That is dollars, Mr. Stevens.

Senator STEVENS. Millions, is it?

General HATCH. Yes, sir. It shows in millions of dollars the changes from 1981 to 1982, the total change and how much of that is for inflation and how much of it is for program growth or decrease.

Senator STEVENS. Let's just deal with the amount of the inflation then. What has brought that about in terms of real property maintenance, what kind of increase as far as inflation is concerned? Almost half of the change is inflation.

General HATCH. The inflation of course would be based on the $362 million under the 1982 line.

Senator STEVENS. Yes.

General HATCH. As Admiral Miller explained, we are using inflation rates that we were given.

Senator STEVENS. What was the inflation in 1981 for that item, do you know?

General HATCH. I do not know, sir.

Senator STEVENS. I keep getting the impression that we have got redundant application inflation factors in these budgets.

General HATCH. Well, the 1981 figure of $314.5 million is the appropriated level and it includes an inflation factor for fiscal year 1981.

Senator STEVENS. And also a contingency factor.

General HATCH. No, I don't believe so, sir. I am not aware of any sir. Now, to the level that the inflation factor we used is not

comparable with real inflation, we either lose program growth or it has to be funded through a supplemental.

Senator STEVENS. But what worries me is that it seems that by applying a new inflation factor that has been provided by O. & M. you would come up with extra dollars and you would actually spread those dollars over other programs. If that is right, we are going to be in real trouble. Is that right? What I want to know is what inflation factors do you use for that real property maintenance activity for 1981? What is the actual percentage figure?

General HATCH. I don't know what it was for 1981. It was 8.4 percent for 1982.

Senator STEVENS. 8.4 percent.

General HATCH. Yes, sir.

Senator STEVENS. Is that the overall figure in your budget?

General HATCH. Admiral Miller could handle that better than I can.

Admiral MILLER. The operations and maintenance account has an inflation rate for it. The inflation then is applied to such things as real property maintenance. For all of the O. & M.N. appropriations, that is Navy, Marine Corps, Navy Reserve and Marine Corps Reserve, it was 8.4 percent.

Senator STEVENS. What was it actually in 1981? The last one we have actual is 1980, isn't it?

Admiral MILLER. The last actuals I have here—1980 to 1981 is not broken down by O. & M.N. but overall—well, it is still a forecast in 1980 to 1981. So 1979 to 1980 is the last actual we have and that was 9.3 as opposed to what was predicted. I am sorry. The actual was 15 percent and the predicted was 9.3. So it was off by more than 5 percent.

Senator STEVENS. Defense told us that your O. & M. purchases comprised 8 percent above 1980 as far as 1981 was concerned and 8.4 for 1982 over 1981.

The rates in the Carter budget were 9 and 9.4 instead of 8 and 8.4. So what I am looking for is the actual experience. The last experience you have is 15 in 1979 to 1980?

Admiral MILLER. Yes, sir.

FUEL COSTS

Senator STEVENS. And that doesn't include direct fuel costs?

Admiral MILLER. Yes.

Senator STEVENS. Does that include direct fuel costs in that overall figure?

Admiral MILLER. No, sir, that is the whole composite O. & M. annual rate, for purchases excluding fuel.

Senator STEVENS. Defense told us the fuel price separate in the Carter budget included a composite estimate for fuel of $1.19 a gallon for 1981 and $1.30 a gallon for 1982. The Reagan budget is $1.16 for 1981 and it added 3 cents a gallon for decontrol under the Reagan budget. I am frankly worried that we have got an understated budget as far as inflation factors are concerned. So this means we are going to face some rather substantial supplemental requests.

FLEET MARINE FORCE LOGISTICS SUPPORT

What is included in this FMF logistics support, General, on chart 6.

General HATCH. The Fleet Marine Forces, obviously, have got to buy spare parts and they have got to buy maintenance and they have to buy travel for the logistic items that are maintained by the Fleet Marine Forces in their training environment. A large part of that would be maintenance of their equipment.

Senator STEVENS. Well, why, should that be going up at that rate? That is a 20-percent increase in 1 year. What leads to that increase in 1 year? Inflation is only $8.6 million out of that.

General HATCH. Once again it was capability that had been constrained to some degree as the procurement appropriation had been constrained over a number of years. We are maintaining more trucks that are older than the drivers. We are maintaining more engineer equipment that is very difficult to maintain. It is costing us more to maintain this old equipment until we are able to procure and bring the new equipment on line or put it in the field.

PRE-POSITIONING PROGRAMS

Senator STEVENS. In chart 7, pre-positioning programs, an increase of $13 million. What is the decision factor there? What led to that type of an increase?

General HATCH. I am sorry, I missed the very first part of your question.

Senator STEVENS. Pre-positioning programs, $13 million on chart 7.

General HATCH. The major portion of that is for equipment to support forces assigned as Rapid Deployment Forces. Another portion of it is for movement of these forces in training exercises.

RAPID DEPLOYMENT FORCE

Senator STEVENS. Well, I was going to ask that. You don't have a breakdown totally in what is associated with that RDF as far as the Marine Corps is concerned. Have you given us that breakout anywhere? I don't recognize it if I have it. What is the overall increase in your budget that is reflected in the Rapid Deployment Force concept?

General HATCH. I guess I would have to answer that that the entire Marine Corps is a Rapid Deployment Force. Some portions of it are devoted to the (Readiness Command).

Senator STEVENS. Well now, you say training support for Rapid Deployment Forces is $6 million. That is an increase. So you apparently have some breakout for Rapid Deployment Forces even within the Marine Corps. We are looking at an overall RDF concept coming at us and I wonder how much of this is already in the budget? Do you have an increase factored in here for Marine Corps participation in RDF concepts?

General HATCH. We have items such as the reverse osmosis water equipment, desert screening equipment, and desert utilities that are being procured as a result of pinpointing the Persian Gulf area of the world as a potential fighting area. Those I suppose you could say are related to the REDCOM RDF. Obviously there is

maintenance of the equipment that is already out there as part of the cost of RDF.

Senator STEVENS. But you have never been asked to break down, you know, how much of your budget is associated with the RDF concept; is that right?

General HATCH. Well, I think it is fair to say that we have some additional costs as a result of looking at a new mission. If there had not been an RDF and we were given a mission to go to the Persian Gulf, we would have still faced those same costs among some units within the Marine Corps.

If you are talking about the Maritime Pre-positioning Ships program, we have more specific costs for that because that is an additive program.

FUNDING FOR RAPID DEPLOYMENT FORCE

Senator STEVENS. We are led to believe, General, that we have another request coming for costs associated with a Rapid Deployment Force concept and I am trying to find out how much is already in here for Rapid Deployment Force concepts as far as this change is concerned.

Admiral MILLER. May I attempt to answer that for the Department of the Navy?

Senator STEVENS. Certainly.

Admiral MILLER. As the General points out, it is very difficult to make a clean break because units that are Marine Corps units that have to be supported, Navy ships that are in the Navy, whether we have a Rapid Deployment Force or not, are difficult to break out and say, OK all of that is Rapid Deployment Force.

We have made an attempt, however, to do it. As best as we identify it right now, if we take in O. & M.N., for instance, all of our charter ships, the cost of chartering the ship, the NTPS charters, the SCN programs that procure the fast logistics ships, the SL-7's, the TAKS program for pre-positioning of the Marine Corps, the equipments that we would buy and in addition to that some military construciton that actually is occurring in places to support the RDF, we come up with a figure in 1982 for the total Department of the Navy investment in the rapid deployment, and this is all accounts, shipbuilding and the whole thing, of $1.8 billion in 1982. The figure in 1981 was $717 million.

Senator STEVENS. Does that include the Marines?

Admiral MILLER. Yes, sir, that includes the Marines.

Senator STEVENS. All right. I have got some questions about vehicles, but first Senator Rudman.

REQUIREMENTS OF RDF

Senator RUDMAN. When General Barrow testified, and I want to just follow on the chairman's question, he had testified about the capability of the Marine Corps and that it was in fact a Rapid Deployment Force, although I think we decided with the transport abilities presently existing we should probably call it an almost Rapid Deployment Force? I want to follow on with the chairman's question. I don't understand what this additional request is that we

are going to have. We know the Army has units that are part of that which need transport of course.

Admiral MILLER. That is correct.

Senator RUDMAN. You have got substantial transport procurement within that $1.21 billion figure you just gave us. What else does the Navy and Marine Corps need to fill out their Rapid Deployment Force requirements?

Admiral MILLER. There is additional ordnance for pre-positioning, support for training, there is medical support equipment for pre-positioning, there is additional combat support equipment and this would be construction equipment, and then, as I mentioned, there are some figures for MILCON such as dredging and preparation of the moorings and so forth. Those are the types of things that would be in addition to just the ship transport itself.

Senator RUDMAN. Well, the training of course I assume the troops are undergoing now in all branches.

Admiral MILLER. Yes, sir. That is why I said it would be very difficult to break out figures and say that these are specifically charged to the RDF.

Senator RUDMAN. Well, it seems to me, Mr. Chairman, that we are probably going to have to wait to see what that request is and then we will have to go back into the testimony of the various hearings we have had to see whether or not there was any duplication.

ADDITIONAL FUNDING FOR RDF

Senator STEVENS. Do you have pending a request or are you prepared to submit a request to OMB for any additional funds for either 1981 or 1982 for a Rapid Deployment Force concept?

Admiral MILLER. I am unaware of that and that is why I was a little confused. In 1983 there will be continued lift procurements requested. We don't complete this lift procurement program by 1982. There will be additional pieces of it in 1983. But I am unaware of any additional RDF requests.

Senator STEVENS. Maybe I musunderstood the comment. I had the impression we were going to see an additional request. But you say you have none contemplated that you know of.

Admiral MILLER. I might point out that there was quite an addition to the RDF put in by the Reagan administration when they came in. They changed the figures. For example, the total Department of the Navy figure under the previous budget for 1982 was $1.08 billion for RDF and under the budget as amended it is $1.8 billion. So there were approximately $800 million additional funds requested for the RDF by the amended budget.

COST GROWTH IN HIGH TECHNOLOGY PROGRAMS

Senator RUDMAN. Admiral Miller, I just want to go on to another subject for a moment. I have had this discussion with the people from the other services who have your responsibility. One of the things we have seen on this committee in hearings thus far this year is this enormous growth that the chairman referred to of cost growth in a number of the high technology programs.

General Hatch in his opening statement in referring to a bombing system that was an excellent system said that that now had been set aside and that we were going to an Air Force system because in General Hatch's words it was just going to cost too much.

What program do you have in your office in coordination with the R. & D. people in the Navy to make determinations as to at what point the growth of these programs is no longer worthwhile and decisions of the kind that General Hatch refers to are in fact made and less expensive alternatives are found?

Admiral MILLER. Sir, we have a very structured and formalized program that reevaluates our systems on a continuous basis with regard to costs and cost-effectiveness to determine whether we should continue or not and shift to another program.

At the present time we are putting the final touches on our request for the beginning of 1983 budget and we have just gone through an entire set of hearings with regard to what should and should not be included in the 1983 budget. The decision is made at that time that this program is something we sorely need, however, the cost has grown to the point where we can no longer afford it and therefore we are not going to try and request it in the budget this year and we will get along with a lesser program.

That is a formal process going on continuously. Right at the moment for 1983 it is very formalized and we just had a whole series of hearings.

Senator RUDMAN. Well, it seems to me that that is going to be one of the most important activities that you are going to engage in, because looking over the entire defense procurement request this subcommittee has, there are just an enormous number of high technology programs from the lowest level of combat forces and infantry unit with extraordinarily high technology equipment building right on up to our strategic forces.

Inevitably the estimates on a number of these programs are going to be off the mark, because historically they have been. So the thing that we are going to have to do is to try to develop ways and means, it seems, to stop these cost growths at a point where we can cut our losses and not go on.

I just want to ask General hatch a little bit about this because I would kind of like to understand the mechanics of how you reach the decision.

TPQ–27 RADAR

What was the nomenclature of the system that you referred to?

General HATCH. TPQ–27.

Senator RUDMAN. How long had that been in R. & D. before the decision was made to discontinue that procurement?

General HATCH. I really don't know. I would guess 3 or 5 years or in that frame.

Senator RUDMAN. And I assume a substantial amount of money had been spent on that system.

General HATCH. Yes, there sure was.

Senator RUDMAN. Who was the contractor on that system?

General HATCH. I don't remember, sir. We can provide that for the record.

[The information follows:]

RADAR SET, AN/TPQ-27

The prime contractor for the AN/TPQ-27 was the Radio Corporation of America (RCA).

Senator RUDMAN. Then at some point this year you all decided that this just was not going to be cost effective and you cut the program at this point?

General HATCH. It was probably well over a year ago now. We had had deliveries and we were going through the OT testing of the TPQ-27 and it was coming in outstandingly well. But the price was just going up, up, and up, so that the budgeted funds nowhere began to cover the program. We were reducing the numbers of the equipments to the extent that we were not going to have nearly enough. The extra dollars required just weren't going to be available to us. So we had to look for other alternatives.

Fortunately we had a good alternative and that was the Air Force system which had slightly less capability but was a highly efficient piece of equipment.

Senator RUDMAN. Is this a low-level bombing system?

General HATCH. It is bombing system where you don't have to be able to see the target. You place the aircraft over the target and at the right time the equipment is capable of precision bombing.

CHRONOLOGY ON TPQ-27 RADAR

Senator RUDMAN. General, I would think it would be very helpful and illustrative for this committee if you could have someone on your staff give us a short chronology of the procurement track of this system. It would be very interesting to see at what point the decisions were made within the Marine Corps and within the Department of the Navy. I understand that it was an alternative. This is a happy circumstance because in many cases there are none. I would like to see that.

I think we would find it, Mr. Chairman, very interesting to see a program that money had been spent on that the services, in the case the Marine Corps, found was too expensive and went to an alternative.

Obviously you had another option and the other option was to come before the Congress and convince the administration to give you as much money as you needed to procure this system. That was certainly another option.

I get the feeling that that option is used more often than not and that is why I would like to see a chronology of how this decision was made. I am not interested in all of the intricate details but just a track of the decisionmaking process that went from deciding to procure this sophisticated system to find that it worked very well and deciding it was to expensive and then moving on to an alternative. I would find that very helpful and I would like you to provide that for the record.

General HATCH. We would be very happy to, Senator.

[The information follows:]

RADAR SET, AN/TPQ-27

In June 1966, the Marine Corps began a conceptual study to develop a follow-on to the AN/TPQ-10 Radar Course Directing Central. The study envisioned a joint USMC-USAF program with the Marine Corps designated as the Lead Service and the Naval Electronic Systems Command designated as the Principal Development Activity. During 1968, three conceptual design contracts were awarded to the following contractors with R&D funds in the amounts shown: AVCO Corporation $475,000; RC $874,000, and General Electric $650,000.

During the execution of these contracts a judgement was made that the state-of-the-art justified the award of a fully structured Fixed Price Incentive (FPI) contract for both Engineering Development and Production. Based on the performance of RCA theretofore, that corporation was awarded a fixed-price incentive contract in 1969 for the manufacture of a Service Test Model (STM) costing $7,562,972. The contract included options, which would expire in October 1974, for production articles then designated AN/TPQ-27. It was intended that the option selected would reflect the total USMC and USAF requirements and would be exercised upon successful tests of the STM. At the time of contract award, target prices for the AN/TPQ-27 were established for the following quantities: 12 for $13,318,620; 16 for $15,999,699; 20 for $18,372,631; and 39 for $30,539,106. All prices were in FY69 dollars to be escalated 15% per year for inflation.

The STM was originally scheduled for delivery in July 1971. An extrapolation from this date - allowing for OT&E, approval for service use decision, contract administration time, etc. - led to the programming of $26.9 million in FY73 PMC funds for the procurement of 16 production articles.

A strike at RCA delayed delivery of the STM until 31 March 1972; then, problems encountered during testing, including a requirement to change the computer (AN/UYK-7 for the unacceptable AN/UYK-8) and attendant software changes, caused the STM to be returned to RCA for retrofit. It was redelivered to the Marine Corps in August 1974 for OT&E. The 23 months total delay precluded the government from exercising the production option at the prices negotiated in 1969. The new negotiated price increased to the point that only 11 systems could be purchased for the programmed $26.9 million. The five remaining required systems were then programmed for procurement in FY78.

The STM demonstrated poor accuracy during the second round of OT&E that ended in March 1975; 134 modifications to the STM were recommended. The modifications led to a new RCA estimate that the $26.9 million programmed in FY73 would only purchase five AN/TPQ-27's. This reduced procurement required that eleven systems be procured in future years. The new program posture was presented to the Marine Corps Systems Acquisition Review Council (MSARC) in May 1975. The MSARC decision was to procure five systems in CY-75 and increase the FY78 programmed procurement from five ($20 million) to eleven ($33 million). Further, the MSARC directed that two of the five systems procured in 1975 undergo first article testing prior to the purchase of the other three. A later DoD decision approved only the two first articles and allocated $20 million (of the $26.9 million) to procure them. DoD also stated that the remaining $6.9 mil-

lion would be used to procure a "tailored" AN/TPQ-27 for the U. S. Air Force.

The decision to reduce the procurement from five to two created a further increase in the price due to a larger unit price for a smaller purchase, which eventually required the $6.9 million earmarked for an Air Force system. It also required that the FY78 programmed buy be increased from 11 to 14, and funding from $33 million to $43 million.

In October 1975, the U. S. Air Force withdrew from the AN/TPQ-27 program, opting instead to develop an alternate system, the AN/TPB-1C.

The delivery date specified in the letter contract for the two first articles was 27 June 1977. Due to a lengthy contract definitization phase, the delivery date was extended to November 1977. The production procurement options in this contract required that the first year option be exercised within one year of the start of OT&E, and the second year option within two years.

OT&E was to commence six months after delivery of the first articles. The projected dates of OT&E and production option execution required that procurement funds be moved out from FY78. Accordingly, the Marine Corps' FY81 program submission included funds in the amount of $36,274,124 in FY81 and $33,145,952 in FY82 for the procurement of 7 AN/TPQ-27's in each of those years.

The first articles were not delivered until 18 September 1978. The late delivery was due primarily to contractor computer program development difficulties. Contractually OT&E was to begin 18 March 1979, but did not actually begin until July. The testing could not be compressed enough to be completed by the option expiration date of March 1980 and RCA would not extend it. RCA announced that if the option was not exercised by March, it would cost the government an additional 18-20% to extend it.

The Marine Corps had been monitoring the Air Force AN/TPB-1C program and had initiated a Cost and Operational Effectiveness Analysis (COEA) of both the AN/TPQ-27 and AN/TPB-1C in 1979. As the cost growth of the AN/TPQ-27 continued unchecked, the Marine Corps also explored the possibility of modernizing the 20-year old AN/TPQ-10 through a Service Life Extension Program (SLEP). When RCA presented its new price proposal of $8 million per system, the AN/TPQ-27 program was "frozen" and a detailed analysis of other alternatives, i.e., the AN/TPB-1C and AN/TPQ-10 SLEP, was made.

A Marine Systems Acquisition Review Council (MSARC) held on 28 October 1980 selected the AN/TPB-1C Ground Controlled Bombing System to fill the requirement for a radar precision flight guidance and ordnance release system. The MSARC concluded that the AN/TPB-1C was the most cost-effective, practical approach to a timely, suitable replacement for current equipment. The decison included approval for service use and production.

In making this selection, the MSARC considered three alternatives to fill the requirement: (1) the USMC developed AN/TPQ-27 (RCA); (2) the USAF developed AN/ TPB-1C (Sierra Research Corporation); and (3) a service life extension program (SLEP) of the current equipment, AN/ TPQ-10 (GE). The requirement for AN/TPQ-27 production alternatives was occasioned in April 1980 by significant growths in estimated costs and delivery schedules. Simultaneously, the Marine Corps Operations

Analysis Group focused on the problem of affordability. The TPB-1C was tested by USMC personnel in July/August 1980 and a TPQ-10 SLEP proposal was analyzed.

The three alternative programs were compared in detail. Issues considered and resolved in the TPB-1C selection were acceptable system capability, affordability (procurement, provisioning, and life cycle costs), supportability, operational availability, mobility/deployability, system redundancy, production program risk, executability, and service commonality benefits. The Fleet Marine Force Commanders' (CG FMFPAC and CG FMFLANT) mandatory requirement for an urgent replacement of the obsolete and deteriorating current system, the AN/TPQ-10, contributed to selection of the TPB-1C.

AMMUNITION

Senator RUDMAN. I have no other questions at all, Mr. Chairman.

Senator STEVENS. Thank you, Senator Rudman.

One of the items is obviously a big item here. General, is this ammunition. I understood your comment to be that this was the first of a series of years or requests of substantial expenditures; is that right?

General HATCH. Providing that we have sufficient TOA to permit us to increase our ammunition.

Senator STEVENS. And that is your plan?

General HATCH. Yes, sir.

Senator STEVENS. Now that obviously means that we are in pretty bad shape. How long is this procurement going to take in terms of time? Once you get the money how long is it going to be before you are back on track again?

General HATCH. Our program at the present time would require about 5 or 6 years to attain a total acquisition objective.

Senator STEVENS. Assuming that Congress gives you the money you have asked for this year, how many years will it be before that will be fulfilled, that order will be fulfilled?

General HATCH. The 1982 deliveries?

Senator STEVENS. Yes, when will it be delivered?

General HATCH. 1983 and 1984.

Senator STEVENS. So we are looking at about a 5-year spread here?

General HATCH. Yes, sir.

RESERVE AND TRAINING ACTIVITIES

Senator STEVENS. Now, you are also indicating that you have got a substantial increase in Reserve and training activities; is that right?

General HATCH. Yes, sir.

Senator STEVENS. Are we going to be in a position where we are burning up what we are buying faster than we are buying it? Have you projected those needs as far as this increased training activity?

General HATCH. The training ammunition requirement for 1982 is estimated to be $143 million. That is an incrase of maybe $4 or $5 million over 1981.

Senator STEVENS. There is not much increase.

General HATCH. That is inflation only.

Senator STEVENS. You are looking then at stocks primarily in this new procurement requests?

General HATCH. Yes, sir.

VEHICLE SELECTION

Senator STEVENS. On these vehicles, have you actually selected the light armored vehicle yet for the Marine Corps?

General HATCH. No, sir, the RFP for that vehicle was issued a week ago today.

Senator STEVENS. Will you select it or will it be the Army?

General HATCH. That remains to be seen.

Senator STEVENS. Well, we had a little conversation with them about theirs. How many units would you be able to equip with these 742 vehicles if you can get them?

General HATCH. There would be three LAV battalions.

Senator STEVENS. I see. OK.

Are we talking about this 5/4—five quarters—it sounds like a baker's dozen. I don't know how you can get a 5/4th ton, a ton and a quarter. Why can't you just say a ton and quarter so you don't mix up old Senators. [Laughter.]

General HATCH. Yes, you have probably heard this referred to before as the HMMWV.

Senator STEVENS. I did but I didn't know what it was. I thought it was Her Majesty's—[laughter] that was more confusing.

Well, the Army has led us to believe that there are some problems about that procurement request. Are you proceeding independently?

General HATCH. No, sir. And you are correct, there are some problems with that request. The problems of course were the inability to get the R. & D. funding on a timely basis so it would meet the requirements of both the Army and the Marine Corps for in-service dates of this vehicle.

Senator STEVENS. Well, we are getting a little allergic to putting up money and not knowing really what the cost factors are. I think that tank ought to teach us all a lesson. Are we getting into the same problem as far as procurment on this one and a quarter-ton vehicle that we got into on the tanks? Do you really have a vehicle that is going to meet your specifications yet?

General HATCH. The RFP for the test vehicles has been published. I believe that the results of that are due in sometime this spring or midsummer. At that point we will know what industry is able to produce based on the requirements documents that were provided in the request for proposal. Although we really don't know, that although we have seen vehicles recently which lead us to believe that industry has vehicles which these general requirements.

Senator STEVENS. Haven't you already got some money, some $18 million committed to you for procurement now for these vehicles?

General HATCH. The first money that we have for this vehicle is in this 1982 budget. We budgeted on the assumption at the time that the Small Business Administration involvement in this program was not going to cause difficulty. The program has now slipped to the point that the small business involvement was withdrawn. However, the program has been delayed to the point that we in fact would not be able to procure these vehicles in 1982.

Senator STEVENS. So that has slipped entirely.

Will this one and a quarter or 5/4ths ton HMMWV vehicle meet your specifications?

General HATCH. Yes, sir.

Senator STEVENS. Now, let's make sure. The one that the Army is talking about, does it meet your specification?

General HATCH. This is a joint program under which our specifications are made known. If it does not meet our specifications we won't be buying it. That is really not a concern, however. We work

very closely together on these things and frankly their needs are very similar to ours and the probability of coming up with the same requirements are very high.

Senator STEVENS. Our real concern is whether the price per copy is going to be so excessive that we are not going to be able to get the kind of vehicles we thought we were going to get.

General HATCH. If that eventuality occurs, and it can occur, we are going to have to look for alternatives. One of the alternatives that we are looking at right now is additional procurement of an 880 type vehicle. Although we don't know who would make it, we need a light, four-wheel-drive pickup type truck that will do many of the rear area jobs that are required.

Senator STEVENS. To show my vintage, it looked to me like the Army was trying to put together the Jeep concept and a weapons carrier concept and come up with one vehicle to replace both. Am I wrong?

General HATCH. No, sir. What you have is a single chassis which can accommodate a variety of body types. It can serve as a TOW carrier, it can serve as a communications vehicle, it can serve as an ambulance, and it can serve as a personnel carrier, a small one. It has a variety of purposes based on the body type.

Senator STEVENS. The chassis would be identical for those in this concept?

General HATCH. Yes, sir. The same engine and the chassis and just a different cab.

Senator STEVENS. Admiral, let me go on to this one thing, because we are going to wind up here in a few minutes. When we had the Secretary and the CNO here there was concern expressed over the spending emphasis given to procurement and we were told that the increases for O. & M. and military personnel were built into the Carter budget to a great extent.

Now, in terms of the 1982 spending for procurement it appears that procurement increases 17 percent over 18 but O. & M. and military personnel go up less than 5 percent. Is that right?

Admiral MILLER. Those are correct figures, yes, sir.

FLEET READINESS

Senator STEVENS. Now O. & M. and military personnel funding has risen less than 28 percent over the 1977 to 1982 period but procurement appropriations will go up 51 percent in the same period. We have been hearing concern expressed about fleet readiness and personnel and the whole question of whether or not there were enough personnel to man ships that were ready to leave port and couldn't leave port.

Is this emphasis that we have been given going to meet the deficiencies as far as readiness is concerned, fleet readiness?

Admiral MILLER. Mr. Chairman, the CNO has stated on several occasions that his No. 1 priority is readiness and the statement you made about the basic 1982 budget being heavily oriented toward readiness is correct and is the way we started out.

When the amendment for 1982 was proposed it was proposed on the basis that it was a recognition on the part of the administration that the Navy was too small and that we were not able to

perform our mission and we had lost the edge of superiority and it was their intention to regain this.

In order to do that it was essential that we embark immediately on a procurement program that would increase the size of the Navy.

PERSONNEL DEFICIENCIES AND MAINTENANCE BACKLOGS

Senator STEVENS. What about personnel deficiencies and maintenance backlogs that we have been told about? It doesn't appear that these funds are really going in that direction. On the contrary it looks like if we meet the requests for procurement that we probably will face increased personnel deficiencies in the future.

Admiral MILLER. I believe that the 1982 budget that is oriented toward procurement is somewhat of an anomaly based on the fact that there was a change in national recognition of the size of the Navy vis-a-vis the threat and therefore in 1982 it was determined that we had to get on with some of these long lead items such as ship procurements and aircraft procurements in order to build the stocks.

Senator STEVENS. Wait a minute. I think we are going to see a series of those procurement years; isn't that right? This isn't just a one-shot procurement year. If my assumption is right that they are going to go on for a period of years aren't we going to have to see the increase in the personnel and O. & M. accounts arising accordingly? Aren't they going to have to rise accordingly?

Admiral MILLER. Yes, sir. There will certaintly be a requirement that the Navy program be balanced. I think that next year it will certaintly be more of a balance than we see this year. I still believe that 1982 was a slight anomaly because of the emphasis on procurement in 1982. There will be additional procurement in 1983 and we would like to keep the same growth that we had manifested in 1982. But we can't go on having procurement dominate the budget, you are absolutely right, and we will certainly go for a completely balanced program in 1983.

Senator STEVENS. On the other hand, General, you have a request for a 39-percent increase in Reserve alone. You have a readiness of personnel increase that really stands out. What about your procurement on the other side? Has that been set back in order to meet your apparent immediate goal of increased readiness for rapid deployment?

General HATCH. The increases that we have are based on deficiencies that have been built up over a number of years. Other than for pre-positioning, I am not aware of any requirements that the Marine Corps has budgeted for Rapid Deployment Forces or any of these things. We have increased our strength over the last 2 or 3 years in small increments. There are additional costs to those, but that has not been based on force structure changes. It has been based on filling out the structure that already existed.

Senator STEVENS. Well, you have got a 39-percent increase in Reserve strength and the Navy has got a 6-percent increase. Someone has made a decision somewhere as to where to put this manpower increase if there was any involved in this budget.

NAVAL RESERVE

Maybe I ought to ask the admiral. Why did the Navy Reserve get shortchanged?

Admiral MILLER. Well, they didn't get shortchanged. We have a program for the Reserve that tries to balance the availability of the technical skills in the Reserve with the units that we are trying to stand up. For example, if we have a Reserve ship in Rockport, Maine, or wherever we might have it, there are a certain number of ratings that we need to operate that ship.

We have found that the number of people that match up with our technical requirements is about 87,000 at the moment. So that is the figure that we are going with. If we just invested money in saying we want more Reserves to be supported, we would be supporting Reserves but they would not necessarily be of the skills and the rates that we need for the units that we have in existence.

So for that reason we felt that the best investment was at the level where we had a match between our requirements and the skills that were available in the areas where our ships and units exist.

General HATCH. You expressed a 39-percent increase in our Reserves. I am not sure where that figure came from, but our Reserves end strength in 1981 is 35,849, increasing to 37,600 which is slightly less, than 1,800. It is not nearly 39 percent.

Senator STEVENS. It was an O. & M. increase that was related to.

Let's go to another subject. Strategic forces apparently have been singled out from these budget revisions and I have some figures that indicate that ship maintenance and modernization is down $5.9 million, strategic weapon systems, $6.3 million and Trident operationa support, $4.4 million. Now, are those real cuts or are they the application of this different inflation factor to those accounts?

Admiral MILLER. Those are not real cuts. Those are the application of the inflation. However, there is actual growth only in the Trident operational account from 1981 to 1982. The ship maintainance account decreases because there are fewer overhauls and the strategic Weapons Systems account goes down primarily because Trident weapons costs are transferred to the Trident account.

Senator STEVENS. So that if we are wrong about inflation, I wonder if there is any way we can figure out what factor it will be? My staff figured out, for instance, that a one-eighth percent increase in interest on the national debt means $1 billion. What does an increase of 1 percent in inflation mean to your budget, do you know? If it is understated by 1 percent what is it going to cost us?

Admiral MILLER. In O. & M.?

Senator STEVENS. Yes.

Admiral MILLER. It would be roughly $50 million for a year.

Senator STEVENS. For each 1 percent?

Admiral MILLER. Yes, sir.

INDIAN OCEAN OPERATIONS

Senator STEVENS. The supplemental request includes $7 million to support an additional 97 work-years of contract engineering

technical services in support in Indian Ocean operations. How is that work being done now?

Admiral MILLER. Those people are there now.

Senator STEVENS. An additional 97 work-years.

Admiral MILLER. Yes, sir, 97 work-years. Mr. chairman, you have probably heard stated many times that the Navy suffered a hemorrhage of its middle management enlisted personnel. The technical people with from 11 to 15 years of service were lured away by higher wages over the past 5 years or so and we are short about 20,000 petty officers of the technical types that we need for our ships and the aircraft. These are the people that are seed corn, so to speak. When we bring new recruits into a unit these are the trained personnel that then pass their knowledge on down to the people.

One of the ways that we are attempting to make up for it is to provide engineering technical personnel from the contractors who manufacture the particular piece of equipment.

Senator STEVENS. In effect they are the same people who left, right?

Admiral MILLER. In some cases, unfortunately, they are.

Senator STEVENS. The cost happens to be about $72,000 per work-year.

Admiral MILLER. Yes, sir, that is it.

Senator STEVENS. Can you give us some kind of breakdown on how that cost works out for the contractor's salary, overhead and profit?

Admiral MILLER. Yes, sir, I can. For example, the shipboard contractor engineering technical support rates are made up of direct labor and bonus to direct labor of 15 to 25 percent for a 7-day accelerated work schedule. When you put this man aboard ship he works 7 days with no days off. There is field service overhead ranging up to 90 percent of the direct labor costs. That would then include also the general administrative expenses, the transportation of these people and the profit. In addition, the costs of travel and per diem. These factors are compounded by the necessity of paying high wages to attract the contractor personnel to an undesirable long term at sea which results in high man-year rates which are very expensive.

Most companies that send their people to sea will pay them up to a 25-percent differential just to take a job aboard ship. So all of these things compounded together run that price up to $72,000.

Senator STEVENS. What we are doing to try and combat that problem to meet the deficiency? Why shouldn't those people be in-service personnel?

Admiral MILLER. What we would like to say is the answer to that, Mr. Chairman, is that if we could continue the signal that was sent to the enlisted personnel of the services last year with the pay raise that was provided and by providing an additional pay raise this year bringing them closer to civilian pay comparability——

Senator STEVENS. We could never make $72,000 a year.

Admiral MILLER. No, sir, not by any stretch of the imagination. But that individual isn't getting $72,000 a year either.

Senator RUDMAN. What are they getting paid, Admiral, do you know?

Admiral MILLER. I think they are probably somewhere in the $30,000 to $40,000 year range.

Senator RUDMAN. With their incremental bonus and their 7-day bonus and so forth?

Admiral MILLER. I would think so, yes, sir, about that.

Senator STEVENS. Is someone thinking about the sophistication of your equipment in determining personnel requirements as to whether in the outyears we are going to be able to have people on board to maintain that equipment?

Admiral MILLER. Yes, sir. That is the field of human engineering that we watch all the time and we try to simplify the equipment as much as we can, but we also are interested in getting as much capability out of or equipment and out of the state of the art as we can.

So it is a fine balance trying to maintain a program that builds equipment that a sailor can operate and maintain and at the same time take the state of the art that is available and getting full capability. We are constantly doing that, balancing those two programs.

DECLINE IN END-STRENGTHS

Senator STEVENS. Your end strength, Navy, Marine Corps, civilian end strength is scheduled to decline in 1982.

Admiral MILLER. That is correct, yes, sir.

Senator STEVENS. It would be lower than the sixties. Why are you having such a low civilian personnel requirement at the end of 1982?

Admiral MILLER. Well, in 1981 our civilian end strength is authorized at 317,000. In 1982 it is approximately 312,000. The difference is mainly in a number of end strength that we have been told to attempt to contract out to reduce the civil servants and to go to a private contractor to conduct those certain operations. The number that we are looking to contract out in 1982 is approximately 8,000.

Senator STEVENS. Well, in view of this experience in the Indian Ocean, is that going to be cost effective?

Admiral MILLER. The basic criteria for the decision as to whether we do contract out or not a specific billet is whether it is cost effective. If it is not cost effective then we will not do it. We are mainly at this time looking at base operation functions for these contracting out substitutions and not anything aboard ship.

Senator STEVENS. Well, did you examine into a civilian employment option in the Indian Ocean instead of having contractor personnel to have their own civilian personnel do these tasks?

Admiral MILLER. We have and we do use some of our own civilian personnel.

Senator STEVENS. How about this one, $72,000 per man-year operation. It seems that you could have accomplished the same thing with civilian personnel of your own rather than going to a contractor operation on board ship as I understand it while operating ships at sea, right?

Admiral MILLER. That is correct.

Senator STEVENS. Now, these aren't tech reps and it is not new equipment, is it?

Admiral MILLER. It is in some cases.

Senator STEVENS. Installing new equipment?

Admiral MILLER. No, no, not installing new equipment but assisting the Navy in the transition of new equipment into a ship. It is frequently what we use these people for.

Senator STEVENS. Is that what this Indian Ocean thing is?

Admiral MILLER. Partly that and partly increasing the number of civilian tech reps that we have on an existing system. It may be an aircraft, for instance, that we have had for quite some time. So it is a combination of both in this particular request.

Senator RUDMAN. Mr. Chairman, if I may on that point.

Senator STEVENS. Yes, sir.

Senator RUDMAN. Are the majority of these people that we are talking about electronics technicians dealing with sophisticated electronic equipment as opposed to mechanical and aircraft equipment?

Admiral MILLER. I would say you are correct, not exclusively, but the majority.

Senator RUDMAN. Don't many of them actually need the support facilities of their contractor to carry on what they are doing——

Admiral MILLER. That is correct.

Senator RUDMAN [continuing]. As opposed to the Navy not having those facilities at this time to support them?

Admiral MILLER. Well, having their contractor backing them up facilitates getting the job done. Frequently they have a direct line into the production line, for example, and sometimes they can be very helpful in expeditiously getting us a part.

Senator RUDMAN. The reason I asked those two questions is that is it not true that the level of training and expertise of some of these people, and I know some of them personally because they are from my hometown, who serve on this type of equipment are people with very advanced educations and people who in fact can draw rather enormous sums of money even in their employment, their private employment?

Admiral MILLER. Yes, sir.

Senator RUDMAN. Does that lead us to a conclusion that maybe we need a special grade of personnel in the Armed Forces and the Navy to do this kind of work? I understand all the inherent problems that that could create, but do we reach a point where we need engineers of special rank who are assigned to the Navy full time who are Naval personnel, uniformed personnel who may get paid more than a lot of other people but we need them?

Admiral MILLER. That is certainly a possibility. We, at the present time, don't direct efforts in that direction.

Senator STEVENS. You did it with doctors, didn't you, and you paid them more.

Admiral MILLER. Doctors, yes, sir.

Senator RUDMAN. That is my point, Admiral, because I know the kind of people you are talking about and they are not the kind of people you are going to attract to recruit in the Navy no matter what we do to your pay scale, not the kind of people you are talking about.

Admiral MILLER. Not to be argumentative, but I might add that we have many naval officers with their Ph. D.'s and many designated engineers. In our nuclear power program we have naval officers who are premier nuclear plant operators in the entire country and they are uniformed naval officers.

Senator RUDMAN. I am well aware of that.

Admiral MILLER. So it is not impossible to attract that type of people into the Navy.

Senator RUDMAN. For the maintenance of the kind of ECM that is now coming off the lines and going into some of your sophisticated equipment it is going to be a long time before you get those kind o. people to do that kind of work.

Admiral MILLER. The Chairman's remark was cogent in that we ought to try to keep them so that we can maintain with the sailor who is going to have to fight.

Senator STEVENS. Let me ask one last question here, General, and that is on your chart No. 12, communications and electronics. I understand the ammunition problem that you had a real drawdown and failure to have passed appropriations to replace ammunitions. What has caused this extremely rapid increase between 1981 and 1982 in communication and electronics? That is a rather staggering increase, $88.7 million to $410.9 million.

General HATCH. Some $58 million of that of course is for prepositioning programs.

Senator STEVENS. That is $275 million almost the same amount as the ammunition increase for electronics and communications.

General HATCH. The increase is for equipment, some new, some bringing us up to acquisition objective and some of it a replacement for equipment that has just worn out in service. We are talking about a variety of items here, night sights, direction finders, the MULE's, the modular universal laser equipment, and the TPS-63 program. Many of these programs would have been funded in earlier years had there been sufficient money in the procurement account.

Senator STEVENS. Well, let's look at your chart 17. Five of those items are maritime pre-positioning and the balance of them are additions to the current force structure.

General HATCH. The PLRS is new and the TPB-1C radar bombing is new.

INTELLIGENCE ANALYSIS CENTER

Senator STEVENS. What about the intelligence analysis center; is that new?

General HATCH. This is the first year for that system also. This is something we would have had in programs in earlier years if there had been sufficient TOA for budgeting.

Senator STEVENS. We had an explanation of that once. It just seems like you are asking for them all at once.

General HATCH. The procurement Marine Corps appropriations have been underfunded so much for so long that it is going to take several years of funding of this level to straighten it out.

Senator STEVENS. What is this other telecommunications?

General HATCH. Other electronics, the bottom line?

Senator STEVENS. On chart 17 it is the second line item, other telecommunications, $40 million.

General HATCH. Part of it is modifications, spare parts, and then some other smaller equipment comes under that classification.

SUBMITTED QUESTIONS

Senator STEVENS. I see. Well, we will have some more detailed questions to submit to you, gentlemen, and we appreciate your taking the time to answer our questions in writing that we will submit through our staffs.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

78-680 O - 81 - 15

Questions Submitted by Senator Stevens

PROCUREMENT, MARINE CORPS INCREASE

Senator Stevens. What is the basis for the very significant increase of $1.3 billion over Fiscal Year 1981 appropriations for Procurement, Marine Corps?

General Hatch. The basis for the increase lies in the fact that there is an urgent need to accelerate force modernization if we are to ensure future readiness. A significant portion of this increase, therefore, supports planned modernization efforts primarily dedicated to increasing and improving the tactical mobility and firepower of our ground forces. The austere budgets of recent years have severely constrained such efforts. The increase is also due, in part, to the need to improve sustainability as well as provide for acquisition of prepositioning needs.

INCREASE FOR AMMUNITION

Senator Stevens. What impact will the increase for ammunition have on training and war reserve stocks?

General Hatch. The increase in FY 1982 ammunition funding will enable the Marine Corps to maintain its present level of training, while at the same time increase the level of war reserves. Specifically, we will be able to attain an additional 4% of our war reserve objective contained in the 1982 Five Year Defense Plan.

WAR RESERVE DEFICIENCIES

Senator Stevens. What are the major deficiencies today in war reserve stocks for the Marine Corps? Please provide the Committee with a list of all deficiencies and amounts in the war reserve stocks for the Marine Corps.

General Hatch. Our major war reserve deficiencies as of today, based on a [deleted] sustainability requirement, are categorized as follows:

($in Millions)

Major Items	Qty Deficient	Dollar Deficiency
Ammunition		
Gun, SP, 175mm, M107	[deleted]	[deleted]
Howitzer, Medium, SP, 155mm M109A1		
Howitzer, SP, 8", M110A1/A2		
Landing Vehicle, LVTC7		
Landing Vehicle, LVTP7		
Tank, Combat, FT, M60A1		
Truck, Wrecker, M543		
Truck, Cargo, M54		
Truck, Utility, M151A2		
Depot Repairable Repl Spares		
All Other		
Total		

LAV

Senator Stevens: What is the status of the selection process for a light armored vehicle for the Marine Corps?

General HATCH: The Request for Proposals (RFP) to Industry for the test and evaluation Light Armored Vehicles (LAV) was released by the Marine Corps on 14 April 1981. Responses are due to the Marine Corps by 15 June.

On 8 May, OSD approved the Mission Element Need Statement (MENS) for the Marine Corps' LAV and designated the Army as the contracting agency with overall acquisition responsibility for the USMC program. OSD further stated that the Army would ensure that their acquisition process would be flexible enough to ensure that the Marine Corps' IOC of 1983 would be acheived.

Work has commenced between the Marine Corps and Army to ensure a smooth tranisition of the LAV acquisition responsibility to the Army. Both services have expressed a desire to continue the momentum of the program so no major changes to the USMC LAV schedule is presently envisioned.

Current plans are to award up to four contracts for the test and evaluation vehicles on 1 September and these tests will commence on 1 November.

LIGHT ARMORED VEHICLE UNITS

Senator Stevens: How many units in the Marine Corps will be equipped with the light armored vehicle if the currently planned inventory objective of 742 vehicles is met?

General Hatch: Our plans are to form three light armored vehicle battalions with 144 vehicles in each battalion. The remaining 312 vehicles are for prepositioned war reserves, maintenance float and the operational readiness float. These additional vehicles are required to maintain the readiness and provide combat sustainability for the three battalions.

HMMWV VEHICLE

Senator Stevens. What is the status of the FY80 Army RDT&E reprogramming request for development of the 5/4 Ton HMMWV?

General Hatch. As a result of the withdrawal of Small Business Administration involvement in the 5/4 Ton HMMWV program, the HASC approved the developmental reprogramming request of $4.9 million. The program, once fully funded, enabled the Army to release the RFP on 25 February 1981.

Senator Stevens. What is the status of the program now?

General Hatch. Industry responses were received on 27 April 1981. A prototype contract will be awarded on 29 July 1981 for procurement of 33 5/4 Ton HMMWV prototypes, 11 each from three manufacturers. A production contract award is scheduled for 14 December 1982. Conditional IOC is planned for June 1984, with full IOC planned for June 1985.

Senator Stevens. Will the current 5/4 Ton HMMWV schedule meet USMC requirements?

General Hatch. The current schedule provides for introducing the 5/4 Ton HMMWV during the 3rd Qtr FY85, vice the initial anticipated fielding of 3rd Qtr FY83. This delay severely impacts upon the ability of the Marine Corps to satisfy current and projected mission requirements utilizing existing depleted assets. The light tactical fleet asset posture, projected for the FY83-85 time frame, indicates that only 48% of authorized assets will be available during FY83, 41% in FY84, and 29% in FY 85. In order to curtail this rapid attrition several rehabilitation programs have been programmed. However, this effort cannot completely offset the rapid phase out of overage vehicles. An urgent procurement program is required to maintain the current fleet until the 5/4 Ton HMMWV is introduced.

Senator Stevens. The committee notes that $16.0M has been authorized to the USMC for HMMWV procurement in FY82. How will the USMC obligate these funds?

General Hatch. To offset the declining light tactical fleet's asset availability during the FY82-85 time frame, the USMC seeks authority to reprogram $16.0 million FY 82 funds to procure current capability vehicles, specifically 1,340 M880 type 1 and 1/4 ton trucks. To safely see us through this period prior to fielding the 5/4 Ton HMMWV we would also require procurement of 2,000 M151 1/4 ton trucks (jeeps). This would necessitate the reprogramming of $11.1 million from the 5 ton wrecker and $14.4 million from the 5 ton truck

tractor FY82 procurement lines. It is requested that the FY 82 Appropriation Act be worded to permit us to execute this revised program to avoid an unacceptable deterioration of readiness in our light vehicle fleet.

READINESS AND FORCE LEVELS

Senator Stevens: What does the Navy expect to accomplish in fleet readiness in FY-81?

Admiral Miller: The levels of readiness which the Navy is attempting to achieve are expressed as the Navy Readiness Indicators. These enable us to apply resources against specific readiness related functions within the Navy. Measured against a goal, we can track the readiness effects of prior year funding policies and project funding necessary to improve the current status. Readiness goals are set for each such indicator and performance is tracked against those objectives.

Ship operating tempo--days of steaming budgeted per quarter--is a primary indicator of training readiness. It applies to all aspects of ship operations required to maintian current operational commitments, overseas deployments and, at the same time, training readiness of crews assigned to ships of the Second and Third Fleets. Our current goal [Deleted] In FY-81 we expect to achieve [Deleted] [Deleted].

In much the same way, Primary Mission Readiness (PMR) rate measures the effect on aviation training, organizational and intermediate level maintenance to support (1) mission qualified aircrews at the time of scheduled deployment; (2) adequate flight time during deployment to maintain combat readiness; and (3) a reduced but adequate peacetime level of training during the CONUS based period. Our current goal [Deleted] with two CVBG's in the Indian Ocean. In FY-81 we expect [Deleted]

Ship overhaul Backlog measures ship material readiness by tracking the number of ships we are unable to overhaul on time, due to funding or operational constraints. Our goal is not to exceed a backlog [Deleted] Currently, there are 16 ships in the backlog in FY-81.

Aircraft depot level maintenance progress is tracked by three seperate indicators:

(1) The number of airframes on extension, which measures the percent of airframes in inventory that are late for induction into the NARF overhaul cycle (analogous to ship overhaul backlog). Here, the goal is 6% and our best estimate is that 7.7% will be overdue in FY-81.

(2) The number of aircraft without engines, (bare firewalls) which measures our ability to maintain an efficient pipeline of ready-for-issue (RFI) engines. The goal [Deleted]. Our current estimate is that there will be [Deleted] bare firewalls at the end of FY-81.

(3) The percent of total aviation component rework requirement which is funded. Our goal is 100% funding; our best estimate is that 98% will be funded in FY-81.

These examples are but a few of those we use to assess readiness and to determine budget requirements necessary to maintain or improve daily readiness.

Senator Stevens: What impact have actual inflation rates had to date on Other Procurement accounts in the Navy?

Admiral Miller: It is very difficult to separately distinguish the impact of actual inflation rates on Other Procurement accounts in the Navy from other factors which contribute to cost growth. Besides inflation changes, other factors which contribute to cost growth include poor initial cost estimates, unforeseen difficulties in performing the work, bad weather and strikes. However, though difficult to evaluate, it is believed that actual inflation rates have had minimal impact.

Senator Stevens: Are there any items in the Fiscal Year 1981 Other Procurement, Navy account that will not be funded because of the escalation of procurement costs?

Admiral Miller: It is very difficult to determine the impact of escalation of procurement costs from other factors which contribute to cost growth. These other factors which contribute to cost growth include poor initial cost estimates, unforeseen difficulties in performing the work, bad weather and strikes. To date in the FY 1981 Other Procurement, Navy account there have not been any items identified that will not be funded because of the escalation of procurement costs.

Senator Stevens: "How many ships will receive equipment in the Navy's ship modernization program in Fiscal Year 1982."

Admiral Miller: "A total of 209 ships will receive equipment/modernization in the Fleet Modernization Program (FMP) during FY 82. Of this number, 182 will receive this modernization during scheduled overhauls (COH/ROH) and selected restricted availabilities (SRA), and 27 others will receive installations during other non-operating periods, by special installation teams.

Senator Stevens: "Please provide the different types of ships and the types of equipment they will receive."

Admiral Miller:

" 1. Submarine and Submarine Support Ships (Total of 54 ships in FY 82)

Submarines

.Types of Equipment/Modernization

- AN/BQQ-5 Sonar
- MK 117 Digital Fire Control System (HARPOON and TOMAHAWK adaptations)
- SEA NYMPH ESM (SSN 637 Class)
- Type 18 Periscope (SSN 637 Class)
- Sound quieting measures
- Air conditioning/ventilation for combat systems

-Inertial navigation improvement

.Platforms

- 22 SSBNs
- 28 SSNs

Submarine Support Ships

.Types of Equipment/Modernization

- Major Shop Expansion (AS)
- Communication Improvements
- 600 PSI Improvement Program
- Deep Dive Mods/Maneuvering Improvements (DSV)

.Platforms: 1 AS, 1 ASR, 1 DSV and 1 NR

2. Cruisers, Destroyers and Frigates (Total of 73 ships in FY 82)

.Types of Equipment/Modernization

- Combat Systems Equipment (detection, engagement and management) including the following: AN/SPS 48 and 49 Radars; Design to Price Electronic Warfare Suite; OUTBOARD: SQR 18; NTDS Mods; ASW TDS: SM 2; 5" GP; TOMAHAWK; HARPOON; and CIWS.
- Communications: UHF Growth Radio; HF Modernization; Automated message routing system; and, Single Audio System (secure voice).
- Engineering: Air conditioning and electrical upgrades to support new combat systems; 1200 PSI Improvement Program; and main feed pump and forced draft blower modifications.
- Damage Control: HALON firefighting system; and DD 963 Class survivability enhancement.

. Types of Ships: 9 CGs, 3 CGNs, 7 DDs, 16 DDGs, 27 FFs and 11 FFGs.

3. Aircraft Carriers (Total of 8 ships in FY 82)

.Types of Equipment/Modernization: Major weapons systems modernization including NATO SEASPARROW and CIWS; air search radar upgrade including AN/SPS 48 and 49; passive self defense including the Tactical Flag Command Center (TFCC) automated system; total secure voice communications (Single Audio System); and, improved aircraft control system (CATC DAIR).

.Types of Ships: 1 AVT, 5 CVs and 2 CVNs.

4. Auxiliaries/Service Force Ships (Total of 37 ships in FY 82)

.Types of Equipment/Modernization: Improved deck machinery for UNREP; satellite communications equipment; solid state UHF and HF equipment and automated message routing devices; Design to Price EW; MK 36 Decoy Launcher; CIWS; NATO SEASPARROW; and, 600 PSI improvement program.

.Types of Ships: 1 AD; 14 AEs; 7 AFS; 4 AOEs; 5 AORs; 2 ARs; 1 TAE and 2 TAOs.

5. Amphibious Ships (Total of 28 ships in FY 82)

.Types of Equipment/Modernization: The same major projects as in the Auxiliary and Service Force Ships, plus AV 8 support alterations for LPH and LHA classes.

.Types of Ships: 2 LHAs, 3 LKAs 10 LPDs, 7 LPHs, 3 LSDs and 3 LSTs.

6. Reserve Ships (Total of 8 ships in FY 82)

.Types of Equipment/Modernization: Those alterations necessary to maintain the same degree of readiness as their active fleet class counterparts; and, MSO service life extension modifications.

.Types of Ships: 1 LKA, 1 AE, 1 ARS and 5 MSOs."

Senator Stevens: "Does the Navy have a long-range or multiple-year ship modernization program?"

Admiral Miller: "Yes. The Fleet Modernization Program (FMP), which spans the years of the Five Year Defense Program (FYDP)."

Senator Stevens: "If so, please provide the Committee with the details of this program commencing in Fiscal Year 1980."

Admiral Miller:

"Program Description

- The Fleet Modernization Program (FMP) is an integrated program of those modifications, alterations, changes and improvements to equipments, systems and hulls in the operating fleet that are funded by other than Ship Construction, Navy (SCN) funds. It is developed by the Ship Acquisition and Improvement Panel (SAIP) of the CNO Executive Board (CEB), in conjunction with the Fleet-Commanders-in-Chief and the Chief of Naval Material, and is executed by COMNAVSEASYSCOM as the executive agent for CHNAVMAT, as directed by CNO(OP-43).

- FMP philosophy contains the following major elements:

.Creation and development of ship/class modifications directed at countering the changing threats, and at optimizing the capabilities of each class of ship in the context of changing ship missions;

Prioritizing these modifications, hence creating a life-cycle modification/modernization plan for each class/ship which is kept current through coordination of the platform sponsors (OPNAV), operational commanders (TYCOMS and FLTCINCS) and the Chief of Naval Material;

Planning and scheduling segments of the life-cycle plans into discrete overhaul/restricted availability "packages" consistent with repair and operational schedules; and,

Creation of documentation sufficiently complete and responsive to daily changes to allow for both program planning and program accomplishment.

- The basic element of the program is the ship alteration (SHIPALT), the aggregate of which is contained in two computer-produced documents:

1. The Amalgamated Military/Technical Improvement Plan (AMT) which contains those SHIPALTS for all ship classes for new equipment installations which change the characteristics of a ship or are of a complexity beyond the FLTCINC's capabilities.

2. The Type Commanders Alteration Matrix (TAM) which contains alterations of a lesser magnitude, improving installed equipment, which are within the FLTCINC's capabilities.

- The approved AMT and TAM serve as multi-year planning, programming and implementation documents, continually updated through the computerized SAMIS (SHIPALT Management Information System).

Program Detail

- The two major influences on the current focus of FMP attention, are:

1. Perceived Threat. Examples of modernization projects programmed to counter specific threats in the various warfare areas, are:

-AAW: SM2 Missile; 48C ADT 3D Radar; and 49 ADT 2D Radar.

-ASW: BQQ-5 Sonar; TASS SQR-18 Sonar; LAMPS MK III; MK 117 FCS; Sub Silencing; SAWS (SSN/SSBN); MOSS (SSBN); Type 18 Periscope (SSN); CV-SQS-23 Sonar Mod; and CV-ASW Module.

-SUW: HARPOON; TOMAHAWK; and, MK 117 FCS.

-EW: SLQ-32; OUTBOARD; SEA NYMPH; CV-SLQ-17; CV-WLR-8 ECM Receiver; CV MUTE; and SLQ-34.

-C^3: CSS/SAS; SATCOM; NAVMACS; and TFCC.

-Vulnerability/Survivability: Ship Hardening; HALON fire fighting; Sprinkler Systems; and, DD 963 Survivability (fragmentation) enhancement.

2. Alteration Prioritization: Two methods.

- By Ship Class

.Category A: Major segment of current ship inventory. Includes ships generally at mid-service life and having the greatest need for technological improvement in all areas.

.Category B: Ships of more recent construction or conversion, more capable and with less need for improvement other than in the combat systems area.

.Category C: Older ship assets, nearing expiration of service life for which expensive capability increases cannot be justified. Emphasis on safety and mobility only.

- By Alteration Priority Level

.Level ONE: Mandatory and Safety.

.Level TWO: Primary Mission Reliability and Maintainability Increases.

.Level THREE: Urgent Combat/Primary System Modernization. (Reaction to current threats.)

.Level FOUR: Routine Combat/Primary System Modernization. (Reaction to future threats.)

.Level FIVE: Secondary Mission Reliability/ Maintainability Increases.

.Level SIX: Priority Secondary Mission Area Modernization.

.Level SEVEN: Routine Secondary Mission and Modernization.

.Level EIGHT: Mission/Reliability Support.

Net Result: Emphasis has clearly been focused in the combat systems area in order to counter the current threat. Budgetary constraints have limited SHIPALT accomplishment to those in only the top three priority levels, which precludes concentration to any significant degree on future threat response or anything other than urgent safety and primary mission capabilities on those ships in Category A. Category B ships receive little modernization until mid-life, when they become Category A ships. Category C ships receive only those alterations crucial to safety and mobility."

Nuclear Reactor Cores

Senator Stevens: How many ships does the FY 82 OPN reactor core budget provide with replacement reactor cores.

Admiral Miller: the FY 82 reactor core budget includes funding for two cruiser and two submarine longlife cores. These cores will support the refueling of one Virginia Class CGN and two Los Angeles Class SSN's.

Funding is also included in the FY 82 core budget for one of two replacement reactor cores required to support the refueling of a NIMITZ Class CVN.

NUCLEAR REACTOR CORES

Senator Stevens: On the average, what is the life of the nuclear reator cores being procured for Navy ships?

Admiral Miller: The average life of nuclear reactor cores being procured today is 10 - 15 years.

MODERNIZATION O&M COSTS

Senator Stevens: During our overview hearing with the Secretary and the CNO we asked for cost projections on operating and maintaining all the new ships and weapons systems now in the procurement pipeline. Do you have any 5-year estimates ready yet?

Admiral Miller:

CONSTANT FY-82 DOLLARS

System	FY81/82 Quantity	Estimated Delivery	FY 82-86 Ship Yrs	FY 82-86 OMN Ownership Cost ($M)
Combat Aircraft				
A-6E	24	1984-86		79.2
EA-6B	12	1982-84		61.6
AV-8B	12	1984		18.0
F-14A	60	1983-85		360.0
F/A-18A	123	1983-85		429.0
CH-53E	28	1983-86		84.0
SH-60B	18	1984		81.0
P-3C	24	1982-84		163.2
E-2C	12	1982-84		90.1
SH-2F	18	1984-85		33.6
Other Aircraft				
C-9	2	1983		12.8
T-34C	120	1983-85		68.8
TH-57	62	1982-85		24.9
EC-130Q	3	1983-84		34.0
TOTAL	518			1,540.2
Ships				
TAK (Conv)	1	1982	3.9	27.3
SSN-688	4	1986-88	0	0
CG-47	5	1985-87	1.5	25.2
LSD-41	1	1984	2.0	24.6
FFG-7	9	1985-86	7.5	43.5
MCM	1	1985	1.5	3.3
NEW JERSEY	1	1983	3.5	280.0
ORISKANY	1	1984	2.5	214.2
TALS	1	1982	5.0	97.5
TAKX	1	1983	2.7	42.7
TAKX (Conv)	2	1983	7.2	124.6
TAKRX (Conv)	8	1983	15.3	298.4
TAO-187	1	1986	0.5	7.1
TAGOS	9	1983-85	18.9	64.3
ARS	3	1984-85	5.5	19.8
TAFS	2	1982	10.0	177.0*
TOTAL	50			1,449.5

* Includes $33M for the TAFS Conversion

MODERNIZATION O&M COSTS

Senator Stevens: As we noted previously, the Army's modernization estimates were alarming--up from $27 million in 1980 to $2.6 billion by 1986. This kind of cost rise is substantial enough to affect procurement decisions.

To what extent do you apply systems controls to your weapons and shipbuilding procurement decisions? In other words, how effectively do you consider O&M costs in this decision process?

Admiral Miller: It is policy within the Department of Defense as a whole and the Navy in particular, that consideration of operating and maintenance costs be included in the weapons system selection process. It is a matter of fact, however, that the decision to develop and deploy a new system is more dependent upon near term cost (RDT&E and procurement) versus the perceived need rather than longer term life cycle costs. This fact-of-life condition in the weapons system acquisition process is furthered by the difficulty we have in accurately estimating the O&M costs for a system 5-15 years in advance of its eventual deployment.

Senator Stevens: Decisions are still pending on several costly shipbuilding and weapons procurement proposals. How would these decisions alter current O&M cost projections?

Admiral Miller: Without refering to specific programs, it is difficult to answer the question in a general way. Implicit in the Navy's FY-82 Amended Budget request is a commitment to increase force levels. We would expect that total operating and support costs to increase proportionately. As an example, reactivation of the battleship NEW JERSEY is an item requested in the FY-82 Amended Budget. We have estimated that total direct operating and maintenance costs (including manpower) associated with this effort to be as follows ($M):

FY-82	FY-83	FY-84	FY-85	FY-86	FY-87
15.9	54.9	90.2	93.4	96.9	100.5

Senator Stevens: For the record, please supply your current 5-year cost estimates--including inflation--for operating and maintaining the following:

Reactivating and operating each battleship now planned;

	FY 82-86 ($M)
Reactivating/Operating	$2,086.8

Reactivating and operating the ORISKANY

	FY 82-86 ($M)
Reactivating/Operating	$797.1

Maintaining and operating each cruiser now planned;

	FY 82-86 ($M)
Maintaining/Operating	$35.1

Maintaining and operating a new nuclear carrier;

It is estimated that such costs will not commence until 1991.

Maintaining and operating new submarines (TRIDENT)

	FY 82-86 ($M)
	$1,434.5

Maintaining and operating other new vessels now planned;

	FY 82-86 ($M)
Maintaining/Operating	$1,126.2

Deploying and operating new aircraft (with separate estimates for the FA-18).

	FY 82-86 ($M)
Deploying/Operating (exclude FA-18)	$1,308.2
FA-18	507.8
TOTAL	$1,816.0

Deploying and operating new missiles and other ordnance

	FY 82-86 ($M)
Deploying/operating	$176.4

DEFENSE RESOURCE MANAGEMENT STUDY

Senator Stevens: To what extent has the Navy been able to consider and implement recommendations and alternatives developed by the recent Defense Resource Management Study with respect to carrier-based air units? Do you now believe these recommendations might achieve significant O&M cost savings?

Admiral Miller: The Navy is conducting a detailed study and analysis of the Defense Resource Management Study's recommendations and alternatives. These alternatives have raised many complex issues in the areas of personnel distribution, shipboard/shore facilities, transportation, aircraft parts stocking and procurement. The analysis effort has received visibility and attention at all levels of the Navy and is being monitored by a full time project officer plus an advisory committee consisting of key logistic personnel from the material command and the two air type commands. Due to the complexity and sensitivity of these issues it would not be prudent to implement any of the recommendations until there is a high degree of certainty that the changes will in fact increase readiness. This is fully in consonance with the Defense Resource Management Study's original report which "did not make recommendation for immediate policy change" but suggested "continued aggressive staff and study pursuit by the Navy."

The analysis is nearing completion, but has not yet been finalized so there is no information yet available to discuss any cost savings.

Senator Stevens: Isn't it also true, in terms of constant 1982 dollars, that O&M and military personnel funding has risen less than 28 percent over the 1977-1982 period while procurement appropriations will go up by more than 51 percent? (Source is the Navy's own figures supplied after the previous hearing.)

Admiral Miller: These trends are correct. It should be noted that it is difficult to compare the long term acquisition of adequate quantities of hardware with current readiness-related operating efforts. The budget for new ships, planes, and weapons must include the replacement of obsolete technology as well as numerically equivalent or increased quantities. The cost of improving capabilities in the hardware areas has increased more rapidly than items such as the cost of overcoming the existing personnel deficiencies or maintenance of existing equipment. The recent major increase in procurement is designed to provide increased quantities of modern ships, aircraft, and equipment for the future. It is important to note that within the increased procurement programs, there are significant increases provided for ammunition and for equipment spares which also make important contributions to near-term readiness.

Senator Stevens: Again we must ask if this kind of emphasis on procurement is wise at a time when the Navy and the Pentagon are both voicing serious concerns about fleet readiness. Should we be directing more dollars instead toward overcoming serious personnel deficiencies and maintenance backlogs?

Admiral Miller: I would note that there was a significant increase in our budget base for Fiscal Year 1981 in the operations areas, this was particularly true in our military personnel accounts which had a 21.0% increase over FY 1980, primarily for fair benefits and increased compensation. In that same period, our O&M funds increased by almost 20%. In otherwords, we have been making gains in funding our near-term readiness areas. Readiness cannot be maintained in the long run, however, if the number of operational ships, planes, weapons, and equipment are allowed to deteriorate over time. Nor can readiness relative to the threat be maintained unless we modernize our forces, since the threat against which we must defend ourselves constantly improves its technological capability. Over the past ten years, insufficient funds were allocated to both maintain the quantity of our forces and to improve their quality. While allowing the total number of ships and planes in the fleet to decline, quality improvements were made for a small number of new procurements. Because of the resulting low production rates, unit prices were extremely high.

Senator Stevens: During our overview hearing with the Secretary and CNO, when we expressed some concern over the heavy spending emphasis given to procurement, we were told that increases for O&M and military personnel had already been built into the Carter budget to a large extent. But isn't it true that budgeted 1982 spending for procurement rises by more than 17 percent over 1981 while O&M and military personnel go up less than 5 percent?

Admiral Miller: In general, based on the critical requirement for improvement and modernization of defense capability,

spending for procurement is now increasing more than spending for O&M and military personnel. As you have noted, this is the situation with the FY 1982 budget. Procurement increases reflect our emphasis on major modernization programs as well as the quantitative force increases necessary to restore the Navy to a reasonable size; consequently, procurement is showing a larger percentage increase in our budget.

INCREASES IN MARINE CORPS RESERVE O&M APPROPRIATION

Senator Stevens: The summary table on page 3 of your statement General HATCH, shows an average of 1982 O&M increase for the Navy and Marine Corps of 12 percent. It also displays a 39 percent increase for the Marine Corps Reserve. In fact, the 1982 request for that branch is nearly double the 1980 operating level. Why is such a sharp increase needed for the Marine Corps Reserve?

General HATCH: The sharp increase in FY 1982 follows several years of restricted funding for Operation and Maintenance of the Marine Corps Reserve. During this period, training opportunities were lost and equipment and material readiness were held to minimum levels. Increasingly stringent mobilization response parameters to meet contingency requirements necessitate the attainment of a higher ready reserve readiness posture. Recognizing this need, additional funds were requested for Selected Reserve Readiness Enhancement and Individual Ready Reserve Response Improvement. The total FY82 program growth is comprised of; $2.1 million of inflation; $7.9 million for Selected Marine Corps Reserve Readiness Enhancement and $1.9 million for Individual Ready Reserve Response Improvement.

The FY 1982 Budget provides $1.0 million for expansion of the Mobilization Operational Readiness Deployment Test (MORDT) program in order to conduct additional battalion sized MORDTs. The increased funds will allow the Marine Corps Reserve to schedule, plan, and coordinate an additional four (4) "fly-away" MORDTs. To improve SMCR readiness, an additional $.8 million is requested for increased weekend training away from home station. The increased funding provides vehicles and transportation costs, fuel, consumable supplies, and repair parts to support the expanded weekend away training program.

The FY 1982 Budget provides increased funds of $3.6 million to procure 50% of Nuclear, Biological and Chemical (NBC) Warfare equipment total requirement. Deficiency of NBC equipment to fulfill SMCR unit requirements is $7.2 million.

Acquisition of automated data processing equipment will substantially alleviate General Accounting Office and Defense Audit Service criticism of the manpower, pay and training management systems in the SMCR. The FY 1982 Budget provides an additional $.4 million for contract maintenance and supply support for this equipment.

Adequate training facilities are essential to maintain readiness. Efforts are being taken to upgrade homesites to satisfy minimum training requirements, maintenance to sustain building life, adequate security and an acceptable quality of life standard for the occupants. Actions to improve habitability are included in the Fiscal Year 1982 Budget. An increase of $.5 million provides for an increase for contracted facility maintenance for 34 of 177 Reserve Training Centers that are not currently covered by maintenance contracts.

There has been a net decline of seven percent in the Selected Reserve prior service population over the past three years. Should this negative trend continue, the prior service population is projected to decline to 50 percent of the requirement by Fiscal Year 1984. Up to now, we have relied on passive recruiting by reserve units to attract prior service Marines. This approach has not worked.

The FY 1982 Budget provides an additional $1.6 million to support a fully funded comprehensive prior service recruiting program to reverse the present unfavorable prior/non-prior service ratio trend in the SMCR. This program includes funds for TAD and out-of-pocket expenses for training 186 full-time reserve recruiters and 180 GSA leased recruiter vehicles.

Operation and Maintenance, Navy Reserve

Senator Stevens: At the same time the Naval Reserve is left with a 6 percent increase -- clearly not enough to keep up with inflation. What priority judgements were involved in the decision to short change the Reserve?

Admiral Miller: The FY 1981-1982 change portrayed by the summary table reflects a net change resulting from a combination of program changes and the effects of inflation. The FY 1982 Operation and Maintenance, Navy Reserve (O&M,NR) budget request employed the same inflation indices as were used in the other O&M accounts. Thus, the relative lesser amount of overall growth reflected for O&M,NR is primarily a function of a major program reduction of approximately $ 30 million due to four fewer ships requiring overhaul and modernization funding. Discounting this reduction, the O&M,NR overall increase would have been in consonance with the O&MN increase of approximately 12 percent.

Strategic Forces

Senator Stevens: Why is it that strategic forces were singled out for the only reductions in the March budget revisions? We note the strategic forces activity drops by $7.2 million in the supplemental and by $18.9 million in the 1982 amendment, while other activities all register increases.

Admiral Miller: All budget activities incurred reductions in the budget revisions due to such things as revised inflation indices. Strategic forces did not have any large supplemental or budget amendment requirements. Therefore, this activity

shows a net decrease. This decrease does not represent a loss of program.

Senator Stevens: More specifically, please explain why the following programs under strategic forces were cut back:

-- ship maintenance and modernization (-$5.9 million);
-- strategic weapons systems (-$6.3 million);
-- TRIDENT operational support (-$4.4 million).

Admiral Miller: The answer to the previous question is applicable.

DECLINE IN CIVILIAN END STRENGTH

Senator Stevens: Of all the armed services, only the Navy and Marine Corps civilian end-strength is scheduled to decline in FY 1982. It will be lower, in fact, than in the 1960's. Why must the Navy alone take a civilian personnel reduction?

Admrial Miller: The net decline in civilian end strength for the Department of the Navy in FY 1982 represents anticipated contracting out of approximately 8,600 positions in that year under OMB Circular A-76 cost study procedures. This is, of course, an estimate, as we do not know in advance what results of cost studies will be. Should our current estimates not prove feasible, we will request appropriate end strength restorations.

READINESS IMPACT OF CIVILIAN REDUCTION

Senator Stevens: At a time when you're trying to expand fleet operations -- when you are asked to meet your heaviest peacetime operating demands -- what impact will the 4,500 personnel end-strength reduction have on your readiness?

Admiral Miller: As the net reduction is simply the potential conversion of base support functions such as firefighting and refuse removal from government to contractor performance, there should be no adverse impact on readiness. It should also be noted that the Department of the Navy's budget reflects substantial civilian staffing increases in such readiness-related activities as naval shipyards and ordnance industrial facilities.

Contracting

Senator Stevens: What is the estimated administrative cost in FY 1982 of shifting to contracting, including the cost studies mandated by law?

Admiral Miller: The Navy does not accumulate these costs for the implementation of OMB Circular A-76, however there were only five full-time personnel at headquarters level during FY 80 and less than 200 personnel involved on a part-time basis.

Senator Stevens: Presumably you are offsetting civilian personnel reductions by contracting out more programs and activities. How cost-effective is this policy?

Admiral Miller: Under the criteria established by OMB Circular A-76 only those functions are contracted out in which the contractor's personnel costs are at least 10% or more economical than the government's cost.

Senator Stevens: (a) Are you familiar with the most recent General Accounting Office study on consultant and management support contracting? (b) Are you making any specific effort now to carry out the recommendations of that report?

Admiral Miller: The Navy is familiar with the most recent General Accounting Office study on DOD's Management of Support Service Contracts.

The Navy believes its present controls are identical in intent and are more than adequate to satisfy this recommendation. Presently, all requests for support services contracts over $50,000 are reviewed for adequacy of competition and for retention of inherently governmental functions and approved by flag officers or SES civilians before initiation of any contract action. Involvement of an individual at this level assures the critical objective requirement review that the GAO feels is necessary.

In addition, the Navy has undertaken an aggressive implementation of OMB Circular A-76 which it believes sufficiently satisfies the intent of the GAO recommendations regarding identifying non-governmental functions required on a continuing basis and performing a cost benefit analysis of in-house performance versus contractor support.

Senator Stevens: Are you reducing the number of unsolicited and sole-source contracts?

Admiral Miller: The Navy has placed high level managerial emphasis on the competitive award of consultant and management support contracts. Any sole source contract award in excess of $25,000 resulting from an unsolicited proposal must be approved by the Chief of the Contracting Office. These controls should result in a reduction to the number of contracts awarded on a sole source, unsolicited proposal basis.

Senator Stevens: Are you considering the dangers inherent in surendering vital in-house management capabilities to contractors?

Admiral Miller: Under the provisions implemented within the Department of Defense, all functions are carefully examined for inherent governmental responsibilities and for National Defense and combat support requirements. When any of these criteria are met the function is excluded, thereby retaining the capability in-house.

Senator Stevens: We note from your program and financing statement in the January budget that you estimate $4.2 billion in total contracting for FY 1982, up about $500 million from 1981 and $1.2 billion (+43%) over the actual 1980 level. To what extent have the March budget amendments increased that contracting?

Admiral Miller: The March budget amendment did not increase the total contracting costs budgeted for FY 1982. On the contrary, resources budgeted for contract performance decreased by approximately $170 million. The majority of the increases proposed in the amendment rely on in-house performance while the decrements proposed in the amendment served to reduce the out-of-house portion of the total budget request. These reductions were in the form of the consulting services decrement and the decreases associated with the revised economic assumptions upon which amendment pricing was based.

78-680 O - 81 - 16

Senator Stevens: Why have you had to step up contracting at such a rapid rate? Are you comfortable with a budget that farms out nearly 22 percent of the total O&M spending?

Admiral Miller: There has not been any step-up in contracting out within the Navy under OMB Circular A-76. The Navy is engaged in a deliberate process of reviewing all of its commercial and industrial-type functions over a five-year period. Only those functions that are not governmental or required for combat support or National Defense will proceed to the cost study process. Only those functions where contracting out is economical will not be retained in-house.

The amount of contracting under Circular A-76 is quite small, totaling only $20 million per year at the present. Under the provisions of Circular A-76, all Navy service contracts will be reviewed for the appropriateness of their continued performance by contract. No new contracts are let under the provisions of A-76 unless it is determined that they are economical and that they can be accomplished without degrading either inherent governmental responsibilities or the National Defense.

Senator Stevens: The GAO has just issued a report sharply criticizing the Navy's internal controls systems. It says weaknesses in these systems permit unauthorized purchases, duplicate payments, $5.8 million in receivables written off without adequate justification, and other problems. The study covered the Naval Sea Systems Command and two other activities which provide supporting services. Are you familiar with this April 3 report?

Admiral Miller: Yes sir. It is the GAO report number AFMD-81-30 dated 3 April 1981 assigned DOD Case Number 5545.

Senator Stevens: GAO thinks your internal controls could be strengthened in most cases at little or no additional cost. Why have problems of this kind been allowed to continue when remedies are apparently available to the Navy?

Admiral Miller: The DON has continually emphasized and implemented internal controls as new and dissimilar situations come to light. In this fluid ever-changing climate, new controls are often needed because a different requirement or situation has come into being. The DON will be publishing two new Instructions in the immediate future which will provide positive management action in this area of audit and internal control. They are the "Management of Follow-up on Reports of Audit Organizations and Internal Review" and the "Establishment of a DON Review and Oversight Council". Together these two Instructions constitute a decisive move to combat fraud, waste, and abuse within the Department. They also assert the Departments' committment to manage its resources effectively, efficiently and economically.

Senator Stevens: Problems of this kind are what defense critics point to when we take the Defense Appropriations bill to the floor. How can we assure them that the fraud and abuse detailed in this report will be corrected.

Admiral Miller: The DON Council on Review and Oversight is chaired by the Under Secretary of the Navy with the Vice Chief of Naval Operations and the Assistant Commandant of the Marine Corps as two of its leading members. Other members include the Naval Inspector General and Auditor General. A primary objective of the Council will be to review the results of

audits, investigations and inspections; to identify areas needing increased management attention; and to ensure that prompt action is taken to correct deficiencies. The DON Follow-up System procedures mandate that findings and recommendations appearing in audit reports must be acted upon promptly by management and automatically forces contentious issues to the Under Secretary of the Navy for resolution. Savings resulting from audit recommendations will be reflected in the DON budget. The Follow-up System provides for a DON central internal control officer for internal review in the Office of the Comptroller of the Navy.

Senator Stevens: We note in budget justification there is a 3.8 million dollar increase requested to expand what is called Project GRASP. This is to develop major accounting system changes in response to standards established by GAO. What is the total estimated cost of this project? What are the projected savings it will accomplish, that is, will this be cost effective?

Admiral Miller: The Navy is confronted with an urgent need to redesign its accounting systems to bring them into compliance with certain mandated GAO principles and standards and, concurrently, to upgrade and modernize these systems to make them more responsive to user management. In recognition of the magnitude of this effort, the GAO Review and Approval of Accounting Systems Project (GRASP) was established under the auspices of the Comptroller of the Navy. To accelerate the work of this project, a high-level task group was formed in April 1981, under the Comptroller of the Navy, that includes representatives of the GAO, Office of the Secretary of Defense, and various other Navy commands. This task group is chartered to determine specific Navy requirements to meet GAO Title 2 and other management needs and to develop an overall strategy, including identification and selection of the most cost-effective approach, to implement these requirements into Navy accounting systems. The task group, when addressing the issue of cost-effectiveness, will determine whether certain existing systems should be modified or which systems may need to be replaced through development of a uniform standard system.

Our current estimate of project costs is $25-30 million. These costs include funds, in addition to the task group effort, necessary to design a new system or modify an existing system to serve as a uniform standard appropriated fund accounting system for Navy-wide application. Our estimates of the outyear costs will be refined based upon the results of the task group efforts and their approved plan of action.

The primary purpose of GRASP is to develop improved Navy accounting systems that meet all GAO Title 2 requirements and, as such, there are no currently identifiable savings. GRASP will result, however, in strengthened internal controls, e.g. general ledger control over property; improved and additional financial management information for budget formulation and use in carrying out operational responsibilities; and GAO approval of the Navy's accounting systems.

Senator Stevens: Does this accounting system implementation project have any relation to strengthening internal control systems as recommended by GAO in the latter report? If so, how?

Admiral Miller: While the major thrust of the GRASP project effort is to correct specific accounting deficiencies in Navy systems as identified by GAO, the task group will also address

itself to providing for the development of necessary internal controls to minimize the potential for fraud, waste, and abuse in the Department of the Navy. Internal controls that meet the requirements of GAO Title 2 will be incorporated during system design and development to ensure that they are an inherent part of system requirements. These controls will cover the full range of accounting, organizational, and ADP internal controls to safeguard government assets; restrict obligations and costs within imposed limitations; insure proper collection, accounting, and disposition of revenues; and assure the accuracy and reliability of financial reporting.

Air Operations

Senator Stevens: You are seeking $167.3 million (12 percent) increase in the air operations activity, but the data in your statement show no increase in the flying hour program (table 5, p. 12). What is responsible for the spending increase then? Is it entirely fuel cost increases?

Admiral Miller: The increase in terms of program and price is $16.4 million in program and $150.9 million in price. Significant increases and decreases are as follows:

PROGRAM	$ Million
Increases	
TACAMO Operations	+7.3
A-7, F-14 RECCE Crew Seat Ratio	+9.0
Sixth Fleet OPTEMPO	+2.9
F/A-18 Combat Development and Training	+6.2
Decreases	
F-4 to F-14 Transition	-1.1
RF-8 Assets are retired	-5.1
A-7 Training surge savings	-1.8
Support program decreases	-1.0
Net Program Changes	+16.4
Price	
Fuel prices	+123.4
Material prices	+27.5
Total change	$+167.3

Our FY 1982 budget assumes a continuous two carrier battle groups presence in the Indian Ocean and continues TACAIR PMR at [deleted] while funding fleet training and fleet support at 100 percent and 84 percent, respectively.

Senator Stevens: What is the estimated cost of adding two F-14 squadrons and phasing out the RF-8's in favor of modified F-14's?

Admiral Miller: Two F-4 squadrons will transition to F-14 aircraft during FY 1982. Because of a slight difference in cost per hour of these two model aircraft, a savings of $1.1 million is planned. Modified F-14 Tactical Aircraft Reconnaissance Pod System (TARPS) aircraft are planned to replace the aging RF-8 reconnaissance

aircraft. The F-14 requires one additional crew per carrier airwing at a cost of $2.1 million while the phase-out of the RF-8 will save $5.1 million. Overall savings then for the F-14 TARPS replacement of the RF-8 detachments is anticipated to be $3.0 million in our FY 1982 program.

AIRCRAFT ON EXTENSION

Senator Stevens: Your statement indicates that aircraft overhaul, with a budgeted 8 percent funding increase, will still leave 6 percent of the aircraft in overdue status. What kind of funding increase would be required to eliminate that backlog? What does the Navy consider to be an acceptable backlog in overdue aircraft reworks?

Admiral Miller: The Navy's goal for aircraft on extension (overdue for rework) is 6 percent of the active inventory. This figure takes into account many factors, such as overseas deployments, which may delay rework of aircraft beyond normal tour completion dates. Because of these factors, it is not considered cost-effective to budget for less than 6 percent aircraft on extension. However, if zero backlog were feasible, an additional $52.8M would be required to complete the additional workload.

Ship Operations

Senator Stevens: You have budgeted a $403.3 million (21 percent) increase for ship operations, pegged to the increased operating tempo in the Indian Ocean. Yet the table on page 14 of your statement shows no significant increase in steaming days per quarter. How are the steaming days calculated, and what are the cost factors involved in this substantial funding increase?

Admiral Miller: The funding increase of $403.3 million reflects the total difference between years for the "Reagan" program. The "Reagan" version amended the "Carter" Budget primarily for increased Indian Ocean support and revised fuel costs. Increases include a programmed OPTEMPO increase for Mediterranean forces, additional numbers of operational ships, an increase for the Indian Ocean forces based on nuclear/conventional balance, fuel and material inflation and other program increases, as follows:

	$ Millions
a. A programed OPTEMPO increase of two days per quarter for SIXTH Fleet Mediterranean forces	+9.4
b. Full funding for the depot level reparable (DLR) program vice 1/2 year in FY 1981	+91.1
c. Increase in the fleet size (new ships and submarines converted from strategic to attack type, less transfers and retirements)	+74.3
d. Increased shipboard support such as repair parts, battle helmets and fire retardant clothing	+21.5
e. Reduction in processing of nuclear cores	-4.0
f. Transfers in of General Purpose Test Equipment (GPETE) support from Other Procurement, Navy	+6.0
g. Cost of fuel	+140.2

h. Cost of utilities/materials +50.2
i. Increased ratio of conventional to nuclear CVBG's. +14.6

OPTEMPO is a reflection of operationally available ships by type applied to an annual Navy notional operational schedule to arrive at operational ship days for the year. Operational time for this purpose excludes downtime for repair. This is then reduced to a quarterly average for budget purposes. The plan includes historical underway hours/day average for the ship types. Intensive operational periods may not change the OPTEMPO day but will increase the hours underway and/or the fuel consumpton within the day which results in increased costs.

The "Reagan" programs for FY 1981 and FY 1982 are reflected in the OPTEMPO chart on page 14 and include two CVBG's in Southwest Asia each year. The FY 1982 difference reflects the programmed increase of two OPTEMPO days for the Mediterranean forces and some increase in Pacific operations over the FY 1981 OPTEMPO level.

Ship Reactivations

Senator Stevens: In connection with the Navy's proposal to reactivate two battleships and an aircraft carrier, what O&M funds in total are budgeted for them? Please submit a brief summary and justification for the record, including total additional personnel needed to man them and related training costs.

Admiral Miller: Because the requirement to operate and maintain these three ships will begin after reactivation has been completed, only one associated cost is budgeted in the O&M FY 1982 request. This is for refurbishment of aircraft, and associated engines and components, to be deployed aboard the USS ORISKANY. The $8.0 million requested for this purpose was predicated on the use of A-7A aircraft currently stored at the Military Aircraft Storage and Disposition Center. A decision made subsequent to the budget request to utilize Marine A-4M aircraft rather than the A-7A has obviated the requirement to refurbish aircraft to be deployed on the ORISKANY. No other O&M funds are budgeted in the FY 1982 request to directly support the reactivation of the two battleships and one aircraft carrier.

TRIDENT Support

Senator Stevens: Although the first TRIDENT submarine is running far behind construction schedule, you have budgeted a sharp, 78 percent increase in TRIDENT support. This would more than double the 1980 program level. Why such a sharp increase at this time?

Admiral Miller: The increase in FY1982 is required to continue efforts to implement the dedicated logistic support program which was started in earlier years and is now nearing completion. This concept of dedicated logistic support is the only way to achieve TRIDENT at-sea availability goals which are more ambitious than for any other Navy Major Weapon system. Through properly planned maintenance and disciplined logistic support the TRIDENT weapon system

achieves a greater at-sea availability over other ballistic submarine programs such as POSEIDON. This translates to more strategic coverage for a smaller investment.

Funding for this dedicated logistics program accounts for $232 million of the $318 million requested in FY1982. Originally this program was phased to be completed much earlier than currently planned; however, the entire program was rephased due to delays in submarine deliveries. Schedules for implementing this dedicated program now support a December 1981 delivery for the first TRIDENT submarine. Several elements of the program are phased somewhat earlier because they support hardware which is already operating at various locations such as at the TRIDENT Training Facility.

A comparison of FY1981 and FY1982 funding for this dedicated program indicates an increase of approximately $100 million. More than half or about $52 million is due to items such as support for the C-4 missile which have been transferred in from other programs where they are shown as decreases. Inflation accounts for another $10 million. This brings the increase from FY1981 to FY1982 down to approximately $38 million, most of which is related to the rephasing of efforts which were originally planned to be accomplished earlier but are now scheduled in FY1982 due to delays in the submarine schedule.

Senator Stevens: How much of the TRIDENT support program is contracted? Do you have any reasonably accurate breakdown?

Admiral Miller: The TRIDENT program is supported by contractors as well as government activities. Work is also performed by "in-house" civilian labor. In most instances individual contractors are involved in several program areas - which though different are included in one contract. While accurate records are maintained on individual contractor performance and costs, a breakdown by function is not readily available in all cases. It is estimated however that about $200 million of the FY1982 request is required for work performed by contractors. The remaining $118 million is for work accomplished by government labs, or for civilian in-house salaries, equipment and general program operating costs.

Senator Stevens: Compared to some of the other O&M increases in your budget, the 19% hike in Training and Education seems restrained when we consider your personnel retention problems. Just how adequate is the $540.8 million request for this activity, in your judgment?

Admiral Miller: The request for FY 1982 funds for Training and Education represents a balanced budget within fiscal constraints. Within these controls, the mission side of training and education is adequate except for a shortfall of $13.3 million for expanded contracting to minimize manning shortfalls of instructor and maintenance billets throughout the Naval Education and Training Command and a shortfall of $10.0 million in fuel rates for the Flight Training Program. The Navy does have significant deficiencies on the mission support side of the Training and Education Program as follows:

1. Long-standing deficiencies in cost of utilities, morale/welfare facilities, upgrade of BOQ's and BEQ's, maintenance projects, janitorial/refuse collection/ custodial services----------$14.6 Million
2. Overdue overhaul of training boats/craft----------$ 2.5 Million

3. Expansion of examination, evaluation, and certification programs for DANTES (Defense Activity for Non-Traditional Education Support)-$ 1.5 Million
4. Support of 10 new NJROTC (Navy Junior Reserve Officer Training Corps) and unprogrammed authorization for Variable Housing Allowance for instructors assigned to all NJROTC units----------$ .7 Million
5. Support of the VTXTS Program; this is the manpower required to coordinate and interface training requirements associated with new flight training aircraft----------$ .2 Million

TOTAL OF MISSION AND MISSION SUPPORT---$42.8 Million
The above data assumes passage of the FY 82 Reagan budget.

ASW Maintenance Support

Senator Stevens: Please expand on the 40 per cent increase you have budgeted for ASW maintenance support. Will this sizable increase bring the program current, or are there any backlogs?

Admiral Miller: The increase in the ASW maintenance program is based on several factors. One of those factors is our intent to eliminate the backlog. The funding requested will do so. In addition to the increase required for that purpose, greater resources will be required as a result of the stock funding of depot level repairables for the full year, transfer of MK-48 engineering support from procurement funding to O&M funding, and other increased requirements related to maintenance on ASROC, SUBROC, CAPTOR, and underwater fire control systems.

Base Operations

Senator Stevens: You are budgeting $2.5 billion for base operations, up more than $202 million from the 1981 level. This is an expensive area where we are told the Navy can establish considerable savings through closures and consolidations. At a time when we are being asked to appropriate record amounts for defense, what is the Navy doing to achieve savings in the base operations area?

Admiral Miller: Base operations are fact-of-life costs which are susceptible to increases due to inflation. The FY 82 budget increase in only 8 percent, which in constant dollars is a decline from the FY 81 costs. Approximately $175 million of the $202 million growth will pay for utility rate increases of over 30 percent, civilian pay raises, and congressionally mandated reduction in the backlog of maintenance and repair.

Consolidations of base operation support functions are on-going through the Defense Retail Interservice Support (DRIS) program. Expanded contracting out of functions is planned through Commercial/Industrial Type Activity (CITA) studies. Navy dependent services, personnel, administration, disbursing and

medical functions have been and continue to be consolidated within areas of large Navy concentrations. Saving from base closures are also being sought continuously.

The Navy, therefore, is doing as much as possible to ensure it achieves maximum efficiencies, economies, and management improvements.

Senator Stevens: Why can't you develop base consolidation recommendations in time for our condiseration of the FY 1982 appropraition?

Admiral Miller: To achieve maximum efficiencies and economies and to improve management, the Navy continually seeks savings in operations. Consolidations of support functions and closures of facilities that are not absolutely necessary are two primary methods of achieving these goals.

During the preparations of the FY 82 budget request, these types of actions were incorporated into the Navy's submission. The current Planning, Programming and Budgeting System (PPBS) keeps base support cost at the lowest possible levels because of the funding competition inherent in the system. PPBS is a healty system that is continually being refined to better identify and manage base support costs. Programming guidance has provided for reduction of base support through any reasonable means including consolidations. Naval audits and command inspections also search for means to reduce costs through consolidations.

Senator Stevens: Your statement notes that operational constraints, not funding priorities, are responsible for an overhaul backlog of 16 ships. Is this kind of a ship overhaul backlog acceptable? When can it be corrected, given current shipbuilding and operational planning?

Admiral Miller: While a 16 ship backlog is manageable the Navy's goal is to reduce the backlog to zero. This is programmed in future years. Realistically, however, until the current and future shipbuilding programs begin to provide more adequate numbers of ships to meet the operational demands, the backlog will remain between 10-20 ships for several years.

Senator Stevens: How does the 16 ship backlog affect overall readiness? And what are the long-term consequences of maintaining that kind of an overhaul backlog.

Admiral Miller: The 16 ship backlog does not have a significant adverse affect on overall readiness. The backlog is caused by operational demands, normally completion of a deployment which delays a ships entry into a scheduled overhaul period. Since the backlog is small, and therefore manageable, special attention in the form of additional maintenance support during the extended operating cycle can be provided on a case basis. We can manage this relatively small backlog level with virtually no adverse long-term consequences on overall readiness.

Maritime Prepositioning Ships Program

Senator Stevens: On page 3 of the prepared statement you indicated that about $8 million was contained in the 1982 Marine O&M request to support the maritime prepositioning ships program. I understand there is some concern about your ability to execute that program in FY 1982 due to a schedule slip in the overall program. What is your assessment of the likelihood of that one-year slip, and if it does occur, where could that money be effectively applied towards the readiness shortfall?

General Hatch: The $8 million was requested on the basis that we would sail the first of the Maritime Prepositioning Ships (MPS) sets toward the end of fiscal year 1983. This would permit us then to procure and insure that we have available by the end of 1983 those items that are to be positioned. The potential, for a variety of reasons, of the first MPS not sailing by the end of 1983 now appears very likely. There may be other alternatives which have not yet been looked at obviously, the world situation will dictate that--which would cause this to reverse and we would be able to convert or use current shipping. However, under the present program that does not appear likely. We could obligate the funds, but the fact is we would not need the gear until probably sometime during 1983. The logic of spending this money in fiscal year 1982 does not appear to be good. At the same time we would probably have come to you for reprogramming to meet the requirements of a deficiency that did not make the amendment. It is going to hurt us very severely if we don't fund it.

This deals with the Landing Vehicle Tracked (LVT) program, the Service Life Extension Program (SLEP) portion of it . When the LVT SLEP was originally devised it was intended to be a three year program. That permitted us to split up the vehicles over a number of years which would give us the new production at a relatively early year. Consequently, we scheduled the rebuild program to end in 1981; meaning we do not have a LVT rebuild program for 1982. Because of the Total Obligational Authority requirements we were forced to spread this program over five years which means we have tractors in use today that will not get into the rebuild cycle for five years.

Some 90 of those vehicles must have some type of of rebuild during 1982. We would propose that we take this $8 million and put it into a program called Inspecting Repair Only as Necessary (IROAN). This will insure the readiness and seaworthiness of those tractors through the period of time that we will have to keep them in service until they do go in for SLEP.

Questions Submitted by Senator Rudman

MK 92

Senator Rudman: The FY 1982 budget request includes $7 million for the procurement of the last of 13 Mark-92 Fire Control Systems to be installed in the new Coast Guard Bear-class cutters being built to replace obsolescent ships. The Mark-92, as I understand it, is being installed in FFG-7 class frigates and PHM-2 through PHM-5 Hydrofoil ships, in addition to the WMEC-901 class cutters.

Fleet introduction was scheduled for last year, as was follow-on test and evaluation. Is the program on schedule and what was the result of the analysis of the system's capabilities?

Admiral Miller: The program is on schedule. The results of testing completed in March 1980 verified previous assessments of satisfactory baseline performance but concluded that improvements were required in the following areas: ability to engage low elevation targets, reaction time and system performance against chaff.

Senator Rudman: The Mod 1 version of the Mark-92 system can track one air, surface or shore target using the monopulse tracker; and two surface or shore targets using track-while-scan data from the Combined Antenna Systems. The Mod 2 version, which I assume is undergoing additional testing, can ostensibly track an additional air, surface, or shore target using the Separate Track Illuminating Radar. While the system is reputedly designed for all-weather service, how vulnerable is it to enemy jamming or suppression through alternative electronic countermeasures? Are you satisfied that it can meet all present and anticipated performance requirements in a dense signal environment, particularly given the increased mission responsibilities many strategists foresee for FFG-7 class frigates in a Persian Gulf-type scenario?

Admiral Miller: The MK-92 Mod 2 version will be undergoing additional testing late this summer in order to analyze engineering modifications proposed for correction of some of the problems highlighted in last year's tests. Testing will include MK-92 FCS performance in an ECM environment. Vulnerability of the system to weather, jamming or suppression through alternative electronic countermeasures is of immediate concern. Development of a coherent receiver/transmitter along with a digital signal processor to upgrade the system is underway now. The anticipated performance requirements in heavy jamming and alternate mission requirements are being studied now. Although it is recognized that the threat to the FFG 7 Class ships can and will increase, the mission, which is to protect underway replenishment, amphibious and military shipping against sub-surface, air and surface threats will not change. Hence, upgrades to the FFG 7 must be viewed in that context. With regards to foreseen increased responsibilities in the Persian Gulf, the FFG 7 can operate effectively in its escort role in the face of moderate attack levels. However, it does not have the C^3, combat system capability or engineering sustainability necessary in a battle group capable ship operating in severe threat environments. FFG 7 Class ships have not yet deployed to the Southwest Asia area; however, our operational commander in the Indian Ocean has reported that frigates have not proved satisfactory for service in that theater during the monsoon season because of sea-keeping characteristics and hull size. Despite this and other limitations, frigates have been assigned to battle group forces for periods when more capable units were not available. The FFG 7 combat system, particularly in the area of AAW, requires upgrading which the Navy has undertaken. However, it

is not envisioned that this ship, with its limited overall upgrade potential, could fulfill any mission other than that currently assigned.

Senator Rudman: $30.8 million is requested in FY 1982 for the acquisition of seven Mark-23 Target Acquisition Systems (TAS), which I understand is a rapid-reaction, fully automatic Electronic Counter/Countermeasures (ECCM) capable radar system developed as the target acquisition system for the Improved Point Defense Surface Missile System. Describe its capabilities relative to the Mark-92? Is the procurement of the Mark-23 designed to ensure sufficient "redundancy" in such systems to hedge against technical failures, or are the systems designed to handle different threats?

Admiral Miller: The MK-23 Target Acquisition System (TAS) is a fully automatic system composed of a surveillance radar, an identification friend or foe (IFF) system, a display console and a general purpose computer which are integrated to form the total acquisition/designation system. The automatic MK-23 TAS accomplishes detection, tracking and identification (IFF) of targets from horizon to high elevation angles with threat evaluation and weapon assignment (designation) of targets to three dual channel missile systems in a short reaction time. The MK-23 TAS, together with the NATO SEASPARROW Surface Missile System (NSSMS), which employs the SPARROW Missile, form the Improved Point Defense Surface Missile System (IPDSMS). The IPDSMS provides an integrated stand-alone AAW point (self) defense capability for AOE, AOR and DD 963 Class ships with the primary threat being Anti-Ship Cruise Missiles (ASCM).

The MK-92 Fire Control System (FCS) serves both the STANDARD Missile System and the 76mm Gun installed on the FFG 7 Class ships. Operating as a missile system it provides the FFG 7 Class with the AAW defense capability to fulfill both its convoy escort role and self-defense requirement. A separate surveillance system, the AN/SPS-49 Radar, is integrated with the MK-92 FCS using Navy Tactical Standard Computer and display console equipment to complete the FFG 7 combat system. The total system capability in the FFG 7 Class, MK-92 FCS and STANDARD Missile, provides an AAW defensive system with greater range and target capacity than MK-23 TAS and NATO SEASPARROW Missile. The two systems are intended to meet different AAW threat scenarios; the MK-23 TAS and NATO SEASPARROW Missile as a self-defense system and the MK-92 FCS and STANDARD Missile for both escort role and self-defense.

SOSUS/RDSS

Senator Rudman: Of utmost importance is the upgrading of our Anti-Submarine Warfare (ASW) capabilities, particularly in light of the Soviet Union's deployment of new-generation subs of the Alpha and Oscar class. Under the category of "other equipment," the Navy is requesting a $16.4 million increase in the FY 1982 account for the Sound Surveillance System (SOSUS). (SOSUS is a system of hydrophone arrays deployed on the ocean floor off the Atlantic and Pacific coasts of the U.S. which relay acoustic data to a shore processing center).

Is SOSUS capable of reliable detection out to maximum RAP range [deleted]?

Admiral Miller: SOSUS takes advantage of the deep sound channel to achieve long-range detections. [Deleted].

The Rapidly Deployable Surveillance System (RDSS) takes advantage of the Reliable Acoustic Path for detections [deleted].

Senator Rudman: How vulnerable are the arrays to acoustic jamming or jamming of the RF transmitter links?

Admiral Miller: SOSUS and RDSS are vulnerable to acoustic jamming as is any passive acoustic sensor. [Deleted]

SOSUS is not vulnerable to RF jamming. RDSS is vulnerable to RF jamming; [Deleted].

Senator Rudman: Doesn't the system as presently configured require a monitoring ASW aircraft deployed for real-time, on-station processing? Isn't the aircraft itself vulnerable to enemy countermeasures? Since I assume the types of aircraft we are talking about include P-3 and S-3 aircraft, what self-protection measures are envisaged?

Admiral Miller: RDSS will require aircraft monitoring. If the situation requires real time data processing, an aircraft will have to be on station. [Deleted].

If monitoring were considered necessary during a conflict in an area not under our control, escort aircraft would be required.

Senator Rudman: What is the status of the Rapidly Deployable Surveillance System (RDSS)? Is this a more cost-effective and survivable system than SOSUS?

Admiral Miller: RDSS has completed Advanced Development and is ready for Full Scale Development (FSD). On 27 March 1981, Department of the Navy Systems Acquisition Review Council recommended the program proceed to FSD. A cost-effectiveness comparison of RDSS and SOSUS is not meaningful. [Deleted].

The two systems are complementary, not competitive.

Questions Submitted by Senator Stennis

Senator Stennis: The Office of Management and Budget (OMB) has recommended that savings would accrue by DoD Contracting out a number of functions including operation of commissaries, hospitals, depot maintenance, and audiovisual activities. I would like your comments on this proposal.

Don't you believe that this is a good example of contracting out essential operations to avoid personnel ceiling?

Admiral Miller: The OMB recommendation is consistant with the policy established by OMB Circular A-76. This policy, in existence since 1955, establishes a structured and deliberate process for determining whether the government's commercial and industrial-type functions can be performed more economically by the private

sector. Under the procedures established by Circular A-76 and the DoD implementing regulations, all government commercial and industrial-type activities are reviewed to determine whether any compelling reasons exist that require continued government performance. These procedures ensure that essential operations requiring government performance such as those directly affecting defense readiness remain in-house. Those functions that do not meet these criteria then undergo a cost comparison study to determine whether continued governmental performance is economical. Commercial and industrial-type functions are not contracted unless the cost comparison study demonstrates the cost effectiveness of conversion to contract.

Since OMB has simply recommended that these functions be scheduled for study under Circular A-76 procedures, I do not believe that this recommendation can be viewed as an instance of contracting out essential functions to avoid personnel ceilings. I am supportive of contracting for commercial and industrial-type functions such as those recommended for study by the Office of Management and Budget when such contracting will result in a savings to the government without any impairment of defense readiness.

Contractor Engineering Technical Services

Senator Stennis: The Navy is requesting $7 million in the Fiscal Year 1981 supplemental for additional workyears of Contractor Engineering Technical Services (CETS). These workyears are in support of the enhanced Indian Ocean presence and are caused by a shortage of specialized and trained Navy enlisted technicians. No additional funds were requested in the 1982 amended budget request. Does this mean that the Navy has sufficient funds budgeted in the regular request or will the Navy be in a better posture to perform the workload by October 1, 1981?

Admiral Miller: Retention initiatives will not bring immediate results and will not impact the need for CETS in Fiscal Year 1982. Sufficient funds have been budgeted in Fiscal Year 1982 to support known CETS requirements.

Senator Stennis: Would you provide for the record the amount obligated for Contractor Engineering Technical Services in fiscal year 1980 and the estimates for fiscal years 1981 and 1982 with accompanying manyears supported.

Admiral Miller: Funding for Contractor Engineering Technical Services for FY 1980 through FY 1982 is displayed below.

	FY 1980	FY 1981*	FY 1982
$ Millions	$73.0	$79.9	$111.5
Workyears	1,127	1,130	1,475

*Does not include supplemental request of $7.0 million and 97 workyears.

FY-82 OPN & O&MN REQUEST

Senator Stennis: Do you believe the average mission capable rate of [deleted] for active Navy aircraft to be adequate? This rate will be achieved by the end of fiscal year 1982. What would it take to reduce the backlog of aviation engines and components still further and increase the average mission capable rate?

Admiral Miller: No, a mission capable (MC) rate [deleted] is not adequate; the Navy's MC goal for active aircraft [deleted]. The additional funding requested in the FY 1981 Supplemental and FY 1982 Amendment is expected to eliminate the backlog of aviation engines and components awaiting rework. In addition, in FY 1983 and beyond we are applying additional resources to critical logistic support areas in order to improve the mission capable rate. However, we may not be able to achieve our [deleted] goal in the near term due to the impact of factors other than rework funding, such as the shortage of trained technicians in the fleet.

Operation and Maintenance, Navy

Senator Stennis: The fiscal year 1982 amended budget request includes $9.0 million to activate two ammunition ships (AE) from the Naval Reserve Fleet to the active fleet. What is the amount that was contained in the basic 1982 budget for the Naval Reserve to operate these ships?

Admiral Miller: The Operation and Maintenance, Navy Reserve Budget contains $20.3 million in FY 1982 to support the operation and maintenance of the two ammunition ships (AE).

Senator Stennis: How does this request differ from the $50 million request in the fiscal year 1982 amended budget for prepositioning ammunition ships for the rapid deployment force?

Admiral Miller: The prepositioning of ammunition ships for the Rapid Deployment Force has a separate purpose and concept of operation from the requirement to return two ammunition ships (AE) from the Naval Reserve Fleet. The five prepositioned ammunition ships will be used to preposition ammunition at selected locations to support Army and Air Force units in a contingency. The prepositioned ammunition ships will be 5 Victory class ships which are currently administered by the Maritime Administration in the National Defense Reserve Fleet. The AEs will increase Naval active forces and augment support for expanded naval commitments in distant areas, e.g. Indian Ocean/Persian Gulf.

Marine Corps Operation and Maintenance

Senator Stennis: There is $10 million requested in the amended fiscal year 1982 budget for unique training associated with responsibilities of the Marine Corps to the Rapid Deployment Force. These functions include mountain training and training in desert environments. Where will this type of training by conducted? Are the funds primarily associated with travel costs for deployment of troops and equipment to the training sites?

General Hatch: The focus of this training is to develop and practice the individual skills and unit capabilities critical to fighting in the mountain and desert environments. The training will be primarily conducted at two locations. That training associated with desert warfare conditions will be accomplished at the Marine Corps Air Ground Combat Center (MCAGCC), Twentynine

Palms, California. The mountain combat training will be performed at the Marine Corps Mountain Warfare Training Center (MCMWTC), Bridgeport, California.

Approximately $2.5 million of the requested $10.0 million will be used for unit transportation. Of this amount, $2.0 million is required for airlift of the 6th Marine Amphibious Brigade (MAB) to the MCAGCC and the subsequent movement of one battalion to the MCMWTC prior to returning to Camp Lejeune, North Carolina. Transportation of 7th MAB units to MCAGCC will cost approximately $0.5 million. This includes the subsequent movement of one battalion to the MCMWTC prior to returning to Camp Pendleton, California.

The remaining $7.5 million consists of $4.0 million for Procurement, Marine Corps and $3.5 million for Operations and Maintenance, Marine Corps. It is required to augment current force training capabilities and will provide necessary support as follows:

Upgrading Equipment Allowance Pool at MCAGCC (O&MMC)	1.0
Additional Fuel Requirements (O&MMC)	1.0
Combat Training Support (O&MMC)	1.0
Establishment of Equipment Allowance Pool at MCMWTC (O&MMC)	.5
Training Ammunition (PMC)	3.0
Secondary Reparables (PMC)	1.0
Total	7.5

Senator Stennis: There is $41.0 million requested in the fiscal year 1981 supplemental request for procurement of camouflage nets and desert camouflage uniforms for the Rapid Deployment Force. These items will be used to reduce individual and organizational table of equipment (T/E) deficiencies. Just how large are these deficiencies and will the requested amount put the Marines in an adequate posture if deployment is required?

General Hatch: Of the total $41.0 million requested, $27.0 million will be applied to reducing deficiencies in mount-out spare parts; tactical fuel system components; and table of equipment items. The total deficiencies reported at the beginning of fiscal year 1981 in these three areas amounted to $70.6 million. The requested funding will enable the Marine Corps to reduce deficiencies for mount-out spare parts by 100 percent; tactical fuel system components by 27.7 percent; and table of equipment items by 38.3 percent. The remaining $14.0 million will provide for camouflage module nets with support systems ($5.5 million) and desert camouflage uniforms ($8.5 million) to support Rapid Deployment Forces.

While the requested funding will not accommodate all readiness related current requirements, it will greatly enhance the Marine Corps' deployment readiness, particularly in a desert environment.

Senator Stennis: Tell me about the $39 million requested in the amended fiscal year 1982 budget request for productivity enhancement investment equipment. Just what type of equipment are we speaking of? Is this a definitized requirement or funds which will be used to test concepts which could lead to productivity enhancement measures?

Admiral Miller: The $39 million in the Amended Fiscal Year 1982 Budget request for productivity enhancing capital investments will procure equipment which will return all

investment costs within four years from the date they become operational. The Navy plans to procure twenty four projects. For the most part the projects represent definitized requirements identified by the claimants. Examples of projects to be procured include:

1. Realtime Radiographic System - provides for an increased capability in x-raying ordnance items in support of the Weapons Quality Engineering Center at Concord, California.
2. Electronic Rework Processes Center - cost savings will accrue as a result of the use of advanced diagnostic testing techniques and general improvement in efficiency due to application of group technology techniques. Scanning will detect thermal effects due to component failures at a faster rate and a reduction in damage during testing is anticipated.
3. Automated Calibration - will provide an increased efficiency rate at the Navy Calibration Laboratory which has a mandatory recall program for electronic test equipment and precision measuring equipment.

Senator Stennis: $10 million is requested in the fiscal year 1982 amended budget for an additional AN/SLQ-17 Anti-Ship Missile Defense (AMSD) electronic warfare system for an FY 1984 carrier installation. Is this lead time away or could the electric warfare system be programed and budgeted in the fiscal year 1983 request?

Admiral Miller: The additional AN/SLQ-17 Anti-Ship Missile Defense System requested in the FY 1982 amended budget is planned for installation in USS JOHN F. KENNEDY (CV-67) during her FY 1984 Regular Overhaul scheduled for June 1984 to June 1985. The normal lead time for the AN/SLQ-17 is 24 months. Consequently, the planned FY 1982 procurement is based on lead time away and cannot be budgeted in the FY 1983 request without missing the planned installation. The other AN/SLQ-17 system being procured in FY 1982 is for installation in the USS RANGER (CV-61) during her FY 1984 Regular Overhaul scheduled for January 1984 to March 1985. It is also being procured on a lead time away basis.

VIPER PROGRAM

Senator Stennis. The VIPER program has been experiencing technical difficulties and the production decision has been delayed. Have the Marines explored other alternatives in the event that production of VIPER is further delayed?

General Hatch. The Marine Corps has requested Safety Certification on the Carl Gustof. However, the Marine Corps feels that this weapon system is unsatisfactory because of its weight and the fact that it is a crew-served weapon.

In addition, the Marine Corps Development and Education Command is monitoring the British LAW 80 program in development with an Initial Operating Capability (IOC) of 1983. The Deputy Chief of Staff, for Research, Development and Studies has been tasked with proposing a test plan to include funding that will permit safety certification and approval for service use by end 1983. This Headquarters has no information on other alternative systems.

LIGHT ARMORED VEHICLE

Senator Stennis. Initial procurement funds are requested for a new light armored vehicle. Has testing been completed on this vehi-

cle and how will the Marine vehicle compare with a similar vehicle the Army is planning to procure?

General Hatch. The LAV Program is an accelerated acquisition effort to field a family of Light Armored Vehicles from off-the-shelf candidates to provide an Initial Operating Capability (IOC) in 1983. The strategy to obtain this goal is based upon a 90 day evaluation of industry's response to our Request For Proposal (RFP) which was published on 14 April 1981. From the evaluation we will award up to four test contracts requiring each contractor to provide four test vehicles to be evaluated during our Test and Evaluation Phase (November 1981 - June 1982). The winner of this phase will be awarded a production contract to provide the 742 LAVs setforth in our requirements documents.

The Marine Corps has identified a requirement for a 14.5 ton vehicle which may be either wheeled or tracked and capable of being configured in a variety of modes to fulfill our Mission Element Need Statement (MENS). Our basic vehicle is designed to mount a 25mm, M242 Chain Gun in a two-man turret. The Army's requirements, while similar, are more restrictive. They require a wheeled vehicle with a stabilized 25mm gun and a Passive sighting system.

M16A1 RIFLE

Senator Stennis. Would you discuss the reliabililty and operational capability improvements which have been incorporated in the updated version of the M16A1 rifle?

General Hatch. The improved M16 rifle includes a stronger, slightly heavier barrel with modified rifling. This improvement is designed to maximize the effectiveness of the rifle when firing the new improved NATO standard 5.56mm cartridge. This ammunition, which is also planned for use in the new 5.56mm machine gun in the rifle squad, has significantly improved penetration capability and has other advantages which will increase the effectiveness of the rifle at extended range. Another improvement is an adjustable rear sight and muzzle compensator designed to improve the weapon's accuracy.

In order to further increase effectiveness while reducing unnecessary ammunition usage, we plan to include a burst control device. Also, the design and material used for the butt stock and handguard will be changed to increase durability and reliability.

These improvements and design changes will, wherever possible, be interchangeable with the existing version of the rifle.

HMMWV VEHICLE

Senator Stennis. The Army is moving toward procurement of the High Mobility Multi-purpose Vehicle (HMMWV) to replace a number of tactical vehicles. How do the Marines plan to utilize this vehicle?

General Hatch. The Marine Corps plans to utilize the HMMWV to accomplish the same mission roles that are performed by the current M151 jeep and associated M416, 1/4-ton trailer. These roles are as follows: Ambulance, TOW/Weapons Carrier, Military Police, Command and Control/Communication Carrier, Searchlight and Utility.

Senator Stennis. I am especially interested in how many jeeps used primarily for utility passenger carrying capabililty will be replaced by the HMMWV?

General Hatch. The current requirement for utility passenger carrying M151 jeeps is 8,555. The requirement of the HMMWV in the utility passenger carrying mode is 7,333.

The Secretary of the Navy is convinced that these new initiatives, coupled with the systems and procedures previously in place, will achieve the goals of: a. managing the DON resources efficiently, effectively and economically and, b. of minimizing or eliminating fraud, waste and abuse.

The formal DON response to the GAO report, OSD Case #5545 is presently being staffed. A copy will be provided to you ASAP.

SUBCOMMITTEE RECESS

Senator STEVENS. We are going to recess the committee until Thursday, April 23 at 9 o'clock when we will hear from the Navy and Marine Corps on their fiscal year 1982 budget requests for manpower and Reserve Forces.

Thank you.

[Whereupon, at 10:55, Tuesday, April 21, the subcommittee was recessed to reconvene at 9 a.m., Thursday, April 23.]

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1982

MONDAY, MAY 18, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:15 a.m. in room 1223, Everett McKinley Dirksen Senate Office Building, Hon. Warren Rudman presiding.

Present: Senators Rudman and Schmitt.

DEPARTMENT OF DEFENSE

DEPARTMENT OF THE AIR FORCE

OPERATION AND MAINTENANCE

STATEMENT OF BRIG. GEN. RICHARD D. MURRAY, USAF, DEPUTY DIRECTOR OF BUDGET HEADQUARTERS, USAF

ACCOMPANIED BY:

COL. EVAN J. GRIFFITH, JR., USAF, ASSISTANT DIRECTOR FOR OPERATIONAL INITIATIVES AND JOINT MATTERS, DIRECTORATE OF OPERATIONS AND READINESS, HEADQUARTERS, USAF
COL. RICHARD L. BINFORD, USAF, DEPUTY DIRECTOR, DIRECTORATE OF MANPOWER AND ORGANIZATION, HEADQUARTERS, USAF
LT. COL. BERNARD S. HARLAND, USAF, CHIEF, BUDGET BRANCH, AIR NATIONAL GUARD, USAF
MAJ. MICHAEL L. F. TAYLOR, USAF, CHIEF, FLYING HOUR PROGRAMS, DIRECTORATE OF PROGRAMS, HEADQUARTERS, USAF
MAJ. JAMES G. TATTINI, USAF, BUDGET ANALYST, DCS MANPOWER AND PERSONNEL, HEADQUARTERS, USAF
JAMES C. HARMON, CHIEF, BUDGET BRANCH, OFFICE OF AIR FORCE RESERVE
GEORGE J. GALLAGHER, CHIEF, JUSTIFICATION/MILITARY PERSONNEL OFFICE, OPERATING APPROPRIATIONS DIVISION, DIRECTORATE OF BUDGET, HEADQUARTERS, USAF
CHARLES D. McELHANON, CHIEF, MODIFICATIONS/O&M PROGRAMS DIVISION, DIRECTOR OF LOGISTICS PLAND AND PROGRAMS, HEADQUARTERS, USAF

1981 APPROPRIATIONS AND 1982 BUDGET REQUEST

Senator RUDMAN. The subcommittee will come to order.

We are here this morning to receive testimony on the budget estimates for the Air Force's Operations and Maintenance request.

With the March budget revisions submitted by President Reagan, the request for Operations and Maintenance estimates totals $19.2

billion for the Air Force's Active and Reserve forces and for the Air Force National Guard. This is an increase of $3.7 billion over appropriations to date for fiscal year 1981.

The committee is currently recommending supplemental appropriations of more than $1.4 billion for fiscal year 1981. There is also $107.8 million requested for the Air Force stock fund, which is $79.5 million over appropriations to date for fiscal year 1981.

It may be necessary to close the hearing today due to classification of materials to be covered. In the event that such material is to be discussed, if the witnesses or members of the subcommittee will indicate their desire to close the hearing, I will set a time for going into closed session. Most likely this would be for the period when a majority of members will be present. If this is the case, those individuals not cleared or having the need to know will be required to leave.

EXPRESSION OF WELL WISHES FOR GENERAL MURRAY

We are pleased to have with us Brig. Gen. Richard D. Murray, Deputy Director of Budget for the Air Force.

General Murray, I understand this is going to be the last time you are going to be appearing before us as a witness, that you are finishing your tour and being reassigned as Deputy Commander for the Army and Air Force Exchange Service in Dallas.

We want to wish you very well in your future assignment.

We are very glad to have you before us this morning.

General MURRAY. Thank you very much, sir.

INTRODUCTION OF ASSOCIATES

I have along with me two witnesses in the Air Force: representing our pilots and aviators, Col. Joe Griffith; and representing all the maintenance people that keep our aircraft ready and able to fly, Mr. Charles McElhanon; and five outstanding support witnesses.

I have a statement, sir, that I would like to have placed in the record at this point.

Senator RUDMAN. We will place your statement in the record.

I would like you to give us a good summary of that statement and call on Colonel Griffith and Mr. McElhanon for anything you would like to state.

General MURRAY. I will very briefly cover what is in the Active Air Force, the Guard and the Reserve budgets.

ACTIVE AIR FORCE

We have requests for fiscal year 1982 for O. & M., Air Force, of $16.882 billion, an increase of $1.692 billion over the fiscal year 1981 budget. This increase results from inflation of $1.084 billion and net program increases of $608 million.

The program growth of $608 million is principally to support the continuing modernization of our tactical air forces, to support increased flying hours, to reduce the backlog of maintenance and repair of our real property facilities, to fund the depot maintenance program, to provide for an expanded Joint Chiefs of Staff Exercise

program, to support increased space-launch support costs and to cover increased command, control and communications costs.

The program increases are partially offset by decreases resulting from one-time current-year programs—such as aircraft bed-down costs in Korea—reduced costs for the base-level computer modernization project—called Project Phase IV—and budgeted savings for operating economies and efficiencies.

The budgeted price growth of $1.084 billion is primarily for estimated price increases for fuel, transportation, supplies and equipment, contractual services, foreign national indirect hire pay raises, and annualization of current year civilian pay raises.

This budget price growth figure is an aggregation of detailed individual calculations which involve applying inflation rates to the various commodities and services that support our O. & M. programs. For example, the inflation rate used for purchases of contractual services was 8.4 percent.

The financial requirements in the O. & M. appropriation are influenced by force levels, the technological nature of the equipment in the force, and activity rates. These include the number and type of aircraft and squadrons, the number of aircraft sorties and flying hours, personnel strengths, the number of installations, and the quantity and complexity of vehicles and other equipment in operation.

The total aircraft inventory supported by O. & M. funds will increase from 6,378 in fiscal year 1981 to 6,479 aircraft in fiscal year 1982, a net increase of 101 aircraft. The increases are primarily the result of the Air Force's modernization program and include F-15, F-16, and A-10 new production aircraft being delivered in fiscal year 1982.

FLYING HOUR PROGRAM

The flying hour program will increase from 2.119 million flying hours in fiscal year 1981 to 2.232 million flying hours in 1982, an increase of about 113,000 flying hours.

Major Taylor, what were we using as additional hours in 1982?

Major TAYLOR. A large part of the 113,000 hour growth in fiscal year 1982—+34,000 hours is tied to our increased production in undergraduate pilot and navigator training to build up our rated force. Increased force equipage and the changing force mix drive an additional 41,000 hours. The other major piece, some 27,000 hours, is tied to increased utilization or activity rate growth in our tactical fighters.

We are trying to increase the flying hours per pilot in the Tactical Air Forces, Senator, to more closely aline their readiness training with the capabilities of the modern aircraft they are flying.

General MURRAY. Thank you.

PERSONNEL INCREASES

The budget supports an increase of 17,800 military personnel and 1,100 civilians funded by O. & M., Air Force. In addition, there is an increase of 1,500 civilians requested for Air Force industrial

fund activities to enable us to have better utilization of our in-house facilities and save dollars over all.

AIR FORCE RESERVE

The fiscal year 1982 request for O. & M. Air Force Reserve, is $681 million, an increase of $76 million over the fiscal year 1981 budget. This increase results from price growth of $37 million and net program increases of $39 million.

The program growth of $39 million is principally for full-year operation of unit conversions that occur this year, plus those that will occur next year, for basing actions, and for several other readiness initiatives.

The price growth of $37 million will cover budgeted inflation in the cost of fuel and other commodities, and the annualization of current-year civilian pay raises.

AIR NATIONAL GUARD

The fiscal year 1982 request for O. & M., Air National Guard, is $1.687 billion, an increase of $144 million over the fiscal year 1981 budget. This increase results from price growth of $106 million and net program increases of $38 million.

The program growth of $38 million is principally for unit conversion and force modernization related costs, increased depot maintenance, increased repair and maintenance of real property facilities, and assumption of host responsibility for Otis and Rickenbacker Air Force Bases.

The price growth of $106 million will cover budgeted inflation in the cost of fuel and other commodities, and the annualization of current-year civilian pay raises.

SUMMARY REMARKS

In summary, this concludes my brief overview of the fiscal year 1982 O. & M. budget requests. The funds requested represent balanced operation and maintenance programs. If inflation does not significantly exceed the rates reflected in these budgets, we will achieve important improvements in readiness through expanded production of pilots, navigators, and other trained personnel, and through increased maintenance of our aircraft, equipment, and facilities.

On behalf of the 802,000 personnel in the Air Force, I enlist your continued support of the Air Force O. & M. programs.

Joe, is there anything you would like to add to that, as to why we need these 1982 dollars?

AIR FORCE MAINTENANCE PROGRAMS

Colonel GRIFFITH. As you know, for the past several years we have slighted several crucial aspects of our Air Force maintenance programs which directly impact on training. It is very, very important. That may be the biggest hedge that we have over our adversaries—our ability to adequately and appropriately train.

We ask your support for this budget. We think this is a step in the right direction toward getting the job done.

General MURRAY. Mr. McElhanon.

DEPOT MAINTENANCE PROGRAMS

Mr. MCELHANON. This budget is somewhat unusual, to me, in that we have our depot maintenance programs fully funded. That is an experience I have not frequently gone through.

We also have some needed manpower increases in the depot organization, as well as the field maintenance units that will help us do better our task to keep our airplanes operational and ready.

General MURRAY. We are increasing the number of pilots we are training in 1982 and the number of navigators.

Jim, why do we need to train additional people in 1982?

TRAINING ADDITIONAL PERSONNEL

Major TATTINI. With the shortfall we have in the navigator and pilot force, we have increased the production rate to offset this deficit. We will be 1,700 pilots and 800 navigators short in 1982. It is imperative we increase our navigator and pilot production in the 1982 to 1987 time frame.

General MURRAY. Lieutenant Colonel Harland and Mr. Jim Harmon represent the Guard and Reserve. Any questions you have in those areas, they will be able to handle.

Is there anything you would like to add to that, Jim?

Mr. HARMON. That basically sumarizes the O. & M. Reserve funding request.

Senator RUDMAN. Does that conclude your statement?

General MURRAY. It does, Mr. Chairman.

PREPARED STATEMENT

Senator RUDMAN. Your prepared statement will be inserted in the record at this point.

[The prepared statement of General Murray follows:]

PREPARED STATEMENT OF BRIG. GEN. RICHARD D. MURRAY
DEPUTY DIRECTOR OF BUDGET, OFFICE OF THE COMPTROLLER

Mr. Chairman and Members of the Committee:

I am pleased to appear before the Committee to present and discuss the Air Force Operation and Maintenance (O&M) budget requests for FY 1982. My statement will compare the FY 1982 budgets with FY 1980 and FY 1981 funding levels (actual and budgeted) for the Active and Reserve Forces, and will highlight the forces, manpower, programs and resources supported by O&M funds. The statement also contains an addendum which describes in some detail what O&M buys, the relationship of O&M to readiness, and some recent trends in O&M program indicators.

The following is a summary of the FY 1980-82 O&M budgets:

($ Millions)

	FY 1980	FY 1981	FY 1982
O&M, Air Force	$12,421	$15,190	$16,882
O&M, Air Force Reserve	511	605	681
O&M, Air National Guard	1,283	1,542	1,686
Total Air Force	$14,215	$17,337	$19,249

I will first discuss the O&M, Air Force budget, and then those of the Air Force Reserve and Air National Guard.

OPERATION AND MAINTENANCE, AIR FORCE

The O&M appropriations, along with the Military Personnel appropriations, finance the day-to-day business of the Air Force. O&M funds buy the resources to operate and maintain weapon systems and facilities, purchase supplies, equipment, fuel and contract services, and pay civilian employees.

The following table shows the O&M funding, actual and proposed, for the active Air Force, FY 1980-82:

O&M, AIR FORCE
BY MAJOR FORCE PROGRAM
($ Millions)

	FY 1980	FY 1981	FY 1982
Strategic Forces	$ 2,454.6	$ 2,785.2	$ 3,182.3
General Purpose Forces	2,617.6	3,306.2	4,014.7
Intelligence and Communications	814.6	971.4	1,164.9
Airlift Forces	865.7	1,056.3	1,200.7
Central Supply and Maintenance	4,099.8	5,174.3	5,172.6
Training, Medical and Other General Personnel Activities	1,310.5	1,529.9	1,778.4
Administration and Associated Activities	255.3	361.5	346.8
Support of Other Nations	3.2	5.6	21.7
TOTAL	$12,421.2	$15,190.5	$16,881.9

NOTE: Columns do not add because of rounding.

The increase from FY 1981 to FY 1982 is $1,691.4 million. This increase is comprised of $1,083.9 million for budgeted price growth (inflation) and $607.5 million for program changes. Details on the price increase and program changes are provided in the following pages.

The FY 1981 funding displayed in the foregoing table reflects supplementals and appropriation transfers included in the January 1981 budget, plus additional supplemental requirements contained in the March/April 1981 amendments. The following chronology reconciles FY 1981 amounts contained in the January and March/April budget submissions:

FY 1981 O&M, AIR FORCE CHRONOLOGY
($ Millions)

FY 1981 Appropriated by Congress to date		$13,611
January 1981 Supplemental Estimate		+629
Civilian pay raises	(+204)	
Price increases	(+401)	
Program increases	(+ 24)	
Transfers Out		- 26
January 1981 Budget Estimate		$14,214
March/April 1981 Amendments		$ 976
Fact-of-life changes	(+874)	
Readiness initiatives	(+193)	
Modernization related costs	(+ 27)	
Savings/Efficiencies	(-118)	
Revised FY 1981 Budget Estimate		$15,190

The difference between the FY 1982 O&M budget submitted to the Congress in January 1981 and the amended budget request is reconciled in the following chronology.

FY 1982 O&M, AIR FORCE CHRONOLOGY
($ Millions)

FY 1982 Budget - January 1981 Submission		$16,569
March 1981 Amendment		+313
Fact-of-life changes	(+ 95)	
Quality-of-life initiatives	(+106)	
Readiness initiatives	(+322)	
Modernization related costs	(+ 27)	
Savings/Efficiencies	(-237)	
Revised FY 1982 Budget Estimate		$16,882

The following table shows the active aircraft inventory and the flying hours directly funded by O&M funds.

O&M, AIR FORCE
ACTIVE AIRCRAFT INVENTORY
AND
FLYING HOURS

FY 1981			FY 1982		
PAI	TAI	Flying Hours	PAI	TAI	Flying Hours
5,697	6,378	2,118,518	5,783	6,479	2,231,807

The primary active aircraft inventory (PAI) is the inventory of aircraft authorized and assigned to units for the performance of their operational missions. The total active aircraft inventory (TAI) is the inventory of aircraft that includes the primary active aircraft inventory (PAI) and the backup aircraft inventory. The backup aircraft are those authorized to units to permit scheduled and unscheduled maintenance, modifications, inspections and repair without reduction of aircraft available for the operational mission. Changes in the flying hour program are correlated more closely with changes in PAI than with changes in TAI, since PAI is a factor in determining the allocation of flying hours to units.

The total active aircraft inventory increases by 101 aircraft in FY 1982 primarily as a result of an increase of 97 aircraft in General Purpose Forces, reflecting a changing force mix as the Tactical Air Forces modernize and build toward 26 tactical fighter wings. Also, this growth reflects the phase in of new systems (TR-1, KC-10, EC-130H, EF-111).

The O&M flying hour program has an increase of 113.3 thousand hours in FY 1982 primarily for the following reasons:

- Increased undergraduate flight training to expand pilot and navigator production.
- The growth and changing mix of the aircraft force as the tactical air forces modernize with more sortie-intensive systems (A-10, F-15, F-16 aircraft replacing the older A-7 and F-4 systems).
- Increased flying activity in our tactical fighter forces to more fully train aircrew members.

The number of major installations operated and maintained by the Air Force are shown in the following table:

MAJOR AIR FORCE INSTALLATIONS
(End Year)

	FY 1980	FY 1981	FY 1982
United States & Possessions	107	107	105
Foreign Countries	27	27	27
Total	134	134	132

The decrease in FY 1982 reflects planned reductions in the scope of Air Force operations at Fort Lee and Duluth International Airport.

The following table shows a comparison of Air Force military (active forces only) and civilian personnel for FY 1980-82:

MILITARY AND CIVILIAN PERSONNEL
(End Strength in Thousands)

	FY 1980	FY 1981	FY 1982
Military	558.0	569.0	586.8
Civilian	244.3	243.8	247.4
O&M	(150.8)	(150.8)	(151.9)
Industrial Fund	(40.7)	(40.0)	(41.5)
R&D	(18.6)	(18.8)	(18.8)
Air Force Reserve	(10.7)	(11.0)	(11.6)
Air National Guard	(23.5)	(23.2)	(23.5)

The 17,800 increase in military personnel requested for FY 1982 is primarily for increased tactical fighter force modernization and increased maintenance requirements generated by new equipment, requirements for separate locations, and increased sortie rates. The Air Force is also taking a significant initiative to improve overall manning in field units by insuring that training and transient requirements are more adequately funded. Increased manpower is being provided for medical wartime requirements, for Congressionally and OSD directed programs, and for expanded training requirements due to the higher military end strength and increased accession levels. These increases are partially offset by reductions in management and operational headquarters and conversion of non-military essential positions to civilian.

The 3,600 increase in civilian end strength is primarily the result of conversion of non-military essential positions to civilian, increased depot maintenance capability, increased workloads supported by management engineering standards, increased Reserve Forces technician requirements to support force structure modernization, and various other programmatic changes. These increases are partially offset by planned, potential conversions of commercial/industrial type activities from in-service to contract performance, pending completion of cost studies to determine the more economical means of accomplishment, and by reduction in management and operational headquarters.

UNDERGRADUATE FLIGHT TRAINING

The Air Force's undergraduate pilot and navigator training production rates reached thirty year and twenty-five year lows, respectively, in FY 1978-79. Since that time, we have steadily increased our production rates, and this is continued in the FY 1981-82 budgets. The following table shows the production rates for the period FY 1976-82.

	1976	1977	1978	1979	1980	1981	1982
Pilots	1,659	1,316	1,084	1,047	1,543	1,850	2,000
Navigators	810	653	472	594	609	650	850

The undergraduate pilot training (UPT) rates were depressed after the end of the Vietnam war in order to bring the inventory down to the reduced requirement. However, higher than anticipated losses from the pilot inventory, because of the relative decline in military compensation and competition from the commercial airlines, resulted in a pilot shortfall beginning in FY 1979. The shortfall for the end of the FY 1981 is projected to be approximately 1,700. The shortfall is not expected to be eliminated until the late 1980's.

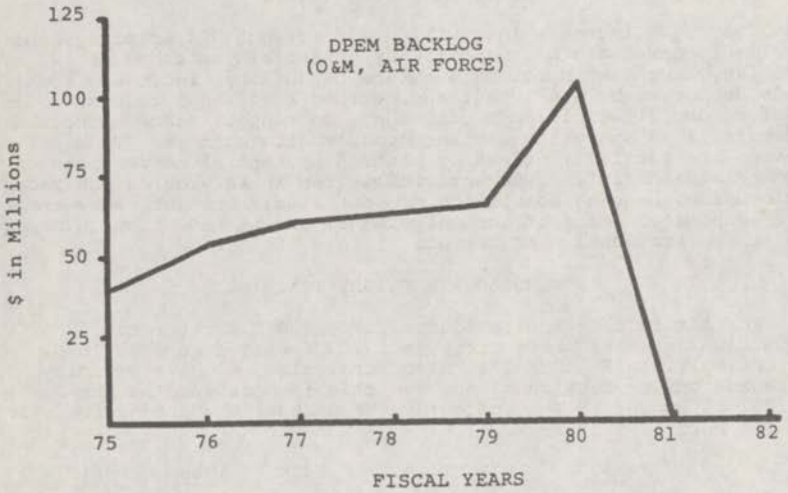
A similar situation has existed for undergraduate navigator training (UNT) rates, and a shortfall of approximately 800 is projected for the end of FY 1981. Again, the shortfall will not be eliminated until the late 1980's.

DEPOT MAINTENANCE BACKLOG

As a result of increased funding in the FY 1981-82 budgets, the Air Force plans to eliminate the backlog of items awaiting depot maintenance by the end of FY 1981, and to hold the backlog at zero through the end of FY 1982. The DPEM backlog reached a high of $103 million at the end of FY 1980. The following table and chart show the depot purchased equipment backlog at the end of those fiscal years (actual and projected).

DPEM FUNDING AND BACKLOG
O&M, AIR FORCE

	($ Millions) FY 1980	FY 1981	FY 1982
Funding	$ 1,684	$ 2,534	$ 2,487
Backlog	103	-0-	-0-



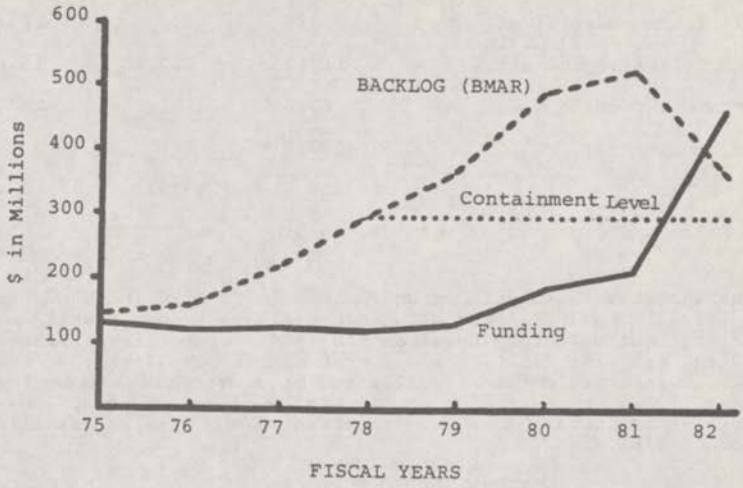
A zero DPEM backlog improves our force readiness and cost effectiveness by fully supporting the operational units, increasing surge support capability, minimizing weapon system down-time, reducing carry over price growth, and increasing maintenance effectiveness/productivity (through less cannibalization).

FACILITY MAINTENANCE AND REPAIR BACKLOG

The Air Force is making a concerted effort in FY 1981-82 to reduce the backlog of maintenance and repair (BMAR) of real property facilities to a manageable level. Based on significantly increased budgets for facility maintenance and repair contracts this year and next, the trend toward an increasing backlog will be slowed this year and reversed in FY 1982. This is shown in the following table and accompanying chart.

FACILITY MAINTENANCE AND REPAIR
FUNDING AND BACKLOG
(O&M, AIR FORCE)

	($ Millions) FY 1980	FY 1981	FY 1982
Funding	$ 189	$ 208	$ 453
Backlog (BMAR)	489	531	347



The condition of our facilities is such that major commands have gone on record to emphasize that facility maintenance and repairs can no longer be deferred. Deterioration of airfield pavements, utility systems, and operational/maintenance facilities (all readiness related) comprises 43% of the current maintenance and repair backlog. Deterioration of work, recreation, and living facilities adversely affects the morale of our people and, consequently, our retention rates. The Air Force physical plant is particularly important because the Air Force, unlike the other Services, will fight from many of its bases.

The following pages provide O&M Air Force budget data by major force program and program category for FY 1980-82.

STRATEGIC FORCES

Strategic Forces are combined into two major categories: offensive and defensive forces. These forces provide the capabilities for deterrence of nuclear war, warning of impending attack, air defense to maintain U.S. air sovereignty or prevent enemy manned bombers or airborne reconnaissance vehicles from having unchallenged access to the airspace over the U.S., and defense of important areas world-wide against air attack. Funding requirements are summarized in the following table.

	($ Millions) FY 1980	FY 1981	FY 1982
Strategic Offensive:	($1,748.5)	($1,967.0)	($2,242.1)
Aircraft	1,136.1	1,262.2	1,392.4
Missiles	78.1	94.3	109.4
Other Offensive Operations	27.8	58.4	62.6
Telecomm., Command & Control	78.1	89.9	113.8
Base Operations	428.5	462.0	563.8
Strategic Defensive:	(706.1)	(818.2)	(940.1)
Surveillance & Warning Radars	231.8	246.4	280.1

Surveillance Satellites	59.6	95.3	113.2
Other Defensive Operations	110.2	123.4	137.8
Telecomm., Command & Control	52.6	71.8	87.7
Base Operations	252.0	281.2	321.2
TOTAL	$2,454.6	$2,785.2	$3,182.3

Note: Columns do not add because of rounding.

The increases in funding requirements in FY 1982 include price growth (+$251); real property maintenance (+$75); Titan missile service engineering/safety requirements (+$4); space surveillance and warning programs (+$10); base operations support (+$18); offensive telecommunications (+$16); and other strategic communications (+$11). These increases are partially offset by reductions in travel, transportation, service contracts, supplies and civilian personnel (-$19).

GENERAL PURPOSE FORCES

General Purpose Forces consist primarily of the Tactical Air Command, the Pacific Air Forces, the Alaskan Air Command, and the United States Air Forces in Europe. These forces provide for air superiority, counter-air, interdiction, close air support, reconnaissance and surveillance, electronic warfare, and special operations activities. The following table summarizes General Purpose Forces funding requirements by these categories:

	($ Millions)		
	FY 1980	FY 1981	FY 1982
Tactical Fighters & Weapons	$ 871.0	$1,012.7	$1,191.1
Tactical Reconnaissance, Electronic Warfare & Special Operations	123.1	97.2	111.8
JCS Exercises	133.4	219.6	379.1
Combat Support	309.0	468.4	560.1
Other Command & Control	94.1	176.6	161.0
Other Tactical Operations	59.9	79.2	95.9
Major Range & Test Facilities	12.0	34.2	40.7
Tactical Intelligence & Special Activities	6.3	78.0	101.6
Telecomm., Command & Control	68.6	84.2	96.7
Base Operations	940.3	1,056.0	1,276.6
TOTAL	$2,617.6	$3,306.2	$4,014.7

Note: Columns do not add because of rounding.

The increases in funding requirements in FY 1982 include price growth (+$293); increased flying hours and related support (+$182); Rapid Deployment Force related JCS exercises (+$133); tactical intelligence programs (+$16); preparation for FY 1983 beddowns of GLCM and Rapier (+$12); and maintenance and repair of facilities designed for energy conservation and to lower the BMAR (+$173). These increases are partially offset by decreases including one-time

FY 1981 initiatives, such as AWACS deployments to Europe/Saudi Arabia (-$65) and beddown costs for A-10s and F-16s in the Pacific (-$17).

INTELLIGENCE AND COMMUNICATIONS

This program has four major areas of activity: the conduct of national, Department of Defense, and Air Force intelligence and security programs; worldwide communications command and control systems required by both national command authorities and the Air Force under all conditions of peace and war; space support activities; specialized functions such as weather service, rescue and recovery, air traffic control, the National Emergency Airborne Command Post, and the National Military Command System (collectively called service-wide activities); and the base operations functions to support these activities. Funding requirements are summarized in the following table:

	($ Millions) FY 1980	FY 1981	FY 1982
Intelligence	$ 282.4	$ 315.5	$ 336.0
Telecomm., Command & Control	338.4	384.3	492.1
Space Support	94.2	134.5	185.5
Service-wide Activities	77.0	111.9	122.1
Base Operations	22.8	25.3	29.1
TOTAL	$ 814.6	$ 971.4	$1,164.9

Note: Columns do not add because of rounding.

The increases in funding requirements in FY 1982 include price growth (+$68); space launch support buildup (+$35); station operations communications (+$22); leased communications (including long-haul, AUTOVON and AUTODIN) (+$31); other communications (including world-wide command and control computer support, engineering and installations, and National Emergency Airborne Command Post) (+$31); and national foreign intelligence programs (+$4). Increases are offset partially by budgeted economies and efficiencies in operations (-$10).

AIRLIFT FORCES

This program provides the funds to operate and maintain the Military Airlift Command (MAC). The primary mission of MAC is to maintain the readiness of the military airlift systems in support of contingency and wartime plans and operations. This mission has two subsets: strategic airlift and tactical airlift.

The O&M funds requested in this program are for the initial qualifications and upgrade training of C-5, C-141, and C-130 aircrews, operation and maintenance of MAC bases, advanced helicopter crew training, command and control communications, maintenance of an operational support airlift system, and field and organizational aircraft maintenance. The funding also supports DoD flying hour requirements for specific airlift missions such as joint airborne/air transportability training, special airlift missions assigned to the Air Force as a mission/funding responsibility, and local area training for C-5, C-141 and C-130 aircrews.

The peacetime readiness training of the military airlift system provides airlift capability as a training by-product. This by-product satisfies a large portion of the air transportation requirements of the Army, Navy, Air Force, Marine Corps, and other Government

agencies, by way of airlift services provided on a reimbursable basis by the Airlift Service Industrial Fund (ASIF).

Funding requirements are summarized in the following table:

	($ Millions) FY 1980	FY 1981	FY 1982
Assigned Airlift Mission	$ 369.2	$ 506.6	$ 557.3
Mission Support	140.3	167.7	199.3
Command Support	9.3	17.3	20.5
Telecomm., Command & Control	14.2	16.1	20.0
Base Operations	332.7	348.6	403.6
TOTAL	$ 865.7	$1,056.3	$1,200.7

Note: Columns do not add because of rounding.

The increases in funding requirements in FY 1982 include price growth (+$92); increased facility maintenance and repair to reduce the backlog (+$17); C-141 brigade airdrop (+$10); and contract conversions (+$14). These increases are offset partially by decreases, such as transfer of Richards-Gebaur AFB to the Air Force Reserve (-$5).

CENTRAL SUPPLY AND MAINTENANCE

Central Supply and Maintenance funds essential logistical support through the functions of distribution, materiel management, prime procurement, contract management, depot maintenance, and first and second destination transportation to operating forces worldwide. In addition to the direct Air Force mission, similar logistical support is provided to the Air Force Reserve, the Air National Guard, other DoD and government agencies, and selected foreign governments. This program also supports commissary operations, the Utah Test and Training Range, Eastern Test Range, Western Test Range, the Military Aircraft Storage and Disposition Center, printing and publications, telecommunications, and associated base operations.

Funding requirements are summarized in the following table:

	($ Millions) FY 1980	FY 1981	FY 1982
Supply Depots	$ 223.3	$ 240.1	$ 260.3
Inventory Control	319.1	359.6	388.3
Procurement Operations	111.4	135.0	140.5
Depot Maintenance	1,801.0	2,827.4	2,660.3
Industrial and Stock Fund Support	280.0	55.1	-28.5
Transportation	409.1	492.5	579.3
Miscellaneous Logistic Support Activities	114.7	177.0	189.8
Printing/Publications Activities	40.8	41.4	46.4

	($ Millions)		
	FY 1980	FY 1981	FY 1982
Test Ranges	173.7	183.0	215.7
Commissary Operations	147.0	160.0	168.8
Command	55.8	58.7	57.7
Telecomm, Command & Control	18.9	22.5	24.5
Base Operations	404.8	422.1	469.5
Total	$4,099.8	$ 5,174.3	$ 5,172.6

Note: Columns do not add because of rounding.

The increases in funding requirements in FY 1982 include price growth (+$299); increased civilian workyears associated with supply depot, inventory control and procurement operations (+$30); increased depot maintenance, including increases for the C-5 wing modification, E-4B reconfiguration, B-52 modifications, and exchangeable component repair for the A-10, E-3, F-15, and F-16 aircraft (+$94); increased test range support (+$19); increased maintenance and repair of facilities (+$17); increased workloads in commissaries; and increased automatic data processing requirement (+$10). These are partially offset by reduced depot maintenance for the C-141 stretch program, F-4's, Titan missiles, and engine repair for the A-7 aircraft.

TRAINING, MEDICAL & OTHER GENERAL PERSONNEL ACTIVITIES

This program provides for training, medical and other activities for personnel as individuals rather than as members of organizations. The O&M funds are used to provide individual training of military and civilian members of the active Air Force, Air Force Reserve, Air National Guard, Air Force Academy and AFROTC cadets. This program also includes recruiting activities, military personnel off-duty education programs, and civilian education and development programs. The medical portion provides essential medical capability to meet wartime and peacetime requirements; and provides health care for active duty personnel, and to retired personnel and other authorized recipients on a space available basis.

The funding requirements are summarized in the following table:

	FY 1980	FY 1981	FY 1982
Recruiting & Advertising	$ 35.8	$ 50.1	$ 55.5
Recruit & Specialized Training	98.9	135.9	176.3
Officer Acquisition	38.5	44.0	49.1
Flight Training	239.9	260.0	323.0
Professional Development Education	22.6	30.7	33.9
Medical Training	17.4	22.6	25.6
Other Personnel Activities	56.4	74.3	89.3
Other Training Support	37.4	48.8	51.2

	FY 1980	FY 1981	FY 1982
Telecomm., Command & Control - Training	13.8	15.9	17.7
Base Operations - Training	328.1	361.7	417.2
Hospital Operations	320.9	381.5	414.7
Care in Non-Air Force Facilities	30.0	29.7	34.0
Telecomm., Command & Control - Medical	2.9	3.3	3.7
Base Operations - Medical	68.0	71.4	87.1
Total	$1,310.5	$1,529.9	$1,778.4

Note: Columns do not add because of rounding.

The increases in funding requirements in FY 1982 include fuel and other price increases (+$97); increased contract support for new weapon systems entering the inventory (+$12); increased pilot and navigator training production rates (+$18); increased student loads and course length in technical training (+$2); increased maintenance and repair of facilities (+$25); medical equipment replacement and replenishment of medical supply stocks (+$11); and expanded war reserve material storage (+$2).

ADMINISTRATION AND ASSOCIATED ACTIVITIES

This program covers departmental headquarters, and various forms of service-wide support and personnel activities. The following table summarizes the funding requirements.

	($ Millions) FY 1980	FY 1981	FY 1982
Departmental Headquarters	$ 55.6	$ 61.5	$ 64.2
Service-Wide Support	133.9	231.3	207.5
Personnel Activities	28.9	35.3	38.9
Other Support Activities	18.0	9.4	10.6
Telecomm., Command & Control	5.2	5.4	6.8
Base Operations	13.6	18.6	18.9
Total	$ 255.3	$ 361.5	$ 346.8

Note: Columns do not add because of rounding.

The increases in funding requirements in FY 1982 include fuel and other price increases (+$18), and a new DOD identification card system (+$3), offset by a decrease in funding for the base level data automation modernization program - Project Phase IV (-$46).

SUPPORT OF OTHER NATIONS

This program provides funding for support of Air Force personnel assigned to the North Atlantic Treaty Organization (NATO), Supreme Headquarters Allied Powers Europe (SHAPE), other joint military headquarters and agencies, NATO airborne early warning and control activity, the Euro-NATO joint jet pilot training activity, and miscellaneous support to non-security assistance activities.

	($ Millions) FY 1980	FY 1981	FY 1982
Support of Other Nations	$ 3.2	$ 5.6	$ 21.7

The major changes in funding requirements in FY 1982 include a NATO AEW&C program increase to provide for Air Force personnel requirements when the main operating base in Europe is activated for aircraft deliveries from contractors (+$4.4); and the newly initiated program for Euro-NATO joint jet pilot training (+$11.4).

OPERATION AND MAINTENANCE, AIR FORCE RESERVE

The mission of the Air Force Reserve is to develop and maintain trained, operationally ready combat units, mission support units and individuals that are available for active duty in time of war, national emergency, or other threats to our national security. To accomplish this mission, the Air Force Reserve conducts a comprehensive program of recruitment, training, and operations. The force structure consists of 35 equipped flying units, 18 nonequipped associate units (flying C-141, C-9 and C-5 aircraft assigned to the Military Airlift Command), one non-equipped KC-10A associate tanker unit assigned to the Strategic Air Command, and 131 mission support units.

Operation and maintenance funding provides for the day-to-day operating expenses of Reserve bases and units, including pay of civilian personnel, aviation and ground fuels, depot maintenance, supplies, and other expenses required to carry out the Reserve mission.

The following table shows O&M, Air Force Reserve funding for FY 1980-82:

Budget Activity	($ Millions) FY 1980	FY 1981	FY 1982
Mission Forces	$ 370.9	$ 430.6	$ 488.1
Depot Maintenance	52.3	73.1	80.0
Other Support	88.2	101.2	112.9
Total	$ 511.4	$ 604.9	$ 681.0

The increase in funding requested from FY 1981 to FY 1982 is $76 million. This increase is divided between price growth of $37 million (which includes $23.2 million for higher fuel costs), and program growth of $39 million. The program growth is primarily the result of a full year's operation of conversions that occurred in FY 1981 plus four additional conversions in FY 1982 (+$22.7). Other program increases include basing actions (+$8), depot maintenance (+$2), fact-of-life changes (+$1), and other readiness initiatives (+$5).

The following table shows manpower data for FY 1980-82:

	(End Strength) FY 1980	FY 1981	FY 1982
Military	58,921	60,754	63,965
Civilian	10,681	10,957	11,589

The major changes between FY 1981 and FY 1982 are for conversion of one F-105, one A-37 and two C-123 units to one A-10, one C-130 and two F-4 units; additional KC-10 aircrews; additional

medical personnel; application of management engineering manpower standards; and basing actions.

OPERATION AND MAINTENANCE, AIR NATIONAL GUARD

The Air National Guard (ANG) is programmed to have 91 flying units and 235 independent nonflying units in FY 1982. Although no new flying units will be formed, nine existing units will experience changes. Two F-101 fighter interceptor units will convert to the F-4C, completing the retirement of the aging F-101. One F-105 unit will convert to the A-7D, continuing the phaseout of the F-105. The EB-57 Defense System Evaluation Group will transition to the F-4D and one OA-37 unit will receive A-10s. The FY 1980 Congressionally directed buy of C-130H aircraft will permit the continued modernization of ANG tactical airlift forces. In addition, one F-106 unit and one OA-37 unit will increase primary aircraft authorizations.

Operation and maintenance funding provides for the day-to-day operating expenses of ANG units, including pay of civilians, aviation and ground fuel, depot maintenance of assigned aircraft, supplies, and other expenses required to carry out the ANG mission.

The following table shows the O&M, Air National Guard funding data for FY 1980-82.

	($ Millions)		
Budget Activity	FY 1980	FY 1981	FY 1982
Operation of Aircraft	$ 394.9	$ 500.4	$ 574.6
Logistical Support	174.3	210.7	242.4
Training Support	710.6	827.5	865.9
Service-wide support	2.8	3.5	3.5
Total	$1,282.6	$1,542.0	$1,686.5

Note: Columns do not add because of rounding.

The major changes in requirements in FY 1982 are fuel and other price increases (+$106); force changes (+$13); depot maintenance requirements due to additional programmed maintenance, additional exchangeables, and change of mix of aircraft modifications (+$18); and base operating support costs for the acquisition of Otis and Rickenbacker Air Force bases (+$16). These are partially offset by reductions due to civilian personnel/base realignments, and projected travel and productivity enhancement savings.

The following table shows manpower data for FY 1980-82.

	(End Strength)		
	FY 1980	FY 1981	FY 1982
Military	96,283	98,083	99,054
Civilian	23,521	23,212	23,536

The major manpower increases between FY 1981 and FY 1982 are for aeromedical evacuation crews; force structure modernization and other changes; detached alerts; refueling support at Rickenbacker AFB; application of manpower standards; and other manpower initiatives to enhance the capability of the Air National Guard.

CONCLUSION

This concludes my overview of the FY 1982 Air Force O&M budget requests. I believe that the programs and resources reflected in

these estimates represent balanced funding levels for support of our personnel, aircraft and other weapons systems, and facilities.

An addendum is attached to this overview statement which contains a fairly comprehensive discussion of the nature and content of our O&M programs. It discusses our view of the relationship of O&M to military readiness and how we formulate our budget estimates. It also provides some information on historical trends in Air Force O&M program indicators.

Thank You.

ADDENDUM

The military might of a nation has traditionally been measured in terms of troop strengths and quantities of hardware, divisions, tanks, aircraft, missiles, and ships. Any assessment of military capability based exclusively on quantitative analysis ignores the essential element of combat readiness. Readiness can be defined as the ability of military forces, units, weapon systems, equipment and personnel to perform functions for which they have been designed, organized or trained. As such, it is an element of overall military capability, along with the forces in being (force structure), age and technological capability of weapon systems and equipment, (modernity), and the ability to continue effective military operations over an extended period of time (sustainability).

Although the United States has invested heavily in modern weapon systems, some of our most technologically sophisticated systems are not ready to perform to full design capability. To optimally employ our weapon systems, the operation and maintenance supporting structure must be in balance with the modern force structure it supports. Regardless of age or sophistication, the readiness of our weapons systems is dependent, in large measure, upon the adequacy of our O&M funding.

WHAT O&M BUYS

Although O&M funding is critical to readiness, the O&M account is not well understood by many who have an otherwise excellent knowledge of military affairs. Even members of the armed forces often have a limited knowledge of the amount and what it buys. O&M buys such an array of programs and elements which support operational missions, as well as such a volume and variety of goods and services, that it is difficult to grasp the full range and importance of the account.

The O&M appropriation provides the money that integrates and sustains the acquisitions made through other appropriations. For example, hardware bought with procurement appropriations is operated and maintained with O&M funds. Facilities built with military construction appropriations are supported and maintained with O&M funds. The health, morale, and welfare of the makers of readiness -- people -- are directly dependent upon the level of O&M funding. O&M also buys the training our people need to operate and maintain equipment and facilities.

In terms of aggregate physical plant, major units, combat training activities, and other gross quantitative indicators, the following kinds of things are acquired and/or supported with O&M funds (FY 1981 data, includes Reserve Forces).

- Installations - 2,984

  -- Major installations - 134
  -- Minor installations - 2,850

- Aircraft flown and maintained - 6,378 (total aircraft inventory)
- Flying hours - 2,118,518
- Major squadrons - 253
- Barrels of fuel consumed - 73,622,000
  - -- AVPOL - 65,021,000
  - -- Ground - 8,601,000
- Personnel paid or supported - 812,834
  - -- Military - 569,000
  - -- Civilian - 243,834
- Building maintained, heated and lighted - 501 million square feet
- Airfield pavements - 250 million square yards
- Roads and streets - 12,000 miles
- Replacement value of plant - $92 billion

In terms of the way the Air Force budgets, manages and administers its funds, a programmatic array of the O&M budget is especially significant. The following chart provides a picture of the fiscal year 1980-82 O&M budget by major force program.

AIR FORCE
OPERATION AND MAINTENANCE
($ in Millions)

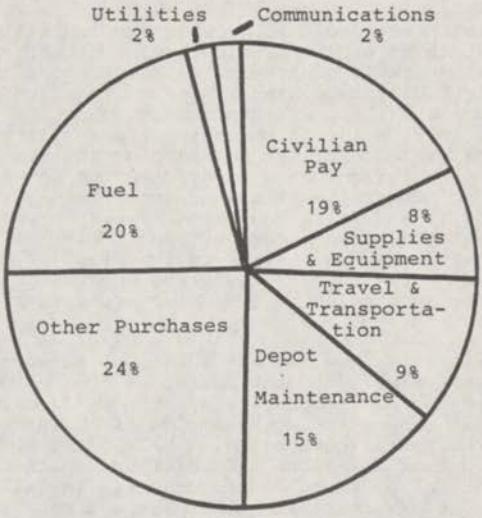
Major Force Program	FY 1980	FY 1981	FY 1982
Strategic Forces	$ 2,454.6	$ 2,785.2	$ 3,182.3
General Purpose Forces	2,617.7	3,306.2	4,014.7
Intelligence & Communications Activities	814.6	971.4	1,164.9
Airlift Forces	865.7	1,056.3	1,200.7
Central Supply & Maintenance Activities	4,099.6	5,174.3	5,172.6
Training, Medical & Other Personnel Support	1,310.5	1,529.9	1,778.4
Administration & Associated Activities	255.3	361.5	346.8
Support of Other Nations	3.2	5.6	21.7
Total	$12,421.2	$15,190.5	$16,881.9

NOTE: Active Forces Only

Major Force Programs are aggregations of program elements (such as B-52 squadrons, F-4 squadrons, tactical air control squadrons, Air Force Test and Evaluation Center, satellite communications systems, command and control systems, supply depot operations, recruiting and examining, undergraduate pilot training, hospital operations, departmental headquarters, commissaries, real property maintenance activities, base communications, etc.) whose overall mission is described by the title shown.

To some, it is more comprehensible to look at what O&M buys in terms of commodities, that is, broad classes of goods and services. The following chart shows the composition of O&M costs by commodity class.

O&M Costs by Commodity
(FY 1981)



In the foreqoing chart, "Other purchases" includes equipment maintenance by contract, rents, foreign national indirect hire employees, facility maintenance by contract, engineering and technical services, printing services and other contract services.

In terms of the commodity distribution of costs, the most significant change that has occurred over the past several years is the growth in the share of the O&M budget that fuel comprises. It has increased from about 11 percent of the total in FY 1976 to almost 20% in FY 1981. (85 to 90 percent of fuel is aviation POL). This increased share for fuel has generally been at the expense of all other community categories; however, the share for civilian pay has declined relative to other commodities, since pay raises for civilians have trailed the overall inflation rate in recent years.

O&M AND READINESS

Every O&M dollar the Air Force spends contributes to readiness in some way. However, since much of the Air Force O&M budget is spent on programs with behavioral outcomes rather than programs where it is possible to count tangible results, it is difficult to precisely quantify the readiness impact of every O&M expenditure. For example, it is difficult to quantify the additional readiness derived from one additional flight by an aircrew. Yet history abounds with examples of a highly trained force with inferior equipment defeating better equipped forces not as well trained. Even more intangible is the effect on morale and readiness generated by painting a barracks or buying new dormitory furniture.

Despite this difficulty, the relationship between the programs O&M buys and the day-to-day readiness of the Air Force is fairly obvious. This section will discuss some of those relationshps.

Approximately 35 percent of the total O&M budget goes for support of flying operations. A large part of the depot maintenance program, all of the aviation petroleum-oil-lubricants (AVPOL), and about 32 percent of the supplies purchased with O&M funds are used to support flying operations.

Aviation POL and supplies are generally understood. Aviation POL is the fuel consumed in the flight of aircraft and in maintenance and testing of engines. Supplies are the replacement parts used by field maintenance organizations to repair aircraft.

The depot maintenance programs provide for centralized maintenance and modification of aircraft, missiles, engines, other major equipment, and exchangeable subassemblies and components that are managed at the Air Logistics Centers. The current annual expenditures of more than $2 billion for depot maintenance is large in dollar terms, but it is small in comparison to results. The funds spent for depot maintenance either maintain or improve war fighting capability. Training for combat must be rigorous, because combat itself is rigorous. Under the stress of such training, equipment can deteriorate rapidly. Air Force equipment is also exposed to the elements in some of the world's harshest environments. Since we fight with the weapons we train with, equipment which deteriorates must be restored or replaced. By restoring equipment to a ready state, depot maintenance helps us avoid the tremendous investment cost of replacement.

As with deterioration, we must deal with obsolescence and the need for new capabilities. In many cases, we avoid buying new equipment by modifying existing systems. The C-141 stretch and the B-52 cruise missile conversion are examples of current modifications. In FY 1981, we are installing about $1.3 billion in modifications at an installation cost of more than $300 million. Although modifications are bought in the procurement accounts, installation of the parts and kits is an O&M cost -- whether accomplished by contractors or by in-house personnel.

The significance of aircraft modifications is reflected in the fact that, as a percentage of new aircraft procurement costs, modifications have grown from 34 percent to 45 percent in the FY 75-81 period. The impact of this has been an important factor in the growth of the depot maintenance program over those years.

Expenditures for AVPOL, supplies, and depot maintenance are generated by flying hours, but just as important as the hours themselves are where and how they are flown. Straight and level flight, for example, does little to prepare a fighter pilot for war. An aircrew must practice what will be done in actual combat. Training must be rigorous and realistic so that crew members can exploit the full potential of their weapons. When aerial weapons were limited to machine guns and conventional bombs, effective training could take place almost anywhere. As weapons have become more expensive and more lethal, "live" practice with weapons has been limited. Electronic simulation devices have, to a large extent, supplemented practice with actual weapons.

To meet this training challenge, the Air Force has established highly sophisticated training ranges at the Tactical Air Warfare Center, the Tactical Fighter Weapons Center, and other weapons training sites. On these ranges, aircrews can simulate weapons releases against simulated enemey defenses. These ranges and the simulation devices, such as Air Combat Maneuvering Instrumentation (ACMI), are supported with O&M dollars.

To use the ranges, we must get the aircrews to them. For example, we may deploy an F-4 squadron from Moody AFB, Georgia, to the range near Nellis AFB, Nevada, or an F-111 squadron from RAF Lakenheath, UK, to Aviano AB, Italy. When a squadron is deployed, its maintenance capability goes with it. We airlift maintenance people, spare parts, tools and equipment, and reimburse aircrews and maintenance personnel for their additive living costs. All these transportation and TDY costs are paid with O&M dollars.

Training deployments produce other readiness benefits. Units based in the U.S. can become more effective by deploying to Europe or the Pacific to train in the enviornment in which they may fight. We

improve the effectiveness of our alliances by conducting exchange and interoperability exercises with other allied nations. These exercises require significant expenditure of O&M funds, but have a high payoff in readiness training. The following are examples of typical FY 1981 costs: Red Flag exercise, $2.5 million; Maple Flag exercise (joint effort with our Canadian neighbors), $1 million; Blue Flag exercise, $.2 million; and a typical tactical deployment, $1.3 million. Red Flags and Maple Flags give aircrews realistic combat training against equipment and tactics similar to those they might encounter in actual hostilities. Blue Flags are command post exercises to test command, control, communications, and intelligence functions in a realistic combat environment.

Exercises appear expensive but they allow us to increase the survivability of our crews and weapons and significantly increase the probability of our success in combat.

For aircrews and maintenance personnel to perform the duties for which they train, they must have the weapons, parts, and supplies they need. Transportation of materiel from supply centers in the United States to the using unit, wherever it might be, is paid with O&M funds.

A large share (roughly 12 percent) of the O&M budget is spent for maintenance of real property and other civil engineering activities. Much of the physical plant in the Air Force is the supporting structure for readiness: maintenance hangars, aircraft shelters, and runways. Supporting structure is especially important because the Air Force, unlike the other Services, will probably fight from its air bases. Much of the physical plant is of World War II or Korean War vintage, and we are spending large sums of money to maintain facilities which more practically should be replaced, particularly overseas. Operating these old facilities is unnecessarily expensive as well. Shortages of Military Construction funding have caused the Air Force to continue to operate and maintain some marginally effective facilities.

Obviously, people are a key resource. No investment in equipment and facilities would produce readiness without a well-trained, confident and dedicated force. We must recruit and retain capable young people, train them to do their jobs, and sustain them and their families. How well we do all these things is dependent upon our ability to reach these young people, and that also means O&M funding. Our recruiting stations, advertising, and the leased vehicles used by recruiters are paid for with O&M funds. Our technical training centers are operated with O&M funds. These centers train recruits in entry level job skills; and, as they progress in their careers, the centers provide the skills they need to become senior technicians and managers. When new weapon systems such as the F-15 are bought, instructors and maintenance personnel are sent to the manufacturers' plants for training. With the large turnover of personnel in recent years, requirements to train new personnel have grown steadily.

Once military personnel are trained and in the field, most of their operating support, except for pay and food, is provided by O&M funding. Dormitories are maintained and equipped with O&M funds, and dining halls are operated with O&M funds. Morale, welfare, and recreation facilities receive O&M support. The level of real property maintenance funds determinesthe condition of working facilities. These types of personnel support costs probably have more impact on retention than anything other than pay. Dollars spent for personnel support help avoid much larger costs needed to train replacements for dissatisfied people who leave the Air Force.

All the equipment, facilities, and personnel of our worldwide operation must be tied together with command and control systems. O&M funds pay for the operation and maintenance of the communications equipment and computers needed for direction and reporting.

O&M BUDGET FORMULATION

Now, I would like to discuss how we go about putting the O&M budget together. I think I can best explain our procedures by describing the cycle we have already entered for FY 1983. Even though FY 1981 is barely half over and we are currently explaining and justifying the FY 1982 budget to the Congress, we are already in the process of developing the FY 1983 budget. In fact, preparation of the FY 1983 budget really began in 1977 at the time FY 1983 first appeared in the Five Year Defense Program. Each year, as we move closer to FY 1983, our estimates are refined.

Now we are about to begin the final cycle. Guidance has been provided to the various field commanders for preparation of their FY 1983 O&M budgets. This guidance contains the approved programs in terms of bases, forces, aircraft, flying hours and people. The field commanders' responsibilities are to properly price and prioritize the program and to submit recommended changes if the approved programs do not support readiness requirements. Their O&M budgets for FY 1983 were transmitted to Air Force Headquarters in early February of this year. These budgets are now undergoing a series of thorough reviews.

The first review is by our Operating Budget Review Committee (OBRC), which is composed of representatives from all functional and force management areas. This Committee, using thorough documentary analysis and presentations by field representatives, assures compliance with the guidance, and validates priorities and pricing reflected in the command budgets. The Committee then makes recommendations on the proper level of O&M funding to other elements of what we call the Air Force Board Structure. This Structure has general officer review boards at the one-star, two-star, and three-star levels.

The Program Review Committee, the one-star board, has the task of assuring that the Air Force Program Objective Memorandum (POM) achieves the appropriate mix between funding current operations and investing in future readiness and military capability. Since we usually do not have sufficient funding from the Office of the Secretary of Defense (OSD) and OMB to satisfy the total requirements of both, this is a very difficult and important systematic process, because we strive for an appropriate balance between near term and future readiness and military capability.

The recommendations of the Program Review Committee are passed to the Air Staff Board and Air Force Council for review and approval. The final Air Force decisions, in the form of the POM, are then submitted to OSD in prioritized program packages, in accordance with OSD's zero base budgeting procedures.

OSD and OMB conduct analytical and policy reviews similar to those the Air Force makes on the field commissions. Naturally, they are faced with a similar task of achieving a balance between current operations and investment in future capability, but they also have the problem of setting priorities among and between the Service's requirements, while staying within the Administration's overall fiscal guidelines.

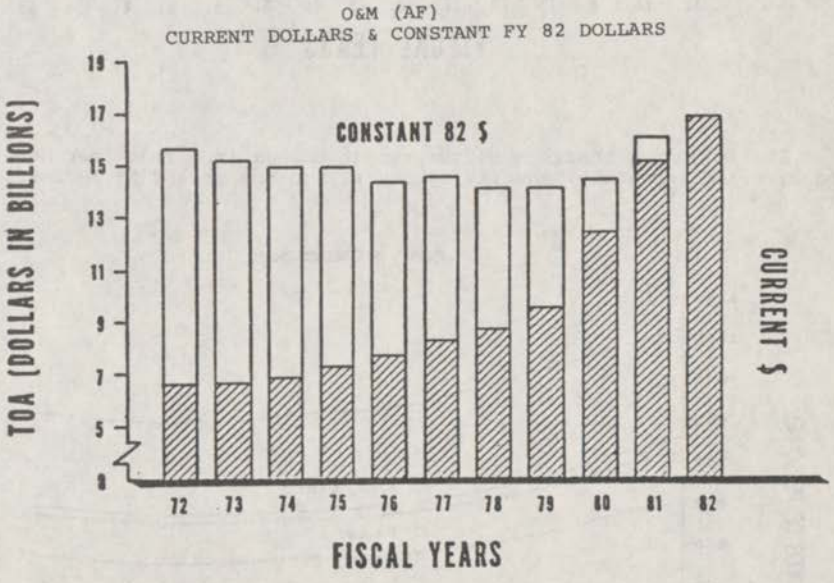
After the Air Force receives the OSD/OMB decisions on the POM, including programs and activities arranged in priority sequence, we update the costs associated with the revised programs and submit a budget to OSD for a final "scrub" prior to presentation to the Congress.

We believe the budget formulation procedures outlined in the foregoing paragraphs are basically sound and effective, and produce a reasonably balanced operations and investment funding program. But in spite of that, we have been faced with a shortage of O&M funds in the Air Force for the past several years, for several major reasons: higher than budgeted inflation, new requirements

emerging subsequent to the budget submission to Congress, and reductions by review authorities which are not accompanied by corresponding reductions in Air Force workload.

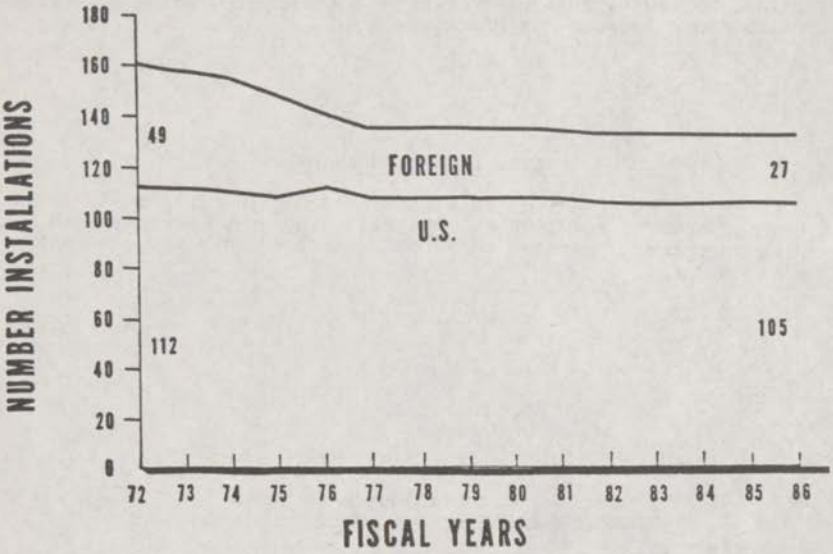
TRENDS IN O&M PROGRAMS

Air Force O&M funding (active forces) declined in "real" terms throughout most of the 1970's. The following graph portrays O&M funding in terms of current (or "then year") dollars and constant FY 1982 dollars.



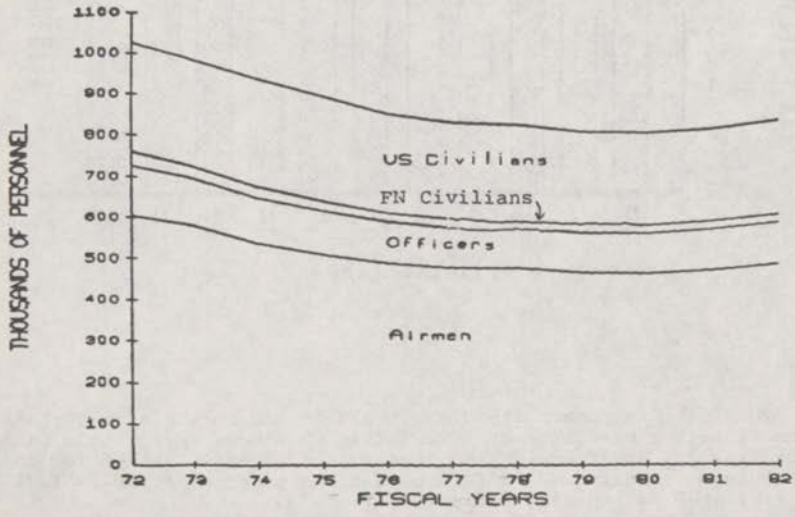
The following chart shows the trend in the number of major Air Force installations since FY 1972. There has been very little change since FY 1977, and there are no significant changes planned for the near future. Total number of installations programmed for FY 1981 and 1982 are 134 and 132, respectively.

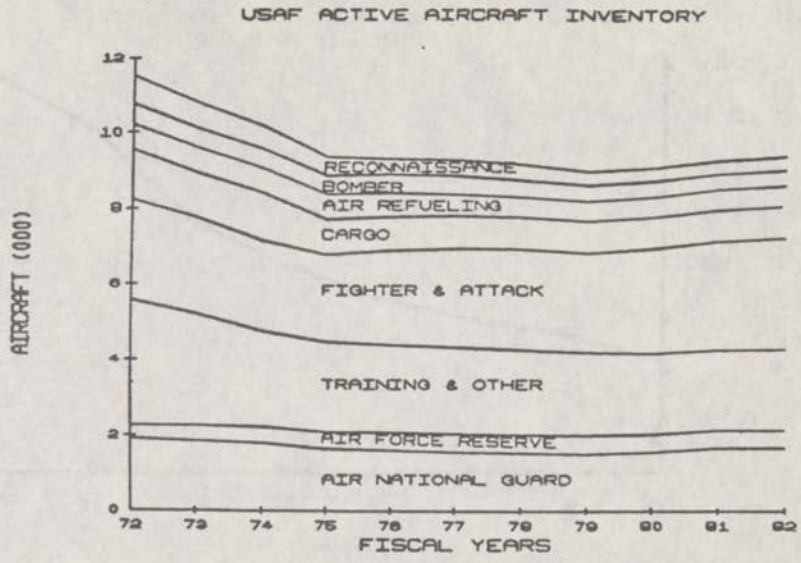
MAJOR INSTALLATIONS

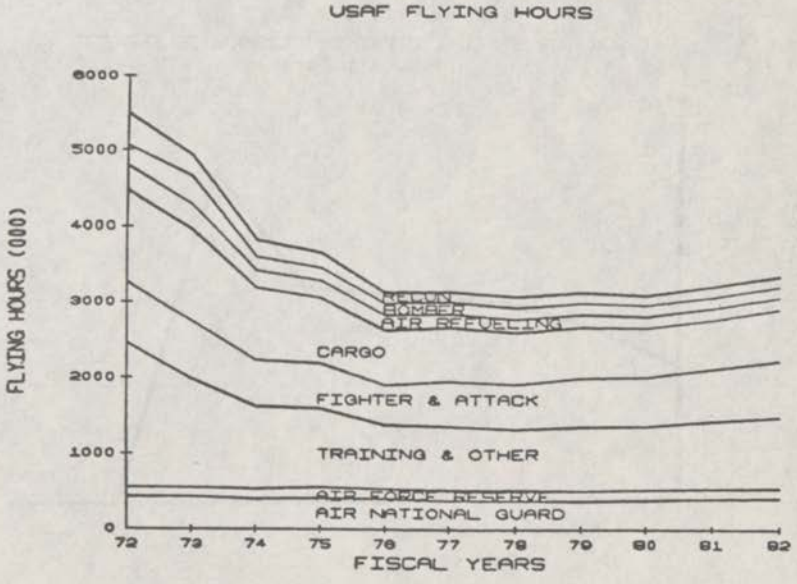


The following charts show the recent trends in forces (personnel and aircraft inventory) and flying hours, for the period FY 1972-82.

USAF PERSONNEL

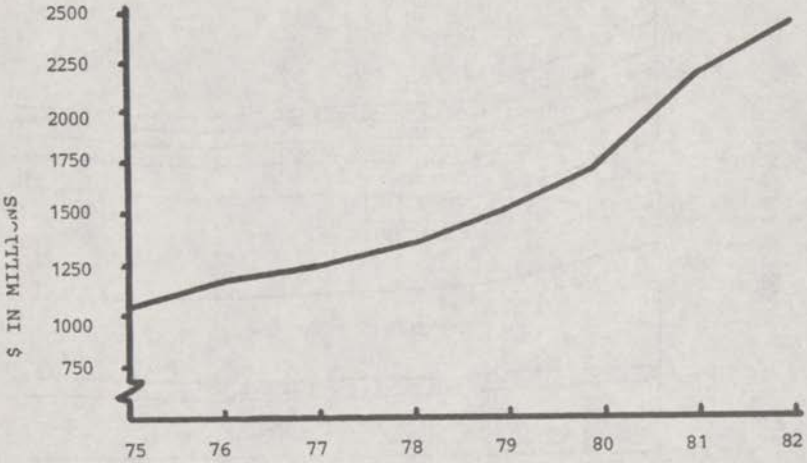




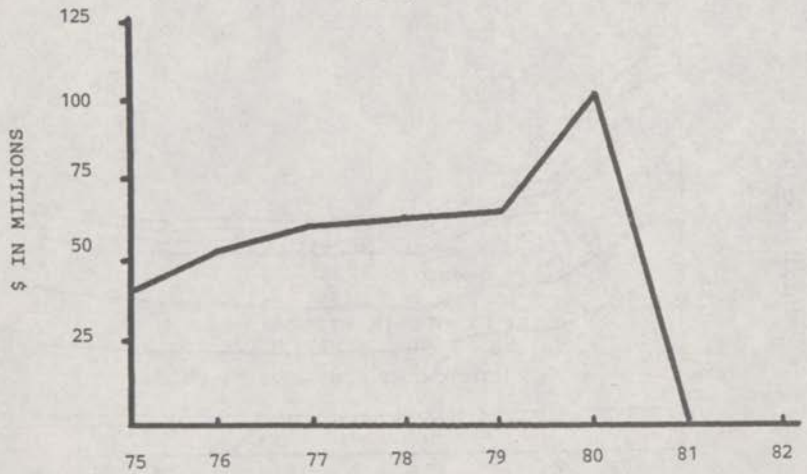


The following two charts illustrate the trends in (1) funding for equipment maintenance purchased from depots (DPEM), and (2) the backlog of items requiring depot level maintenance but not funded.

DEPOT PURCHASED EQUIPMENT MAINTENANCE FUNDING
(O&M, Air Force)

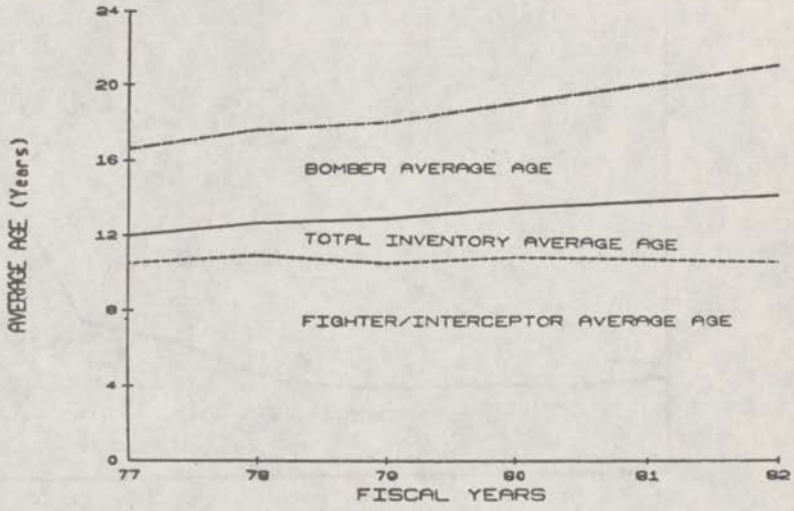


DEPOT PURCHASED EQUIPMENT MAINTENANCE BACKLOG
(O&M, Air Force)



The four major factors that drive the requirement for depot maintenance are the number of aircraft in the inventory, the hours they are flown, the complexity of the aircraft and its systems, and the age of the aircraft. The trend in number of aircraft and flying hours are portrayed on earlier charts. The growing age of the aircraft in the inventory is illustrated on the following chart and table.

PROJECTED AVERAGE AGE OF
ACTIVE AIRCRAFT INVENTORY



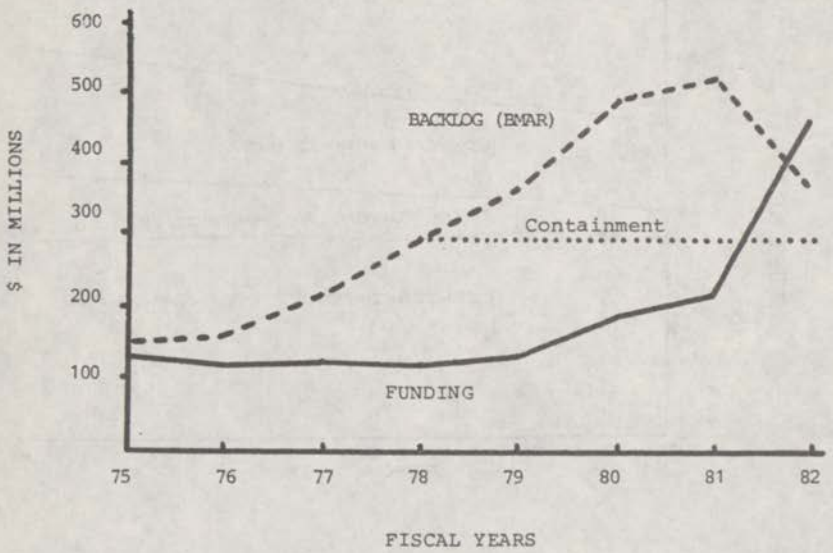
AGE OF AIRCRAFT

Fiscal Year	Inventory	No. 9 Yrs +	% 9 Yrs +
1964	15,214	5,173	34%
1973	10,799	5,076	47
1974	10,156	5,383	53
1975	9,334	5,134	55
1976	9,287	5,758	62
1977	9,256	6,295	68
1978	9,138	6,671	73
1979	8,959	6,757	75
1980	9,073	6,968	77

The foregoing data indicates that in spite of the ongoing modernization program, the average age of aircraft in the force grew perceptibly over the past two decades, as the percentage of aircraft over nine years old went from 34 percent in FY 1964 to 77 percent in FY 1980. This aging of the force is reflected in the increased cost of aircraft repair, maintenance and modification.

The following chart illustrates the recent trend in the unfunded backlog of facility maintenance and repair (sometimes called BMAR). Also shown is the funded program for comparison.

O&M, AF
FACILITY MAINTENANCE & REPAIR
FUNDING & BACKLOG



The unfunded backlog has grown steadily since FY 1976 as inflation has eroded the purchasing power of Air Force O&M funding. This program is one that is relatively controllable, because a portion, particularly facility projects by contract, can be deferred by field level managers when funding is short. This occurred consistently during the past few years.

The "containment" line represents the backlog level desired by the Appropriations Committees.

Individual Skill Training

Initial skill training is formal training provided by Air Force Training Command leading toward an award of an Air Force speciality designation at the lowest skill level. This training is normally given immediately after a new enlistee has completed recruit training. From FY 1970 to FY 1980 we reduced our average course length for enlisted initial skill training from 16.3 weeks to 11 weeks. This was the result of instructional systems development and course revisions, and to provide training to meet only the minimum requirements of an individual's first job assignment during his first enlistment.

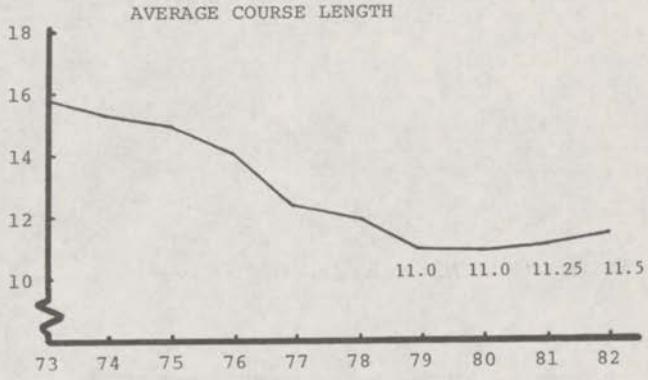
As a result of the initial skill course length reductions, increased skill progression training has been required during subsequent enlistments to provide personnel with the additional knowledge to perform at a higher skill level and to operate or maintain new Air Force equipment and systems. Also, because of the loss of second term and career enlisted personnel in our field units, increased skill progression training is required to offset the experienced personnel shortfall.

However, as a result of recent O&M funding shortages and the continuing travel limitations, our skill progression training loads

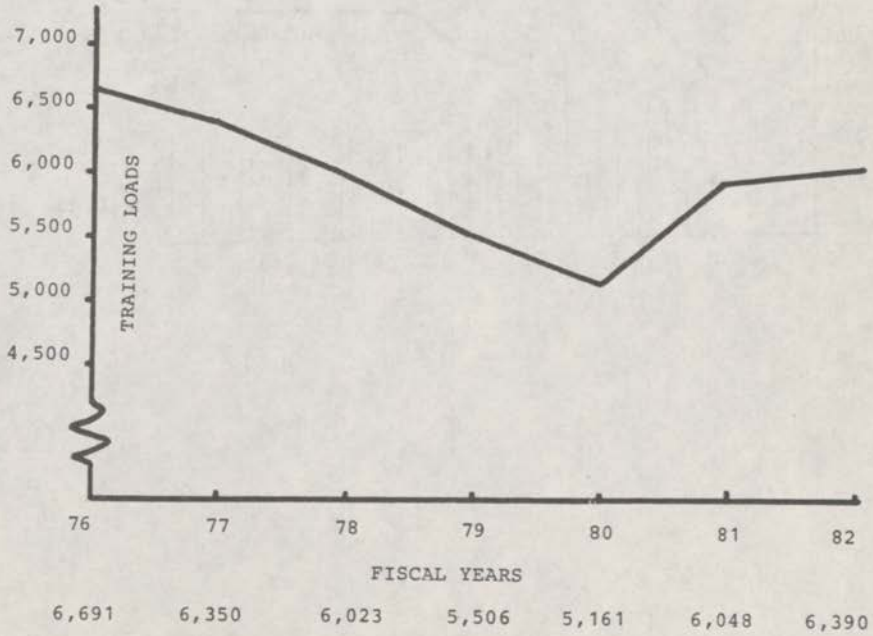
have been decreasing, rather than increasing to meet the higher training requirements. This is having a direct, adverse impact on readiness.

The following two charts illustrate these trends in our specialized skill training programs. The first chart shows the decreases in the initial skill course length and the second shows the decline in skill progression training.

INITIAL SKILL
AVERAGE COURSE LENGTH

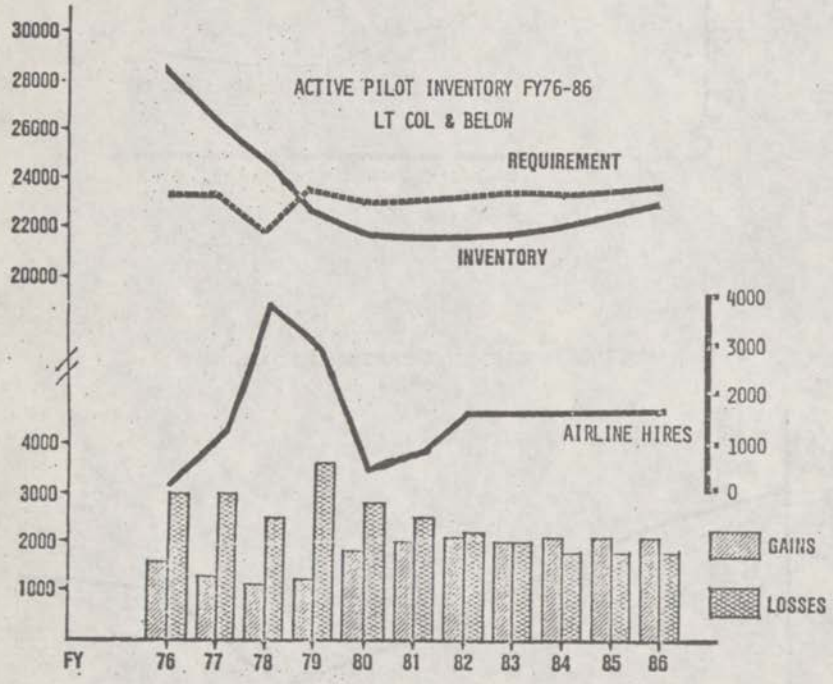


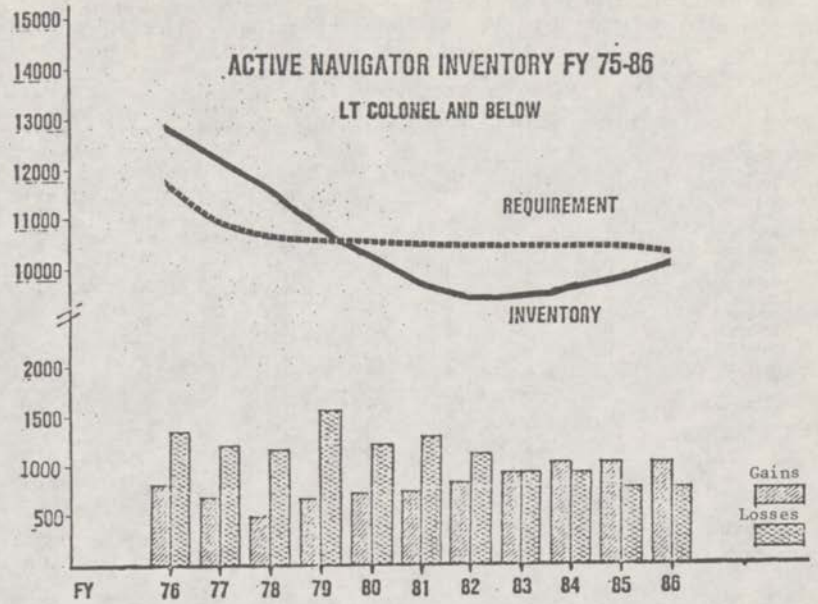
SKILL PROGRESSION TRAINING LOADS



Pilot and Navigator Inventories

The Air Force is currently faced with significant aviator deficits in the near term which will require increased training rates to alleviate the problem. These deficits will begin to decrease in the FY 1984 time period based on the currently programmed force structure. At this time, the more critical situation exists in the navigator career field. The following two charts show the active pilot and navigator inventories compared with requirements since FY 1976, and the projected inventory and requirements through FY 1986. Also shown are the annual gains and losses for the FY 1976-86 timeframe.

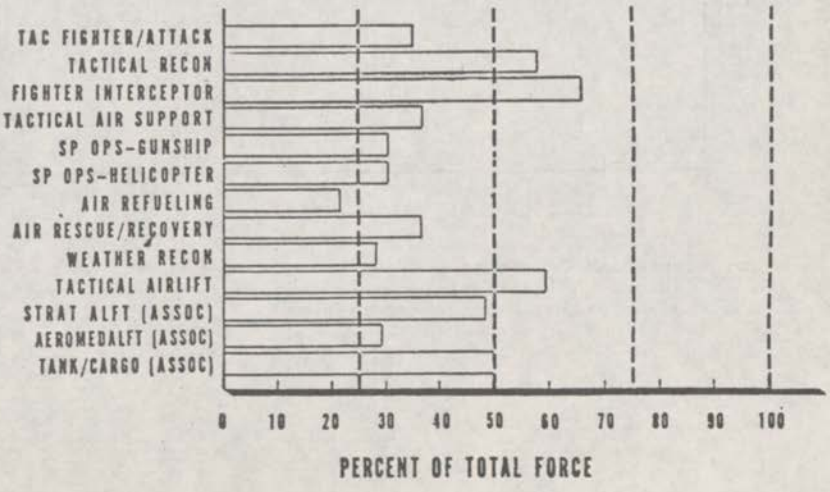




AIR RESERVE FORCES

In pursuance of the total force policy, the Air Force has placed increasing reliance on the significant contribution of the Air Reserve Forces to its overall combat and combat support capability. As illustrated in the following chart, the Air Reserve Forces make up over half of the Air Force's tactical reconnaissance, fighter interceptor and tactical airlift capability. Air Reserve associate units make up almost half of the Air Force's strategic airlift and tanker/cargo airlift capability. The contribution across-the-board is substantial.

AIR RESERVE FORCES
CONTRIBUTION TO TOTAL FORCE



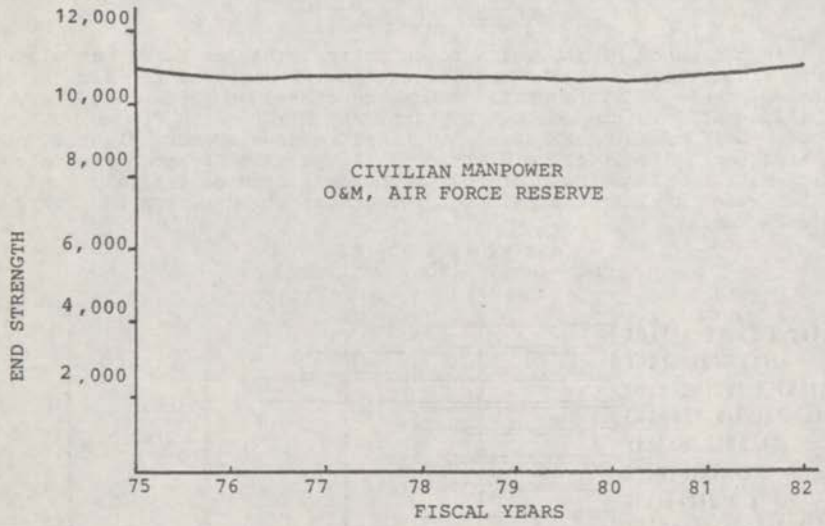
The following pages contain historical data and trend information on the Air Force Reserve and the Air National Guard.

Air Force Reserve

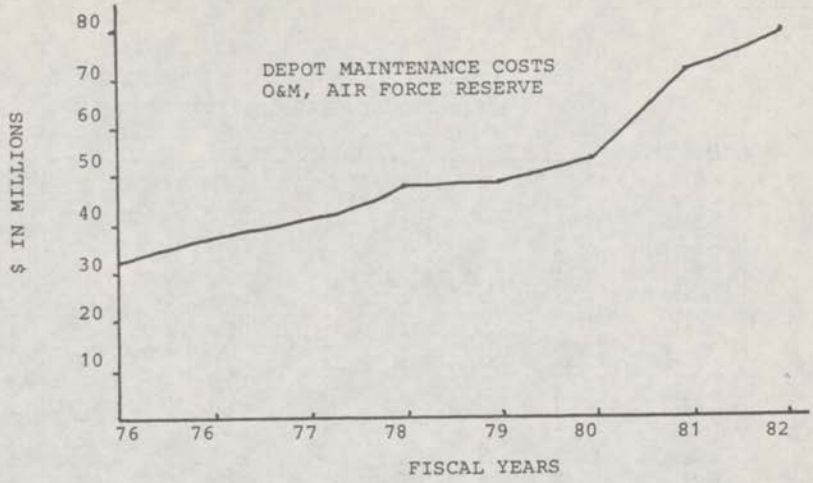
AIR FORCE RESERVE FLYING UNITS

	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
FLYING SQUADRONS								
KC-135	--	--	2	3	3	3	3	3
C-130	16	14	12	11	11	11	12	13
C-123	4	4	4	4	4	4	3	1
C-7	2	2	2	2	2	2	2	2
WC-130	--	1	1	1	1	1	1	1
HH-1/UH-1						1	1	1
EC-130	1	1	1	1	1	1	1	1
HH-3	1	1	1	1	1	2	2	2
CH-3	1	1	1	1	1	1	1	1
AC-130	--	1	1	1	1	1	1	1
EC-121	1	1	1	1	--	--	--	--
F-105	3	3	3	3	3	3	2	1
A-37	4	4	4	4	4	4	1	0
F-4	--	--	--	--	1	1	3	5
A-10	--	--	--	--	--	--	2	3
HH-1H/HH-3E	2	2	2	2	2	--	--	--
ASSOCIATE SQUADRONS								
C-141	13	13	13	13	13	13	13	13
C-5	4	4	4	4	4	4	4	4
C-9	1	1	1	1	1	1	1	1
KC-10	--	--	--	--	--	--	1	1
TOTAL	53	53	53	53	53	53	54	54

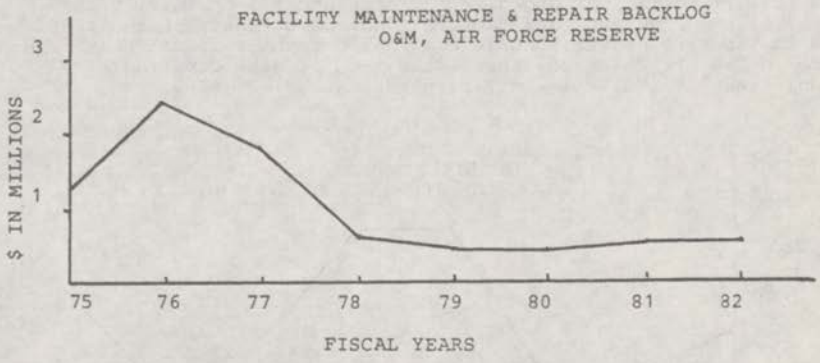
The following chart shows that the Air Force Reserve civilian end strength has remained relatively level over the past six years.



Depot maintenance costs have grown steadily since FY 1975 because of inflation, the increasing number and sophistication of aircraft, and the increasing average aircraft age.



The backlog of facility repair and maintenance has been reduced since FY 1976, as shown in the following chart.

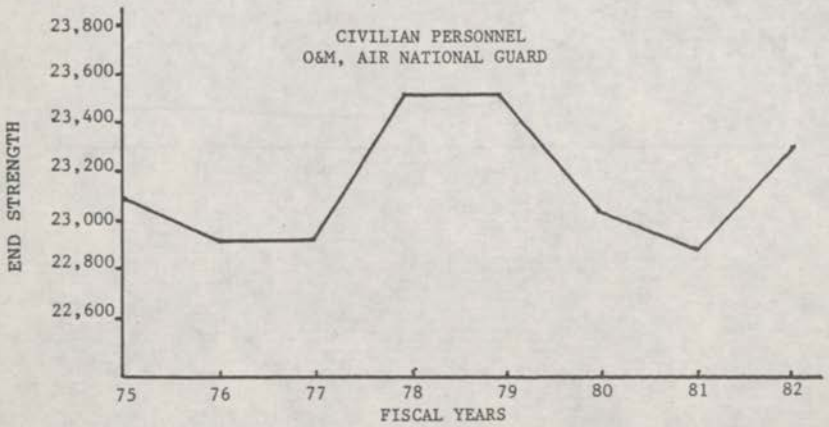


Air National Guard

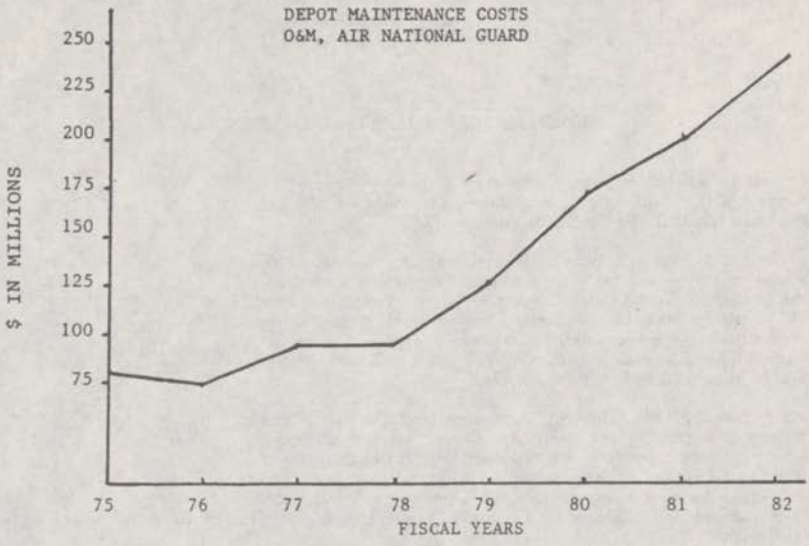
AIR NATIONAL GUARD FLYING UNITS

FLYING UNITS	FISCAL YEAR							
	75	76	77	78	79	80	81	82
A-7	5	6	10	12	14	14	14	15
A-10	-	-	-	-	2	4	4	5
A-37	2	2	2	2	2	-	-	-
C-7	1	1	1	1	1	1	-	-
C-119/U10	3	-	-	-	-	-	-	-
C-123	1	-	-	-	-	-	-	-
C-130	13	16	17	18	18	18	19	19
EB-57	2	2	2	1	1	1	1	-
EC-121	1	1	-	-	-	-	-	-
EC-130	-	-	1	1	1	1	1	1
F-4	1	2	3	4	10	11	14	17
F-100	18	17	13	11	-	-	-	-
F-101	7	5	3	3	3	3	2	-
F-102	3	-	-	-	-	-	-	-
F-104	1	-	-	-	-	-	-	-
F-105	4	4	4	4	5	4	2	1
F-106	5	6	6	5	5	5	5	5
HC-130/HH3	1	2	2	2	2	2	2	2
KC-97	9	8	4	-	-	-	-	-
KC-135	-	4	9	13	13	13	13	13
O-2	7	7	6	6	6	4	2	2
OA-37	-	-	-	-	-	2	4	3
RF-4	3	7	7	7	8	8	8	8
RF-101	4	1	1	1	-	-	-	-
TOTAL FLYING UNITS	91	91	91	91	91	91	91	91
TOTAL CONVERSIONS	10	15	13	8	12	5	6	5

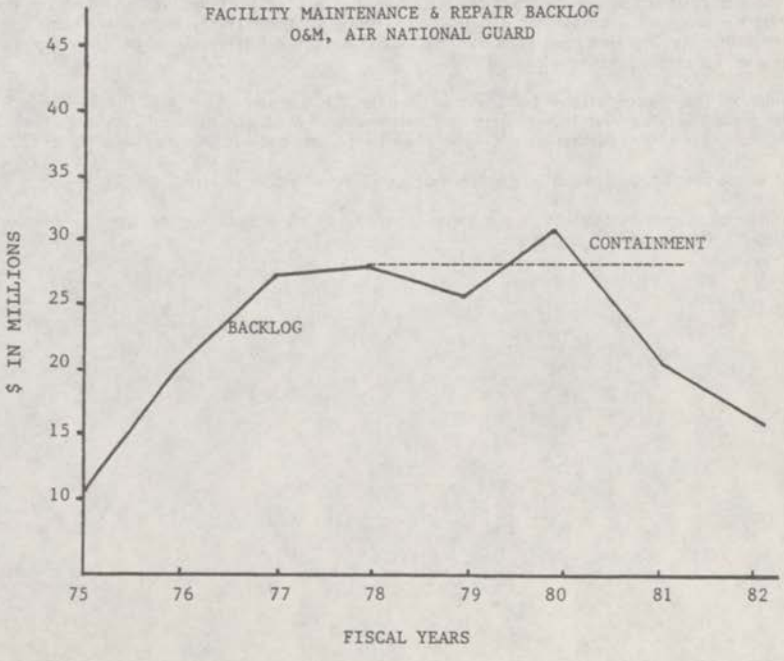
The fluctuation in Air National Guard civilian end strength from FY 1977 to FY 1981 shown in the next chart is primarily the result of two counteracting factors: increased requirements associated with aircraft conversions (e.g., phaseout the F-100 aircraft and phase in F-4 aircraft) and the replacement of some civilian air technicians with full-time military personnel (FY 1980).



Depot maintenance costs have increased for the Air National Guard because of inflation and increasing sophistication/complexity of aircraft. Growth since FY 1975 is shown in the following chart.



The following chart shows the backlog of facility repair and maintenance since FY 1975. The "containment" line indicates the backlog level desired.



Biography

BRIGADIER GENERAL RICHARD D. MURRAY

Brigadier General Richard D. Murray is deputy director of budget, Office of the Comptroller of the Air Force, Headquarters U.S. Air Force, Washington, D.C.

General Murray was born in Shreveport, La., Nov. 2, 1930, where he completed his elementary and secondary education. He graduated from Baylor University, Waco, Texas, in June 1954 with a bachelor of business administration degree in accounting. He completed Squadron Officer School at Maxwell Air Force Base, Ala., in 1960 and Air Command and Staff College, also at Maxwell, in 1965.

On June 9, 1954, General Murray entered the Air Force through the Baylor University Air Force Reserve Officers' Training Corps commissioning program. His initial assignment was as base budget officer at Webb Air Force Base, Texas. In July 1956 he was assigned to the Directorate of Budget, Headquarters United States Air Forces in Europe, Lindsey Air Station, Germany, where he served until August 1959.

General Murray was next assigned to the Auditor General's resident office at Goodfellow Air Force Base, Texas. In September 1960 he attended Squadron Officer School and remained as an instructor until August 1964. After graduating from Air Command and Staff College, he became adviser to the Spanish air force comptroller from 1966 to 1969, and adviser to the Vietnamese comptroller from August 1969 to August 1970.

In August 1970 General Murray became comptroller at Seymour Johnson Air Force Base, N.C. In January 1973 he was assigned to Headquarters Tactical Air Command, Langley Air Force Base, Va., as chief, Operations Division, Directorate of Budget, and in July 1974 was named the command's director of budget.

He was assigned as deputy chief of staff, comptroller, for Tactical Air Command in February 1976. He provided management and financial advice to the commander and his staff and was responsible for the functions of budgeting, accounting, and management and cost analysis. He assumed his present position in June 1979.

His military decorations and awards include the Legion of Merit, Bronze Star Medal, Meritorious Service Medal, Joint Service Commendation Medal, Air Force Commendation Medal, Republic of Vietnam Armed Forces Honor Medal 1st Class and Air Service Medal Honor Class.

He was promoted to brigadier general Oct. 1, 1979, with date of rank Sept. 25, 1979.

General Murray is married to the former Janice Collins of Bossier City, La. They have three children: Richard, Patti and Mark.

OPERATION AND MAINTENANCE AND SPARES SUPPORT

Senator RUDMAN. General Murray, last week I asked for a meeting with Gen. Jack Chain to discuss with him some of the criticisms made of the development of the extraordinarily high technology weapon systems, particularly fighter aircraft. In the course of that discussion it became apparent that one of the problems the Air Force has had in the past several years has been that although we have procured a number of high technology systems, we have not with O. & M. procured sufficient parts, in fact, to maintain that equipment.

We have to have a larger than acceptable number of systems and aircraft on the ground because we have not had the parts to, in fact, fly them. The question is a very simple one:

In this budget have you, in your view, accurately predicted the failure rate of some of this high technology systems' equipment and have you sufficient spares to keep a higher readiness rate than you have been able to experience in, say, the past 24 months?

General MURRAY. The answer to that question is not easy, sir, but we are going in the right direction. In 1975, when we made the decision to buy the F–15's and to buy these modern-type weapons, we, through our inability to project the cost of supporting these weapon systems, did not place sufficient funds in buying spare parts and O. & M. dollars to support them.

The best man in General Chain's shop is Colonel Griffith. Because of General Chain's concern that we have not placed sufficient O. & M. dollars, he has given us his best man to represent us in preparing the budget for the U.S. Air Force, so that we put sufficient O. & M. dollars in our account.

I would like to ask Mr. McElhanon to explain to you why we are not going to have as much success in 1982 with our readiness as far as maintaining aircraft because of the 2-year leadtime that is required to buy the spare parts.

Mac, will you expand some on that?

Senator RUDMAN. As you are addressing that item that General Murray mentioned, you might discuss the F–100 engines and just exactly what is being planned in that area.

READINESS IN AIRCRAFT MAINTENANCE

Mr. MCELHANON. First, O. & M. alone is not totally responsible for the problem we are talking about, because the recoverable spares are investment items. These are involved in the procurement appropriation.

In the fiscal year 1982 amended budget we have for aircraft spares some $4.2 billion. That is a massive increase over prior years. We had $605 million for additional spares in the 1981 supplemental. As you well realize, this is yet to be enacted and we are still production leadtime away.

The aircraft spares, recoverable items capable of being repaired over and over again, on the average run 2 years' leadtime. What we buy at the end of this fiscal year through the supplemental and the 1982 request really is not going to give us a great deal of gain in our operational readiness.

Now, we will get some incremental improvement during 1983 on the shorter leadtime items that are, in fact, delivered during that time frame. Many are long poles in the tent and they extend to 1984.

We have made a dedicated attack on this problem. We have recognized our failure patterns, leadtime factors which in the past year and a half have been extended tremendously over prior practice.

We are also recognizing the effects of inflation, particularly in the engine parts world; that is, a large part of our replenishment spares requirement is for engines, where you get into titanium, tantalum, chromium, cobalt; the price for the parts that are made of those metals has gone up dramatically. That is the reason we have the problem today. We have had a higher rate of inflation than we anticipated.

F100 ENGINE

With regard to the F100 engine, I cannot give you a detailed recitation on that, but we have had problems over the last 2 years.

We had to set down some 29 F-15's and pull the engines from them over 1 year ago in order to have engines to go in the new production deliveries. These airplanes now have gotten engines to go into them.

We have, first, a shortage of engines. Second, we have had a shortage of engine parts that are required during the overhaul process. We partially alleviated that by deferring a depot return at the 900-cycle interval, a cycle being a measure of the heat-up and cool-down of the engine, if you will.

We are going to a minimum level, 900-cycle inspection at field levels to keep the engine from entering that long depot pipeline.

At the 1,350-cycle point, which will be coming up in 1982, of course, many of the engines will have to flow back to the depot. As they come to the depot, they are going to consume a considerable number of parts. We are not out of the woods, Senator. We think we can manage our way through the F100 problem. It will begin to clear up sometime in the 1983 time frame as we see it now.

UNAVAILABILITY OF PARTS

Senator RUDMAN. Moving from the spares, many of which are investment items, as I understand, for the replacement engines, major assembly for those engines, one of the other problems I am aware of has been the unavailability of parts for some of the systems. Of course, these aircraft carry a number of black boxes that have very complex assemblies and subassemblies and there has been a fair number of problems with navigational equipment, FCM equipment, and so forth.

Does your budget, in your view, General Murray, or anyone here, adequately reflect your actual experience in the last 2 years?

Mr. MCELHANON. Yes, sir, we do a recomputation of all those factors that apply in the spares requirement computation four times a year. We are rolling with time and we see these changes in failure patterns occur, and we then try to do an analysis as to

whether that is going to continue. If so, then we do our programing against that higher failure pattern.

I might mention I was reading a synopsis of the GAO report this morning that criticized us for buying F-16 spares the first year we had the airplane in the inventory because we were buying against current failure patterns instead of the projected mature failure patterns, which would be much better. That would be totally counterproductive, to try to maintain the force during that period of years that it takes to get that maturation of the reliability.

Senator RUDMAN. I understand what you are saying. I guess your answer is that based on your most current statistical data, you have coming into your spare parts inventory and electronics systems' parts inventory sufficient equipment to start upgrading, if you will, the statistics of availability of aircraft?

Mr. MCELHANON. Yes, sir.

Senator RUDMAN. Many of which have been unavailable because of fairly simple but unavailable production parts; is that correct?

Mr. MCELHANON. That is correct.

FUNDING FOR FLYING HOURS

General MURRAY. Also addressing your question, as General Chain pointed out to you, his concern about not having sufficient O. & M. dollars to support the flying hour program of the Air Force, what he has done in the operations area is to place Colonel Griffith as his key man on our program review in looking at the 1983 to 1987 budget, the FYDP, as we call it, in the Air Force.

Colonel GRIFFITH. We can't give specifics because we are not sure what it is as yet, but I can assure you that the next 5-year plan that you will see will very adequately cover all these areas that over the past 4 to 5 years we somewhat slighted, particularly in replenishment spares. An attempt is being made in the O. & M. area—the work that we are primarily concerned with today—to cover some of the backlogs, which we have been inclined in the past to push out in the future.

There are many factors that hinge directly upon the production of sorties that you are concerned about, the ability to produce flyable airplanes.

One of the factors that we feel is perhaps overlooked is the retention of our qualified people.

We have a very high number of junior maintenance people, and because of that they tend to have perhaps less skill than some of their contemporaries exhibited 5 or 6 years ago. We have lost a very great number of our very highly skilled technicians in that middle-grade area in the last few years. With high technology systems it, of course, takes high technology and highly skilled people to operate them.

REPLACE VERSUS REPAIR

Senator RUDMAN. To what extent are you now forced, because of the inability of the technical experts, the people you have, to what extent are you now pushed toward replacing modules rather than repairing individual items the cost of replacement being, of

course, much higher if you have to do it—to what extent do you have to replace entire systems rather than go in and fix them?

Mr. McELHANON. We give from our depots technical assistance in the field, and if one has skill shortages, we offer technical assistance from our depots to the one that is responsible for a particular item they are having trouble with. We try to help them work their way through the problem so that you don't have the modules going back to the depot needlessly.

Senator RUDMAN. So that is something you are addressing, because that is a very high cost method, compared to repairing this equipment?

Mr. McELHANON. Absolutely, sir.

Colonel GRIFFITH. You have to understand that these systems you have today are not designed to be dealt with in that manner. They are comprised of individual boxes. The fact is that you have a radar system half as big as this table which may have 30 major modules in it. We can come out and replace them to fix the system and then repair the modules at another place and time.

Mr. McELHANON. We have been beefing up several aspects of logistics to try to overcome the shortage of spares. We are making sure we get rid of our backlogs in the depot repairs so that we have all the serviceable assets we can get in the system. We try to shorten the pipeline between the field and the depot by adding LOGAIR routes to our rapid transportation system, by having critical item processing that is done on an expedited basis both at the field level as well as the depot, expedited repair going through the depot.

We have gotten into the repair of items that normally are beyond economic repair limits purely on an economic basis. We will repair those in the absence of the requisite spares.

PLANNING FOR OPERATIONS AND MAINTENANCE

Senator RUDMAN. Before turning the questioning over to Senator Schmitt, I want to ask you a question which does not relate so much to your specific request for your fiscal year 1981 O. & M. account, but more to what the general attitude and planning has been in the procurement area in the Air Force.

As you know, the O. & M. cost associated with this high technology equipment has had some enormous growth because of the state of the art being pushed, failure rates being higher in many cases, and the costs have been substantial.

As you are looking at new systems, be they the C–X or the M–X or whatever new systems you are looking at, to what extent do you coordinate the anticipated O. & M. cost associated with that program over a period of years with its original cost to decide whether or not it is even affordable? To what extent is that being considered?

Let me give you an example of what I am talking about: You design an engine such as the F100 engine, which is dealing with extraordinary temperatures and a lot of stresses that a lot of engines have not experienced. To what extent do you build into your procurement trend the fact that the O. & M. costs are going to be very high, disclose those to the Congress at the time you talk about the system, and decide whether or not you want to go ahead

with that system because the add-on cost over the life of that equipment will be enormous?

General MURRAY. The Air Force Systems Command continually reviews that and one of the key items in our new weapon system is the O. & M. tail costs, sir. From the briefings that I have heard in the U.S. Air Force, I feel that we address that very heavily. Because of the manpower costs associated with working on the new weapon systems, we try to simplify the process to the maximum extent possible.

Mac, is there anything you can add?

Mr. MCELHANON. I might say with regard to one weapon system still in procurement, the KC–10, that is a DC–10 with air refueling on it, that is capitalizing on commercially used proven reliable equipment.

The C–X is not to use advanced technology, but to use existing technology, using some existing engine, existing avionics system.

These are moves in the right direction. It keeps from getting maximum surprises in your failure problems.

HIGH TECHNOLOGY EQUIPMENT ACQUISITION

Senator RUDMAN. From hearings we have had in the armed services this winter and spring, I think everyone has reached the conclusion that we have to take some new approaches to the acquisition of new high technology equipment because of the growth of costs, not only in O. & M. but also in basic development and procurement.

As it has been projected, it is absolutely a terrifying prospect in terms of what portion of the total Federal budget will be consumed.

So I think that the Air Force must, in considering new equipment, start looking maybe less at pushing some of the new high technology until they have a better handle on it.

Senator Schmitt.

F100 ENGINE

Senator SCHMITT. Thank you, Senator Rudman.

With 20/20 hindsight, don't you think you blew it on the F100 engine?

Colonel GRIFFITH. I would like to answer that one, no, sir, absolutely.

Senator SCHMITT. My impression is that you went to a contractor without proven experience on that scale of an engine. They said they could do things, but it turns out they probably couldn't with regard to the weight of the engine versus the performance level required.

We implied a commitment to outfit the entire fighter fleet with the same engine, without a backup engine. Do you think all those things are justified?

Colonel GRIFFITH. Yes, sir, I certainly do. Having flown some 350 hours in aircraft with the engine, I can say it is as reliable as any I have had the opportunity to fly. A great deal of the problem, perhaps, is attributable to our youth in the cockpit and the fact that the young troops just aren't as familiar with those kinds of engines.

It is a bit different operation than perhaps the T–38 or some of those types. All in all, from the standpoint of ease of maintenance, weight versus thrust, fuel consumption, there is not a comparable engine on the face of the Earth.

ENGINE TECHNOLOGY

Senator SCHMITT. Including the F101—DFE?

Colonel GRIFFITH. I have not seen one operating, to my knowledge.

Senator SCHMITT. It is my understanding they have tested the F101 DFE on one of the F–16's.

Colonel GRIFFITH. You could be right, sir.

[The information follows:]

TESTING F101 DFE IN AN F–16

The F101 Derivative Fighter Engine (DFE) flight tests in an F–16 test bed were completed 29 May 81 with the 58th flight for a total flight time of 74.5 hours. These tests were highly successful with the engine performing well.

F–100 ENGINE TECHNOLOGY

Senator SCHMITT. I think you will find they have already run one.

Colonel GRIFFITH. We first set the standard for the F100 engine. I worked on it in 1968 and 1969, the thrust to weight ratio. Were we pressing technology? Certainly we were.

By this time, today, 10 or 12 years later, certainly we have reaped the benefits of that pressure on the technology that we applied many years ago. From a performance standpoint and against the requirement as we viewed it 10 years ago, we had to press technology. We did not have the turbojet engines capable of providing the kind of thrust and the cruise capability needed for that particular airplane against the then stated requirements. There was a Southeast Asia mentality associated with that.

For the airplane we have produced today, and the capability it has, I can't think of how we could have gotten out a lot cheaper, frankly.

Senator SCHMITT. You had an engine development in the B–1 going on at the same time you had selection for this one, did you not?

Colonel GRIFFITH. No, sir. That came a bit later, perhaps 3 or 4 years later, as I recall.

General MURRAY. We don't have the R. & D. people here with us today, but I can get that information for you.

[The information follows:]

ENGINE DEVELOPMENT CONCURRENCY

The Source Selections for the F100 and F101 engines were conducted almost simultaneously. The Full-Scale Development (FSD) of the F100 was in February 1970 with engine qualification being completed in October 1973. The development of the F–101 was stretched out somewhat as the B–1 program developed. FSD for the F–101 was in July 1970 with qualification in November 1976.

Senator SCHMITT. I would hope you would make sure that you stay in touch with this, because you are the ones who end up having to maintain these engines. If a contractor buys into a high

thrust to weight engine that just is a little bit too far, and you end up sort of trying to recover over the next 10 years with modifications of the design, you have bought yourself a major headache. Don't go blaming it on the pilot, for crying out loud. Your training program had better take care of that. If it doesn't, that means you have an engine that was built for the wrong specs.

I don't think that is a way out. I don't think you can blame the young pilots. You can blame your training program maybe, or you blame your engine design.

There are some engine problems you can't train out. If you have a pilot in a particular kind of dissimilar aircraft training sequence or something like that, he is going to work that engine; he is not going to think about whether he is moving the throttle too fast or not too fast. That is the nature of the combat situation. You want him to do it.

F101–DFE

What is the plan for the F101—DFE?

General MURRAY. I will have to get you an answer for that.

Colonel GRIFFITH. Currently, sir, we are doing development only. There is no intent to produce it.

[The information follows:]

PLAN FOR F101 DFE

The $35 million for the F101 Derivative Fighter Engine (DFE) in fiscal year 1982 provides for a transition to maintain the option of full scale development of the F101 DFE as a competitive alternative to meet mid-to-late eighties requirements. I do not feel that it would be prudent at this time to close out our options. I would anticipate a full scale development decision after most of the fiscal year 1982 results are available.

PARALLEL ENGINE DEVELOPMENT

Senator SCHMITT. Do you object to having a parallel engine development?

General MURRAY. No, sir.

Senator SCHMITT. Doesn't it make you uncomfortable to have every fighter aircraft in the fleet with the same engine?

Colonel GRIFFITH. It does not bother me at all, sir. If you can keep the cost down from a procurement aspect, and you are not trapped by the contractor, then I think it is important to do that.

From a maintenance and logistics aspect, clearly that is the best way to go. It solves a great deal of your maintenance problem on installations. Commonality of systems is an easy way.

Senator SCHMITT. Unless the engine starts to have major problems?

Colonel GRIFFITH. That is true.

General MURRAY. From a competition standpoint, we welcome it.

Senator SCHMITT. In this engine, since you apparently are not pushing the F101—DFE, you are going to end up with one contractor that is working in this particular engine area; is that correct?

General MURRAY. The only reason we are not pushing it any harder than we are, sir, is because of the fiscal constraint. If it were not for the fiscal constraint, we would love to have the competition and fully develop it, and then have the winner to be

placed in our aircraft. I think only because of fiscal constraints have we been prevented in developing the total budget and been able to place any additional moneys in the F101.

Senator SCHMITT. Your long-term fiscal difficulties may actually be less if you have this kind of backup engine or in a total fleet a couple of different engines that you have available.

General MURRAY. I agree with what you are saying, sir, and in developing each year's budget as to where we are going to apply the dollars, we are forced into some decisions like that. From a long-term standpoint, we could put more money in the maintenance of our facilities and save dollars in later years. We are penny wise and pound foolish because we are not able to put additional money there to fix up some of our facilities before they become a major repair problem.

We could save energy cost in a lot of our facilities if we had the dollars. Because of fiscal constraints, we are not able to fund everything we would like to fund.

Senator SCHMITT. I am well aware of that. I don't have a warm feeling about what you might call strategic planning for O. & M., particularly where you are dealing with a very high-performance, high-risk energy development. Do you, as you are consulted, apply all of the parameters that might be of importance downstream, when you suddenly have a major energy problem and you have only one engine line under development?

General MURRAY. Yes, sir.

F111 ENGINE PROBLEMS

Senator SCHMITT. How long was the F111 grounded just because of engine problems?

Mr. MCELHANON. It has been grounded from time to time over the years. The last one was about 3 years ago. It was down 3 or 4 months on some airplanes. We worked our way out of that rather quickly.

Senator SCHMITT. Yes, but for that period of time your only all-weather low-interdiction aircraft that this country had in the inventory was not available to us.

I presume if we got into a real war situation we could forget about some of those engine problems?

Mr. MCELHANON. Yes, sir.

COMPONENTS MANUFACTURED ABROAD

Senator SCHMITT. Do you have many components, subsystems or systems, that are manufactured abroad going into our military aircraft?

General MURRAY. Only under U.S. license.

Senator SCHMITT. I am thinking more of physically manufacturing abroad.

Colonel GRIFFITH. I know of no major systems.

Senator SCHMITT. Major or otherwise, are there any systems that are required for an airplane to fly?

Colonel GRIFFITH. Yes, sir. There are electronic components in our airplanes that are of foreign manufacture.

Senator SCHMITT. Do we stockpile those in case of interruption of supply?

Colonel GRIFFITH. I can't answer that question for you, sir. We will have to supply that for the record.

[The information follows:]

COMPONENTS MANUFACTURED ABROAD

We do not stockpile components in case there is an interruption in deliveries from our foreign suppliers. However, we procure spare items for our WRM. These items are selected based on their need in the event of a contingency, and the manufacturer, domestic or foreign, is not a factor in determining the WRM item selection.

FOREIGN SUPPLIERS

Senator SCHMITT. Does it make you uncomfortable to depend on foreign suppliers?

General MURRAY. It makes me uncomfortable.

Senator SCHMITT. Why is that allowed in the company's response to an Request for Proposal?

General MURRAY. We will have to furnish that, along with the other answer, as to why we are doing that, sir. I am sure that the only answer that I can give you today on something related to that is that in going out for Request for Proposals we try to save as many dollars as we can.

[The information follows:]

DEPENDENCE ON FOREIGN SUPPLIERS

In response to your question why U.S. contractors are allowed to include foreign components in their proposal, RFP—Request for Proposal, Air Force purchases must comply with the provisions of the Buy American Act. The provisions of the Act permit U.S. contractors to offer an end product which includes material and components from foreign sources. Specifically, the definition of a domestic end product under the Buy American Act permits up to 49 percent of the end product to be foreign content. Our aircraft acquisitions comply with the Buy American Act.

STRATEGIC COMPONENTS

Senator SCHMITT. That makes me think that you think this is sort of a game, that you are not really thinking you may someday have to use these things in a war situation where those supplies would be interrupted.

Colonel GRIFFITH. Sir, we have as severe a situation in certain strategic materials.

Senator SCHMITT. That is usually the question I am asking, but I am now extending it to the question of strategic components.

Mr. MCELHANON. I would say the strategic materials are a far more serious problem, because you are dealing with countries that are not necessarily friendly to us in strategic materials.

It occurs to me—and I am not knowledgeable in the area you are pursuing—but the F–16 is in a coproduction mode with the European participating governments. They do manufacture certain components of our airplanes in Belgium, Denmark, the other countries; and I guess what I would say is that as we depend on them for parts, we also depend on them to be our NATO allies in war as well. You hope you have friendship with them.

Senator SCHMITT. You also depend on air in your sister service, the Navy, to keep open your supply lines or be able to assure yourselves that you will have command of the air for air transport.

You also are assuming that those factors continue to operate in a war situation or in some other situation.

I think Italy supplies a fair amount of aerospace parts to this country, do they not? It has always been a question of just how stable is the Italian Government going to be in a given situation. We hope that it will remain more or less stable as it has, but it certainly is not the most stable political environment in Europe.

General MURRAY. We will furnish an answer.

[The information follows:]

COMPONENTS FOR ITALY

We are not dependent on any manufacturer in Italy for our systems or their supporting spares and components.

JAPANESE-MADE AIRCRAFT COMPONENTS

Senator SCHMITT. I suspect some of your aircraft components are coming from Japan?

General MURRAY. Certain ones are.

Senator SCHMITT. I hope you will expand on that for the record.

General MURRAY. We will, sir.

[The information follows:]

COMPONENTS FROM JAPAN

We are dependent upon Japanese manufacturers for approximately 20 aircraft and missile components. Proprietary rights, economics or the lack of U.S. sources have resulted in our buying from the Japanese in these cases. These items could be produced in the United States.

DEPENDENCY ON IMPORTED STRATEGIC MATERIALS

Senator SCHMITT. I don't know whether you have any input on this, but do you know if procurement tries to minimize the dependency of a new system on strategic materials, imported strategic materials?

Colonel GRIFFITH. Let me go through the process as it occurs, if I may.

A requirement is established by the operational community, developed without regard necessarily for any of those kinds of factors. Strategic materials availability is to an extent governed by the current technology because that is conceptually what individuals are dealing with. The requirement has to be approved by the air staff and eventually through a rather laborious process it is turned into a request for quote and sent "out to industry."

At that point, then, would be the first time that there would be a very strict control on whether or not this particular item could be produced within available resources, or would use strategic stockpiled materials or foreign components.

At that point, my experience base weakens. In major systems with which I have been involved, I cannot say directly that there was great consideration given to whether or not strategic materials availability are considered. In fact, there was more concern with the operational aspects of meeting requirements.

We will have to study that a bit and give you an answer in greater detail.

[The information follows:]

CONCERN FOR FOREIGN IMPORTS

Our dependency on foreign sources for critical materials is a concern. The use of critical materials for a new system/equipment is determined during full-scale development. The design of a particular system is determined from a system specification which is based on a validated requirement. Trade-off studies conducted during the design phase are evaluated to minimize cost, improve end-item performance, supportability, and producibility. Materials are a definite consideration during these analyses. Critical materials are only used when there is no other technical solution that can meet the requirement.

DOMESTIC VERSUS FOREIGN PARTS AND MATERIALS

Senator SCHMITT. I get the impression that the Source Board generally will not give any advantage to the company that is able to produce systems utilizing domestic parts and materials versus one utilizing foreign-produced materials?

General MURRAY. I am sure the system looks into that.

Senator SCHMITT. I am not sure they do.

General MURRAY. I can't believe General Dynamics has not looked thoroughly into the production of the F-16. I know we have full capability. Whether or not we have the European countries' help at all, we still have the ability to produce the F-16 without their parts.

Senator SCHMITT. You can't produce an F100 engine without cobalt.

General MURRAY. I understand. Strategic materials are a problem.

Colonel GRIFFITH. You could never have gotten close to that thrust to weight without those kinds of materials. We were at an impasse from a national standpoint.

Senator SCHMITT. Cobalt has been available; imported cobalt has been available. I doubt if there was ever very much pressure to try to develop substitute materials.

Colonel GRIFFITH. There wasn't any problem getting it, either in those days.

Senator SCHMITT. It has always been a problem. As long as you potentially don't have control of the sea lanes, you are going to have a problem getting hold of cobalt. As long as you don't have political influence in the nations that produce cobalt, you will have a potential problem. As long as you have a domestic policy that discourages production of cobalt, you will have a problem.

It would seem to me that your procurement process, as well as the input of O. & M. into the procurement process, should recognize those kinds of things. You may decide the risk is minimal and therefore we will go ahead. I don't have the feeling that those things have even been debated.

I think we have gotten terribly dependent on materials and components for our systems vital to our national security.

Colonel GRIFFITH. Believe me, those concern me as well; but as to details in depth, and whether we look at it during source selection—I have participated in a couple of source selections, myself, and I admit we did not look at it in great depth.

EXPANDING AIR NATIONAL GUARD AND RESERVE MAINTENANCE ROLE

Senator SCHMITT. In maintenance personnel, have you looked at the potential—at least in domestic maintenance depots and operational units—for expanding the National Guard and Reserve forces so that you can attract some of these guys who have left the service back into providing high-class maintenance?

For example, the New Mexico National Guard A-7 unit has a tremendously good record, both for flying and for maintenance. The main reason is that they have some of the most experienced people in the world flying and maintaining those aircraft. They are all people that you have trained for the Guard.

General MURRAY. Yes, sir, we do have a system. McDonnell-Douglas and the other manufacturers have taken a lot of our maintenance people. We do highly recruit those people and get them in the Guard and Reserve outfits throughout the States, to make sure we don't lose their expertise.

Colonel HARLAND. There are active ANG in recruiting programs for identifying people separating. We try to recruit them for critical skills. We have Guard recruiters visiting Air Force bases, both CONUS and overseas, identifying people who are scheduled to depart. Once it has been determined they will in fact separate, they are interviewed to determine their qualifications to fill the vacancies.

AIR NATIONAL GUARD MANNING

Senator SCHMITT. Do you have sufficient slots to take all the ones that are interested?

Colonel HARLAND. Right now we have a recruiting drive on to fill those.

Maintenance is one of those, as well as photointerpreter and munition loaders. There is no limitation as to what we could use.

Senator SCHMITT. In the Guard you can take anyone who wants to come in?

Colonel HARLAND. In the critical skills. We have some skills which are full. Some of the less critical and more easily recruitable, with lower training requirements, we have filled up quite a bit for the most part.

Senator SCHMITT. Filled up your slots or filled up your need?

Colonel HARLAND. In the noncritical skills our needed skills slots are filled. In the critical skills the people are not yet on board and this is where our emphasis is being placed right now.

Senator SCHMITT. There is no need for us to raise the number of positions available in the Guard and Reserve?

ACTIVE FORCE MANNING

General MURRAY. Let us check that a little more thoroughly, sir, and give you an answer on that one. We may have an area where we have a critical need in the active force and they don't have the slots. I would like to check that out.

Major Tattini.

Major TATTINI. In the 1982 amended budget we have increased the nonprior service accessions in the Active Force. Additionally, we are going out and looking for more prior service accessions.

Senator SCHMITT. To re-enlist or to go in the Guard and Reserve?

Major TATTINI. To go back into the Active Force. There is a plan to fill the void we have had in our experience levels. With the 5.3- and 9-percent pay raises, if these come to pass, we hope we will be successful in getting these people back in the Active Force, not by taking them from the Guard and Reserve, but getting them out of the private sector. Hopefully the compensation initiatives will be passed and we should be more successful in this area.

General MURRAY. We will check it out and see if we have critical needs in the Active Force that are available and the Guard and Reserve don't have the slots. We will give you an answer on that.

DOMESTIC MAINTENANCE REFORMED BY GUARD AND RESERVE

Senator SCHMITT. You are clear on what I am saying? The question is really, are there situations, domestic situations, CONUS situations, where you have deficiencies in the Active Force that could be filled by efforts involving Guard and Reserve personnel?

General MURRAY. Yes, sir. I understand your question. That is why I want to make sure we are tying in the active requirement with the number of slots that they have in the Guard and Reserve to make sure that they don't have an area, AFSC, that is completely full and yet we have a shortage of people in the active. Then they should have additional slots.

[The information follows:]

GUARD AND RESERVE POSITIONS

Manpower authorizations in the Air National Guard and Air Force Reserve are continually reviewed by the Air Staff and the Air Force Major Commands to determine adequacy for wartime tasking. There are current shortages still in the active force which will not be alleviated when the Air Reserve Forces (ARF) are mobilized. ARF unit manpower authorizations have the principal purpose of supporting weapon systems and equipment which the Reserve Forces will bring to war. In addition, critical skill shortages in the Air Reserve Forces generally mirror those in the active force; thus, raising the number of positions available in the Guard and Reserve will not necessarily lead to available resources upon mobilization. However, members of the Individual Ready Reserve, and active and reserve retirees, are considered viable resources to offset shortages in active and reserve units upon mobilization. The Air Force is also developing a program to manage critical skill manning on a total force basis (active, guard and reserve) which will consider the levels and time phasing of wartime tasking, current peacetime manning levels, and the projected capability of each of the components to achieve and sustain wartime required manning levels. Through this program, the Air Force expects to achieve an improved total force distribution of wartime resources.

LOW EXPERIENCED MAINTENANCE PERSONNEL

Senator SCHMITT. Mr. Chairman, I am sorry to take so long. Let me give you an example. I know that the problem that you mentioned, about having low experienced maintenance personnel, is very clearly illustrated at Cannon Air Force Base on the F-111. Now you have a lot of those people who have left the Air Force, I think, still in New Mexico. We have a good Air Guard organization. That might be a situation where you could at least experiment with seeing if you can bring some of those engine maintenance people, experienced ones, back in at least in a training

function on weekends, a weekend or two a month, to help with the Cannon F-111 problem.

General MURRAY. And the 2-week active duty tour. We could certainly use them during that period.

Senator SCHMITT. This is a situation where you appear to have solved your engine problem and now you don't have the people to maintain the engines that you have fixed up.

T-38 LIFE CYCLE

Finally, are you involved in the T-38 life cycle problem?

Mr. MCELHANON. Yes, sir, we are aware of it.

Senator SCHMITT. Do you feel you are out of the woods on the T-38 now, that you have a significant number of the spar problems and replacing spars in the wings? Has that been completed?

Mr. MCELHANON. No, sir. I don't think we have any problem of knowing what it is we need to do. It is a matter of leadtime for production of the replacement wings.

Senator SCHMITT. What about the other problems that are starting to appear, other structural components within the T-38, the longerons which are starting to show stress failure, particularly in the fighter training?

Mr. MCELHANON. I don't know the specifics on the T-38. I know that structural integrity of all our airplanes is a serious concern to us.

Senator SCHMITT. I am focusing on the problem at Holloman and how it relates to the availability of the T-38 for what I believe is a very successful lead in fighter operation.

General MURRAY. To answer your question, I do know that all the problems that have been identified are funded in the fiscal year 1982 budget, and we have the dollars to accomplish all the mods that are required for fiscal 1982. For the outyears, sir, we will have to make sure we are looking at that.

Senator SCHMITT. Will you give us a report on that?

General MURRAY. Yes, I will.

[The information follows:]

T-38 PROBLEMS

Northrop Aviation Corporation, in conjunction with the United States Air Force, completed a four-year Durability and Damage Tolerance Assessment (DADTA) program in January 1979 to more accurately determine the "safe life" of the T-38 aircraft. The results of the T-38 DADTA program highlighted a potential problem area in the dorsal longeron when the aircraft is employed in a severe use role (lead-in fighter training, dissimilar air combat training, and Thunderbird aerial demonstration maneuvers).

As a result of extensive analysis, a 2,300 flying hour limitation was placed on all T-38 aircraft employed in the severe use role. This safety limit does not affect the non-severe use aircraft since potential dorsal longeron failure would occur after the programmed 15,000 hour service life for Air Training Command aircraft.

A modification and inspection program has been formulated and approved to resolve potential fuselage dorsal longeron failure in severe use aircraft. The modification is designed to extend T-38 severe use service life by 3,000 hours, or seven years, and involves installation of steel longeron doublers along the fuselage. Modification began at Holloman AFB in Apr 81 and will be complete in Fiscal Year 1983. As an interim measure, an extensive fastener removal inspection has been established for aircraft accruing the flying hour limit before modification kits are available. Due to the timely implementation of the modification, no decrease in aircraft to support the lead-in training is anticipated.

The modification requirements are fully funded through Fiscal Year 1982 with Fiscal Year 1979 and Fiscal Year 1980 funds completely obligated. No problems are anticipated in the obligation of remaining authorized funding.

TRAINER AND FIGHTER-TRAINER REPLACEMENT

Senator SCHMITT. Also what is the feeling about when a new fighter-trainer may have to be added to the inventory, either a modification of the F-5 production line or some new competition?

General MURRAY. As you know, our biggest problem now is the T-37, the initial pilot training aircraft. We do need a replacement for the T-37 and hope to award a contract next year to develop and build a Next Generation Trainer. We will get details on the fighter-trainer.

[The information follows:]

FIGHTER-TRAINER REPLACEMENT

There is currently no plan for adding a new fighter-trainer to the inventory. A replacement is, however, needed for the T-37 primary trainer aircraft. The T-37, of the 1950's design, has several operational deficiencies that severely restrict our ability to conduct Undergraduate Pilot Training (UPT). These deficiencies include:

a. Limited range and endurance.

b. Limited performance which restricts training to lower altitudes and, thus, increasingly congested airspace.

c. Limited weather capability.

d. Instrument displays that are out-of-date with regard to modern weapon systems.

e. Excessive fuel consumption compared to today's state-of-the-art engine technology.

f. Noise levels in excess of EPA standards.

In addition, by 1987 the number of aircraft in the T-37 fleet will be insufficient to train the projected number of student pilots. The trainer will be designed for fuel and maintenance efficiency to save fuel and maintenance manhours.

PHASING OUT OF T-37

Senator SCHMITT. I think the two might be tied together. Were there not some experiments recently on phasing the T-37 out and going directly from the propeller program into the T-38?

General MURRAY. No, sir. We don't have the propeller program except for initial flight screening in a T-41 or equivalent aircraft. The Navy has the three ships. We only have the two. We have personnel entering the undergraduate pilot training program without going to the T-41.

Major TATTINI. They get 20 hours in the T-41.

Senator SCHMITT. My understanding is that it is not minimal in terms of your SIE rate.

Major TATTINI. That is exactly why we need it.

Senator SCHMITT. That has been very cost effective?

Major TATTINI. Yes, sir.

Senator SCHMITT. You are saying not everybody does that?

General MURRAY. I was told the other day all our people entering pilot training go through the T-41 or similar programs except those possessing private pilot licenses.

Senator SCHMITT. Your decision now is that a new intermediate jet fighter-trainer is probably going to be necessary and you are looking at new procurement in that respect?

General MURRAY. No, sir. Our next replacement trainer is a replacement for the T–37 primary trainers, and we want it to be a jet.

Senator SCHMITT. Thank you, Mr. Chairman.

INFLATION BUDGETING

Senator RUDMAN. Thank you, Senator Schmitt.

General Murray, I have a few more questions of my own. First, as you probably know, this subcommittee in the supplemental which we have of course had quite a discussion about in our full committee, adopted at this time a 10-percent inflation rate. I assume you have adopted the same inflation rate in this budget that OMB has given the rest of the services, 7.9 percent?

General MURRAY. Yes, sir. That is the inflation rate we have assumed. In the O. & M. area we do get some relief because OSD permits us in documented utility rate increases, increases that have already occurred overall, up to 25 percent. In the O. & M. area also, about 18 percent of our budget is not affected by inflation because it is pay of civilians for which we come over with a supplemental and you pay the actual percentage increase for our civilians.

In our stock fund we have the fixed cost that we are going to be charged for the year. For that addition to the fiscal year 1981 supplemental by the Senate of $130 million, we definitely do need that—the difference between the 8.4 percent and 10 percent. But for 1982, we are using the inflation rate we have been directed to use.

Senator RUDMAN. Of course if the rate is higher than that, then you will not be able to do some of the things you are talking about.

General MURRAY. That is right. There is a problem in the 1975 to 1977 time frame, we did not predict the inflation correctly, so we could not accomplish some of the things we had programmed to do.

FUEL COSTS

Senator RUDMAN. How about the fuel cost estimates? In the 1982 supplemental they were based on $1.35. What assumptions are in the fiscal year 1982 budget? Particularly the petroleum market appears to be soft at this time. What have you done with your figures in this area?

General MURRAY. It is a $1.25 that we base the 1982 budget on.

Senator RUDMAN. Increase is what you are talking about, $1.25 over the Carter budget per barrel?

General MURRAY. Yes, sir. Should the price of fuel drop and our fuel division of the stock fund does not have to pay the anticipated prices in fiscal year 1982, then they would be able to reduce the cost to the users and as a result would free up some funds in the Department of Defense.

Senator RUDMAN. The March amendment included a $30.3 million reduction attributed to "Civilian personnel and base realinement." Can you tell me how much of that is attributed to personnel cost and how much to base operations?

General MURRAY. I don't know if we have the specifics.

George, do we have the breakout?

Senator RUDMAN. If you don't have it readily available we would like it for the record. If you do have it available it would be fine to have it now.

General MURRAY. No, sir, we don't have the breakout of that $30.3 million. We will be able to provide it for the record.

[The material follows:]

CIVILIAN PERSONNEL AND BASE REALIGNMENT SAVINGS

The Civilian Personnel and Base Realignment Efficiency reduction of $30.3 million contains $10.1 million attributable to civilian personnel and $20.2 million to other costs.

CLOSURE OR CONSOLIDATION

Senator RUDMAN. Are you presently investigating closure or consolidation of any of your maintenance or other facilities that you will be submitting to us in order to hold down costs? There has been some talk in the Pentagon about consolidation, closing various kinds of bases. Is this something you have under serious consideration?

General MURRAY. Yes, sir, we are looking at this for the future years. For fiscal year 1982, starting in October, we have not anticipated any saving as a result of this, but Secretary Weinberger has the entire Department of Defense, and Air Force is a strong participant, looking at realinements and especially consolidation as to whether we can eliminate some of the overhead and save O. & M. cost.

Senator RUDMAN. Do you have a deadline by which you have to submit to your superiors your recommendations on these consolidations?

General MURRAY. Not so much a deadline as we have a dollar figure that we are working toward. We are going to have to meet the deadline in order to save those dollars in the outyears.

Senator RUDMAN. You expect some time in the next few months to make recommendations as to how you might consolidate bases in order to save money?

General MURRAY. Yes, sir.

Senator RUDMAN. I won't even ask you which bases are under consideration for fear your answer might cause collective heart failure.

General MURRAY. I appreciate that position.

CONTRACTING OUT

Senator RUDMAN. Looking at contracting for a moment, your statement indicates you are going to intensify contracting and you have budgeted for an increase in contract funds. Will you tell us why?

General MURRAY. Sir, we are intensifying and increasing our effort in contracting out those functions that can be performed by civilians. We do not contract out any function that we have a military requirement to perform in-house because when we do go to war we want to be able to take that individual with us. So we don't even consider those areas. We make a cost comparison. Once we have determined that civilians can perform a function we compare the in-house cost of performing that function as compared to

what the contractors want to charge us. So, all the areas that we have identified in fiscal year 1982, I can assure you that if it is not more cost effective for us to contract that individual to pick up the garbage on an Air Force base or provide cleanup in the dining halls, then we won't contract.

It is not a forced issue of additional contracting. It is just the fact we feel that under Office of Management and Budget Circular A-76 guidelines, it is more cost effective to the taxpayer to have that performed by a contractor if a cost survey proves it more cost effective.

Senator RUDMAN. If you are successful in doing this in a number of areas I suspect you might have fewer personnel in those areas.

General MURRAY. Because of the new weapons systems, ground launched cruise missiles and as a result of modernization and our additional personnel needs, we will actually go up, assuming that we are going to be able to contract out 4,200 spaces. It is an all composite model, sir, to where if we didn't contract out these positions we would need more people.

NONCOMPETITIVE CONTRACTS

Senator RUDMAN. Finally in that area there has been a lot of criticism in the recent GAO report about the awarding of noncompetitive consulting contracts and other kinds of contracts. Is that something that you are taking a look at? In many cases they have been awarded to former Defense Department employees. There are serious problems in that area. Certainly it seems to me that is something that needs a very hard look. Are you taking a hard look at that?

General MURRAY. Yes, sir. I also would like to comment that the GAO's report in stating the percentages of the contracts that were going out on a noncompetitive basis was not entirely fair. Once we buy an IBM piece of equipment or we buy a Burrough's piece of equipment and we have it on board, then we go out on a contract to purchase some additional equipment to go along with that Burrough's equipment or IBM equipment. GAO considered that as a sole source contract. So, the percentages weren't as bad as the GAO report indicated. We do have an active program to make sure that we will go out on a competitive basis. We only go sole source when we absolutely have to or for strategic reasons we need to. Mac, is there anything you can add on that?

CONSULTANTS, STUDIES, AND ANALYSIS

Mr. MCELHANON. Yes. I have read the GAO report to which you allude. I have at least one area that I am particularly concerned about because it has been lumped together with consultants, studies and analyses, neither of which we in the Air Force have a great deal of involvement in the O. & M. appropriation, very little dollars in those two areas.

Then we get into professional management support which has been lumped together and included in Senate bill S. 719. I think they put a taint on professional management services that it does not deserve.

Our service engineering function in the Air Force, for economic reasons we, by policy, contract. The reason is that it would cost us too much money to acquire engineering data that is necessary to our own engineering on the multitude and range of hardware items we have. We don't want to duplicate that. We don't want to have the laboratories or test facilities and all of the specific engineering details in-house because of the extremely high cost.

Neither could we attract or get engineers that are capable in those areas. So we have to contract for it. Now we are caught under the umbrella of consultants, studies and analysis and, here again, if you are going to have engineering done on a Minuteman subsystem that is made by Autonetics you generally go to Autonetics because that is where the engineering was originally done, where the engineering capability rests.

We are buying our engineering by contract as a matter of necessity. Yet we are hit with the accusation that we are doing things foul and not in the best interest of the taxpayer and now we are threatened with extremely tight controls or even limitations. We have gotten hits from the House Appropriations Committee in the last 2 years in that area. We don't know how to turn elsewhere to get our main engineering support done which is so vital to us.

Senator RUDMAN. You are essentially saying to us this morning in a number of areas in your opinion because of the nature of the equipment you really have only one source to go to?

Mr. MCELHANON. That is correct.

Colonel GRIFFITH. Further, we are limited in-house because of the large shortfall in engineers. There are some 1,100 currently. We don't have much current flexibility in-house to do some of the things Mac is talking about.

Mr. MCELHANON. One of the major areas of concern is embedded computer software. Our weapon systems are more and more in the embedded computer systems. Because of limitations in the House Appropriations Committee that says you may not use procurement funds to acquire software, we use O. & M. funds to buy contractor services to develop the software package that goes with our hardware. We buy a new EW trainer, it requires software to make it go. O. & M. finances that software engineering.

We are putting the OAS ALCM carriage in the B–52's, the software package to make the system operational and capable is an engineering function covered by these same rules and regulations. We don't know an alternate way of getting the service done, that is my point.

Senator RUDMAN. That is important, in those areas you must, I understand your point. It is true in civilian procurement as well. There will be areas where you don't have any choice but to sole source engineering service. But you have to defend that. It is hard to defend that when it is lumped in a number of areas that should have been competitive bidding but were not. It is not just with the armed services but through the entire Federal Government. We had some hearings in our Small Business Committee on incidents that I believe were scandalous in terms of how some of the contracts were let. They are now subject to further investigation. It seems to me that this is something that I will be very, very concerned about.

General MURRAY. Yes, sir. There are some areas that we are definitely taking action on.

M–X

Senator RUDMAN. I only have one or two more questions. I would like to ask you one very specific question. Somewhere in this budget there must be some funding in some way for M–X. Am I correct?

General MURRAY. Yes, sir.

Senator RUDMAN. Could you tell me what that is?

General MURRAY. We have about $5.5 million to support the office that has been established in California in support of the M–X program. This is our civil engineering support area. The cost for paying the personnel that are in that office in California is in this budget. The effort that they are going to direct in fiscal year 1982 will not be affected as to the type of M–X system that we are going to finally decide on or the basing.

Senator RUDMAN. That was my second question. We surely don't want to have money in here to be spent in some way that will be nonproductive should the Secretary of Defense make a decision on the basing mode on M–X that is different from what the present intent has been.

General MURRAY. The work force we have funded in this fiscal year 1982 budget, whatever decision is made, their efforts in fiscal year 1982 will be directed toward that type of system.

Senator RUDMAN. Are there any planning funds in this particular budget for M–X basing?

Colonel GRIFFITH. Yes, but not in this particular funding account.

Senator RUDMAN. Not in the O. & M.?

Colonel GRIFFITH. That is correct.

Senator RUDMAN. Do you know which account they are in?

Colonel GRIFFITH. Account 3300.

General MURRAY. MILCON.

Senator RUDMAN. We will be in a hearing on that later on in this week. We will ask them that question. Again we are very concerned about spending funds until we know what the selection is going to be; once the selection is made, to see what is going to happen in the Congress.

General MURRAY. I understand, sir.

Senator RUDMAN. I think probably for the record if you could give us some more detailed information on the $5.5 million which you just responded to that will be very helpful.

General MURRAY. OK.

[The material follows:]

DETAILS FOR O. & M. FUNDS FOR M–X

The fiscal year 1982 budget request includes $5.371 million for operation of the Air Force Regional Civil Engineering Office at Norton Air Force Base, California. These funds are broken down as follows:

Dollars in thousands

Civilian pay	$3,521
PCS/TDY	773
Vehicle rental	91
Transportation of goods	280

Leased space	98
Communications	60
Contract services	400
Supplies/equipment	148
Total	5,371

Senator RUDMAN. There are a number of other questions that we will probably want answered for the record which we will get to you as well as a number of the questions I know that Senator Schmitt asked you the answers to which you will be furnishing to him.

Senator Schmitt, do you have further questions?

CONTRACTING MAINTENANCE FUNCTIONS

Senator SCHMITT. Just one. I understand while I had to be out of the room for a moment you asked about contracting out certain maintenance functions.

What is the situation on those contracts? Should the units involved or the depots involved have to go into a wartime deployment situation?

General MURRAY. That is one of the first evaluations made. If the function is needed to go to war we don't contract it out. If that function has to be performed by military personnel, then we won't consider that area for contracting out. We only consider those areas for contracting out such as trash collection, cleaning up dining halls, and type of functions that we can definitely convert to civilian positions and we don't need that individual for mobility purposes.

In the dining hall manning, we found out that we don't have sufficient military positions for mobility, therefore, we are considering going back in-house with some of those functions. If it is a military essential position that we need to fight a war, it is not considered for contracting out.

Senator SCHMITT. Does the design and implementation of the AMU maintenance units come under your particular auspices?

General MURRAY. No, sir. That would be in military construction, the 3300 appropriation.

TACTICAL MAINTENANCE CONCEPT

Senator SCHMITT. I am talking about the organization and implementation of AMU, a unit that moves with the aircraft.

Colonel GRIFFITH. I can probably answer the question.

Senator SCHMITT. First of all, does that come under this account?

Colonel GRIFFITH. No. The support of the organization does, but there are personnel in the units that do not come under this account. Also, there is equipment for them to support the aircraft.

Senator SCHMITT. Is this a concept that originated in O. & M.?

General MURRAY. It originated in Tactical Air Command and is called COMO. That is, when we deploy a fighter squadron unit, those are the individuals that need to go with that unit to fully support it.

Senator SCHMITT. I think a year ago they had a full deployment of the F-111's from Cannon to Europe.

General MURRAY. Yes, sir.

Senator SCHMITT. And AMU for that unit deployed with them, if I remember correctly.

General MURRAY. That is correct.

FUNCTIONING OF AMU

Senator SCHMITT. What is your general impression now as a flyer, I guess, of the AMU? How is that working? Has it simplified your operation at all or made it more complex?

General MURRAY. It creates the need for additional manpower requirements because there are three individual AMU's within a wing with the significant readiness enhancement of dividing up those forces to where they can deploy in three different directions simultaneously, the high technological equipment that must be maintained requires additional people, but the success rate of the deployment of that AMU that went to England was kind of unbelievable as to their accomplishment. Also at Cannon during the same period of time, they continued to maintain the flying hour requirement of Cannon Air Force Base. It was obvious we had left sufficient capability behind to accomplish the training.

BASING OF AMU

Senator SCHMITT. The basing of the AMU means you are doing in peacetime what you would have to do if the unit had to go to war.

General MURRAY. That is correct, sir. Formerly, we consolidated all maintenance for the three squadrons in a wing. When we had to identify one squadron to go to Southeast Asia and another to simultaneously deploy to Europe to fight a war, we didn't know how to divide up the consolidated maintenance. Now we have divided up the maintenance ahead of time.

Senator SCHMITT. Is that true now throughout TAC?

General MURRAY. Only for fighter weapon systems. For the E-3A however, it is not divided by squadrons, but by aircraft. SAC doesn't have it because they fly from their home base. The E-3A or KC-135 are maintained in the same manner that SAC maintains their aircraft.

Colonel GRIFFITH. The concept was COMO, combat-oriented maintenance organization. The AMU's were bits and pieces of that organization with specific functions. As the name implies it was designed to provide more flexibility in the combat role and to get away from the peacetime operation and to operate more in a wartime role, wartime type organization. It has been very successful.

AIR MOBILE BASE CONCEPT

Senator SCHMITT. What about the air mobile base concept? I can't remember the acronym. Sometimes it is hard to talk when you can't remember the acronym. Holloman maintains a fully equipped, fully mobile base.

General MURRAY. We used it in our deployment to Egypt.

Senator SCHMITT. Does that come under your account?

General MURRAY. Yes, sir. We support that. We provide the maintenance funds for that unit located out there.

Senator SCHMITT. That is the only one we have; is that right?

General MURRAY. Yes, sir. We have been able to maintain them a lot cheaper by moving them to Holloman. I was in Tactical Air Command when we moved them. Our maintenance cost since we moved them has been a great deal less. Every time we mobilize, the O. & M. dollars pay to reconstitute those units.

Senator SCHMITT. Are there any plans to create more of these mobile bases?

General MURRAY. Yes.

Senator SCHMITT. We only have one; is that right?

General MURRAY. Yes, sir, but we have plans to purchase additional of that type of equipment. We were in hopes of placing it at Holloman.

Senator SCHMITT. Would it be organized as base units?

Mr. Chairman, this is a modular fully mobile Air Force base that sits out there in the White Sands area and fits into C-141's, I guess.

General MURRAY. Yes, sir.

Senator SCHMITT. Portions of it have been used for civilian relief up in Alaska, as I recall, but it also has been deployed, I guess, once in Germany.

General MURRAY. Yes, sir, and in Egyt. We have a mobility exercise in the United States. They have all their own air-conditioning units with them, power, maintenance shops, et cetera.

Senator SCHMITT. We only have one. So we have only one local conflict.

Colonel GRIFFITH. There is an effort underway in this current program objective memorandum (POM) development to produce additional equipment. We recognize the need for it, particularly in the Southwest Asia region where basing is a premium.

General MURRAY. In defense of the Air Force, most of the places in the world will provide some existing facilities. In Germany and England we will not need anything like that because we will have the existing structures.

Senator SCHMITT. Unless those facilities have been destroyed.

General MURRAY. Yes, sir.

Senator SCHMITT. I keep trying to get the Air Force to think in terms of a real war.

General MURRAY. We are thinking in terms of a real war, yes, sir.

Senator SCHMITT. Thank you.

Senator RUDMAN. I want to thank all of you.

Again, General Murray, we wish you well in your new assignment.

SUBMITTED QUESTIONS

Before we recess the hearing, a list of questions submitted by Senator Stevens and Senator Stennis will be inserted in the record at this time.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

78-680 O - 81 - 21

Questions Submitted by Senator Stevens

COSTS OF THE 174 TACTICAL FIGHTER GROUP (ANG) AT HANCOCK FIELD, NY

Senator Stevens: Why will the 174 Tactical Fighter Group (ANC) remain operational at Hancock Field, Syracuse, NY despite the inactivation of the 4789th Air Base Group? Please provide an estimate of the costs which will be attendant to the continued support of the 174th for FY 1983.

Answer: The inactivation of the 4789th Air Base Group will have a minimal effect on the operation of the 174 Tactical Fighter Wing. Although both organizations are located at Hancock Field, they are physically independent complexes separated by the runways. The 174 TFW is equipped with A-10 aircraft and has a mission of air-to-surface attack. The mission of the Air Force component at Hancock Field is Air Defense related and does not involve aircraft operations from Hancock Field. The requirement for the 174 TFW at Hancock Field remains valid regardless of the status of the 4789th. Required USAF support will continue from Griffiss AFB. The cost of relocating the 174 TFW would be prohibitive.

Only minor adjustments in the current 174 TFW operation will be required when the 4789th is inactivated. With dissimiliar missions and separate complexes, support by the 4789th Air Base Group is limited to areas such as civil engineering and communications. The FY83 additional operating cost for the 174 TFW attributable to the 4789th inactivation will be $166,000 to cover the cost of operating a communication center with two additional specialists and for employment of one Real Property Clerk.

TR-1 BASING AT RAF, ALCONBURY, UK

Senator Stevens: When will the authorization of 1500 military personnel for the TR-1 squadron at Alconbury take effect? An estimated $18 million for improvements to base support facilities will be required. Please describe these improvements and estimate when these improvements will commence. Please describe the facilities which will be available and estimate future base operation costs for this activity.

Answer: The first increment of personnel, 200 people, will arrive at RAF Alconbury during the first quarter of FY 83. The remaining personnel will be arriving incrementally building to the final end strength of 1550 by end FY 88. The military construction included in the FY 82 program to support the beddown totals $19.0 million. This work consists of the following:

Item	Cost
Replace Maintenance Facilities	266
Field Training Facility	475
Unaccompanied Enlisted Personnel Housing	8,510
Add to Dining Hall	306
Add to Avionics Facility	1,381
Post Office Addition	405
Maintenance Complex	1,400
Unaccompanied Officer Housing	1,046
Library	532
Add to and Alter Recreation Center	106

Add to NCO Open Mess	818
Wing Headquarters	745
Warehouse	1,000
Contingency (5%)	850
Total Contract Cost	17,840
Supervision, Inspection and Overhead (6.5%)	1,160
Total Request	19,000

We anticipate awarding contracts for this work in the spring of 1982. RAF Alconbury currently supports a squadron of RF-4C reconnaissance aircraft and there will be joint use of some of the facilities supporting the RF-4Cs. RAF Alconbury is an active Air Force main operating base and has the normal facilities associated with a main base. Some of the facilities will have to be enlarged to accommodate the increased mission and some mission unique facilities will have to be built. Future base operating costs for this activity are expected to be about $1.6 million the first year, then building to a fairly constant $5 million from the fourth year on.

RELOCATION COSTS OF THE 4789th AT GRIFFISS

Senator Stevens: Although the Air Force estimates that $12.2 million will be saved as a consequence of deactivating Hancock Field, what are the costs associated with relocating the 4789th at Griffiss? Further, please provide more detail for the estimated $2.4 million of costs associated with the planned FY 1983 withdrawal.

ANSWER: The 4789 Air Base Group (ABG) at Hancock Field will be inactivated; it will not be relocated to Griffiss AFB. What is being relocated to Griffiss AFB is the 21 Air Division (AD) to begin operating the Region Operations Control Center (ROCC) in FY 1983. The Air Force decision to locate the ROCC at Griffiss vice Hancock was confirmed by the HAC S&I study completed in May 80.

The cost directly attributable to relocate the 21 AD to Griffiss AFB is $2.4M (FY 82 $) for military and civilian PCS, facility modification, and transportation. If the ROCC were to be constructed at Hancock Field vice Griffiss AFB, a $1.0M (FY 82 $) one time cost would be incurred for the same cost categories; thus the differential cost to relocate the 21AD to Griffiss AFB is only $1.4M.

The one time cost for inactivating the 4789 ABG is $2.4M (FY 79 $) and includes funds for military PCS, civilian PCS and separation, homeowners assistance, material redistribution, and facility preparation for inactivation.

COST OF A-10 DEPLOYMENT TO SUWON AIR BASE, KOREA

Senator Stevens: Please provide an estimate of the cost of the 1200 military and civilian authorizations associated with the decision to locate the initial force of 18 A-10's to Suwon Air Base. Similarly, please estimate the support costs which will be incurred. Although no military construction projects are planned for 1982, are O&M costs expected for the relocation and/or contractor support services required for military personnel?

Answer: FY 1982 military and civilian personnel costs associated with the A-10 force at Suwon Air Base, Korea are as follows:

1124	military personnel	$16.8	million
67	civilian "	.6	"
1191	total "	$17.4	"

In addition, $10.06 million is estimated for FY 82 operation and maintenance costs, to cover the normal expenses such as communications, supplies, equipment, and support of personnel. Included in O&M costs are $2 million for contract civil engineering services and $.5 million for contract engineering and technical services.

"O&M TAIL" FOR NEW AIRCRAFT AND WEAPONS

Senator Stevens: Do you have any cost estimates for the "O&M tail" for the new aircraft and weapons you are bringing into the Air Force inventory currently? Will that annual cost amount by 1986?

General Murray: At this time, the FY 83 and outyears programs are still being developed and have not yet been reviewed or approved by the Secretary of Defense. Therefore, the Air Force does not presently have approved outyear data.

O&M FIVE-YEAR COST ESTIMATES FOR MODERNIZATION ON NEW A/C AND WEAPONS

Senator Stevens: For the record, please supply your best five-year estimates for total O&M costs for modernization, based on new aircraft and weapons now coming into the procurement pipeline. Include costs for deployment, operations and maintenance, training and other related program requirements. Also include estimated costs of phasing out replaced aircraft and equipment.

General Murray: At this time, the FY 83 and outyear programs are still being developed and have not yet been reviewed or approved by the Secretary of the Air Force. Therefore, the Air Force does not presently have approved outyear data.

INFLATION INCREASE IN O&M

Senator Stevens: If this inflation increase is approved by Congress, how will it affect your own price growth estimates for fiscal year 1982?

General Murray: The $130 million added in the FY 81 Supplemental Request will allow the Air Force to execute programs which Congress approved earlier but which were deferred because of inflationary impact. However, because the FY 82 budget is based on previously approved OMB indices, this action will not have any impact on the FY 82 price estimates.

FUELS COST INCREASE IN THE FY 81 SUPPLEMENTAL REQUEST

Senator Stevens: The committee also cut back the total increase requested in the 1981 supplemental for fuel cost increase on the basis that the $1.35 per barrel increase related to fuel deregulation is not occurring. What are the fuel cost assumptions in your fiscal year 1982 budget, and how valid are they in light of recent softening in petroleum ?

General Murray: We have based our projections for FY 82 fuel costs on our most realistic estimates. While present market conditions and the short-term outlook provide an optimistic basis for expecting oil price stability, several uncertainities remain. Continued unrest and conflict in the middle east leaves the entire non-communist world vulnerable to periodic oil supply disruptions. Tight money supply, coupled with the inability to forecast demand, has placed the entire oil industry on a day-to-day, wait- and-see operational status, with barely two months supply in the production and pipeline inventories. It is almost certain that further decline in consumption will undoubtedly cut production output, from the middle east as well as Libya and Nigeria, in order to limit any further price erosion. We cannot expect any near-term relief through domestic production increase for several reasons. First and foremost, the critical shortage of both experienced technical personnel and oil related equipment exists throughout most sections of the industry. When oil sold for $3 per barrel there was little economic incentive to drill, or produce, with scarcity of jobs in the industry and new or replacement equipment demands barely existing. Oilfield equipment and labor costs in the oil industry are more than double the rise in the consumer price index, from 1973 to the present. The costs are so great that marginal or low production refineries and processing plants are being closed, as demands, through reduction in consumption, are decreased. It is expected that it will be two to three years before equipment and personnel to increase domestic production are available.

While a decline of 2 to 3 percent in US consumption was initially forecast, the overall economic indications now project an improved GNP outlook with an increased use of energy resources necessary to support increased productivity. Equal or improved economic projections for the free world countries can readily absorb "soft oil market" conditions. The true inflationary costs for oil for calendar 1980 was 12%. There are no hard and fast indications to prove that inflationary costs for oil and oil related products will decrease in calendar years 1981 and 1982. With no influence from oil supply disruption the projected inflationary cost of fuel by the end of 1982 is expected to increase to approximately $1.44 per barrel. We have used $1.35 per barrel as the average increase cost of the fuel for the entire year, in our budget forecast.

TOTAL BUDGET REQUEST FOR FUEL

Senator Stevens: Please supply for the record a more detailed explanation of the total budget request for fuel, including your estimated consumption, purchases, and price projections. Provide similar detail separately on the $100.8 million increase in the March budget amendment for fuel.

General Murray: The following chart shows the estimated consumption and the dollar requirements for fuel in the FY 82 Presidents Budget for O&M.

Category	Barrels (000)	Dollars ($ 000)
Aircraft Operations	56,409	$3,043,008
Contract Operations	1,090	58,706
Ground Operations	1,392	74,940
Vehicle Operations	1,493	81,886
Real Property Main Act	3,968	202,626
TOTAL	64,352	$3,461,166

The FY 82 Amended Presidents Budget requested an additional $100.8M as follows:

Catergory	Dollars (X1000)
Aircraft Operations	$ 70,490
Contract Operations	1,374
Ground Operations	1,757
Vehicle Operations	1,881
Real Property Main Act	4,998
Sub Total	$ 80,500
ASIF TARIFF/NON TARIFF INCREASES	$ 20,300
TOTAL	$100,800

The estimated consumption for fuel during FY 82 is 64,352 thousand barrels. Anticipated purchases within the O&M appropriation are approximately the same as consumption. Inventory within the O&M appropriation is provided by the Air Force Stock Fund. The composite price per barrel of fuel in FY 82 Presidents Budget was $54.60. The amended budget requested a composite of $55.86 per barrel to fund expected increases due to decontrol of fuel.

O&M CIVILIAN PERSONNEL INCREASE IN FY 1982

Senator Stevens: The March budget revision proposes an increase of more than 4,000 civilian personnel for fiscal year 1982 at a cost of $42 million. You are also budgeting 1,500 additional personnel under the Air Force Industrial Fund. Neither your statement nor the budget justification is very specific about the need for these additional positions. Why are so many additional personnel needed, and how will they be used?

General Murray: The request for FY 1982 is for an additional 3,519 end strength over the FY 1981 Supplemental. The Air Force needs these civilians to support logistics requirements generated by the additional flying hours programmed in FY 1982. The in-house capability of Air Force depots will continue to be improved by an additional 3,300 spaces. Modernization and force structure adjustments in the Air Reserve Forces require increased support, predominantly in aircraft maintenance (+1,000). The Air Reserve Forces Military Technicians--members of the Air National Guard and Air Force Reserve who serve in their units on a full time basis as civilians in peacetime and become active duty military members upon mobilization--are included in the civilian end strength, account for the major portion of the increase, and provide a direct contribution to Air Force readiness. Also, the Air Force has conducted a review of positions for military essentiality, and has programmed non-military essential positions for conversion to civilian positions (+3,800) in FY 1982. Increased civilian personnel (+1,300) to support increased workload in various functions covered by management engineering manpower standards, and various other small increases (+419) are also required. These increases are partially offset by planned potential conversions from in-house

to contract performance of commercial industrial type activities (-5,800), pending completion of cost comparison studies, and finally reductions in management and operational headquarters (-500). The civilian increases requested in FY 1982 are necessary to enable the Air Force to support programs essential to the maintenance or readiness and the performance of its mission.

NEW POSITIONS TO FREE-UP MILITARY PERSONNEL

Senator Stevens: How many of the new positions will be utilized to free-up military personnel now occupied with non-military housekeeping jobs?

General Murray: In the process of determining the optimum manpower mix, the first step is to determine those workloads which must be performed by military personnel. It is Air Force policy to use military personnel only for military essential reasons. Workloads that do not require military personnel for military essential reasons are performed by in-service civilian employees or by contract. The additional civilians requested in FY 1982 will be used to support increased logistics requirements generated by additional flying hours programmed in FY 1982. As a result of its continuing review of its manpower mix, the Air Force has identified 3,800 military positions which are not military essential under current programs and which will be converted to civilian positions.

END STRENGTH COMPARED TO LEVELS OF THE PRIOR TEN YEARS

Senator Stevens: If the civilian personnel increases requested in your Supplemental and Amended 1982 Budget are approved, how will the total end strength compare to levels of the prior ten years?

General Murray: The Air Force civilian end strength request for FY 1982 shows its first slight increase since FY 1967. The following table illustrates the Air Force civilian end strength history since 1967. Data for the period 1967-1980 reflect actual on-board end strength, while the data for 1981 and 1982 represent the requests in the FY 1981 Supplemental and FY 1982 Amended Budgets.

FY 1967	365,175	FY 1975	277,978
FY 1968	355,554	FY 1976	261,692
FY 1969	349,263	FY 1977	259,762
FY 1970	327,666	FY 1977	255,321
FY 1971	312,571	FY 1978	251,091
FY 1972	299,552	FY 1979	245,082
FY 1973	287,540	FY 1980	244,342
FY 1974	289,412	FY 1981	243,834
		FY 1982	247,353

Proposed Reductions Attributed to Consultants and Contracting

Senator Stevens: Both your 1981 supplemental and 1982 regular budget requests, as amended, propose reductions attributed to consultants and contracting. What is the total reduction contem-

plated, and what is the total funding that is being reduced in both years?

General Murray: Planned reductions in FY 81 amount to $9 million, and in FY 82 amount to $48 million. These reductions were a part of the FY 81 supplemental and FY 82 amendment. Details by appropriation are as follows:

	($ Millions)	
	FY 81	FY 82
Operation & Maintenance, AF	$ 6.90	$ 27.00
Operation & Maintenance, AFR	.10	.20
Operation & Maintenance, ANG	.09	.20
Aircraft Procurement	.01	-
Missile Procurement	.01	.80
Other Procurement	.03	1.90
RDT&E	1.80	17.90
Total Reduction	$ 8.94	$ 48.00

The Air Force revised request for these services, after application of the above reductions, is $248 million in FY 81, and $286 million in FY 82. Totals by appropriation are as follows:

	($ Millions)	
	FY 81	FY 82
Operation & Maintenance, AF	$205.4	$248.1
Operation & Maintenance, AFR	2.5	4.0
Operation & Maintenance, ANG	5.0	5.4
Aircraft Procurement	.7	-
Missile Procurement	.2	-
Other Procurement	.7	-
RDT&E	33.4	28.4
Total	$247.9	$285.9

FY 1981 Contracting Reduction

Senator Stevens: Your revised object classification (on page 15 of the budget justification) shows a $458.8 million reduction in contracting for fiscal 1981. Where did that reduction occur and how? It is not revealed in your amended budget justification for that year.

General Murray: The reduction of $458.8 million represents a correction to the object classification schedule, and not a planned reduction to contract services in FY 1981. The initial object classification schedule printed in the Budget of the United States Government 1982-Appendix was submitted prior to the time the object classification break-out was finalized. As a result, updated and corrected data was provided on p.15 of the O&M Justification Book.

FARMING OUT ESSENTIAL MANAGEMENT ACTIVITIES

Senator Stevens: The GAO also said that the military services were farming out too many essential management activities to contractors. What is your assessment of this problem and what approach is the Air Force taking to controlling it?

General Murray: The Air Force does not rely on consultants or contractors to perform governmental functions. OMB Circular A-76 and Air Force implementing regulations direct that certain functions as defined in the Circular, must be performed in-house due to a special relationship in executing governmental responsibilities. The three categories cited in

the Circular as governmental functions are (1) discretionary application of government authority, (2) monetary transactions and entitlements, and (3) in-house core capabilities. The use of contractors by the Air Force is restricted to those functions which do not entail executing government functions or responsibilities.

Increases for Maintenance Activities

Senator Stevens: The Reagan budget amendments propose substantial increases in funding for maintenance activities, both in real property and equipment maintenance. Your statement indicates these increases will enable you to eliminate the entire depot maintenance backlog in fiscal year 1982. Just how important is it to eliminate a backlog of this type? Would it be feasible to maintain some amount of backlog?

General Murray: The depot maintenance repair backlog of weapon systems, engines, major equipment items and their components is eliminated with FY 1981 supplemental resources. The FY 1982 budget amendment includes resources to fully fund projected FY 1982 depot maintenance repair requirements, thereby maintaining a zero backlog position. While it may be feasible to purposely create a backlog, such a position would be imprudent because of the deleterious impact on base/depot maintenance (higher cannibalization rates, excessive man-hour consumption, higher NMCS rates, etc.). Thus, to support less than full funding of this program is to accept less than optimum combat unit readiness and/or degradation of war reserve spare kits. The Air Force objective has always been to fully fund its depot maintenance program consistent with available resources and priority of other equally important programs, such as aircrew training and reduction of real property maintenance backlog.

Elimination of Depot Maintenance Backlog in 1982 and Out Years

Senator Stevens: Your depot maintenance goes from about $1.6 billion in fiscal 1980 to an average of $2.5 billion in 1981 and 1982. What funding level will it take in 1983 and the out years to keep this depot maintenance backlog eliminated?

General Murray: The $1.6 billion for FY 1980 and the average of $2.5 billion in FY 1981 and FY 1982 approximate the Depot Purchase Equipment Maintenance (DPEM) portion of the AF, O&M depot maintenance program requirement. The total program request, which embraces DPEM, Big Safari, Interim Contractor Support and other logistics activities is $1.8 billion in FY 1980, $2.8 billion (including $311 million for change of Depot Maintenance Industrial Fund funding policy which was denied by Congress) in FY 1981 and $2.7 billion in FY 1982. Funding the Air Force's depot maintenance requirement in FY 1981 and FY 1982 will eliminate the backlog by end - FY 1981 and keep it zero through end - FY 1982. Depot maintenance backlog will continue to remain zero with full funding of each succeeding year's projected repair requirement. At this time we expect the FY 1983 depot maintenance funding requirement to be approximately $2.9 billion. Out year requirements will depend upon prior year funding and program adjustments as we approach each year.

BACKLOG IN FACILITY MAINTENANCE

Senator Stevens: Although you have budgeted increases in facility maintenance, you will still have a $347 million backlog at the end of fiscal 1982. Why haven't you tried to eliminate this backlog as well?

General Murray: The significant increase in FY 1982 for facility maintenance leads to the first reduction in the backlog since FY 1975. We are awfully proud of that and believe we are beginning to turn our real property maintenance problem around. Unfortunately we cannot solve the entire problem in one year considering the myriad of other requirements O&M resources must support.

ACCEPTABLE LEVEL FOR FACILITY MAINTENANCE

Senator Stevens: What facility maintenance backlog level do you consider acceptable without impairing readiness?

General Murray: Our goal is to achieve a manageable level of about $100 million in backlogged facility maintenance. We believe this is a realistic, attainable goal in the next five years. It is a level at which we feel our physical plant can adequately support the Air Force readiness, sustainability and people needs.

GROWTH IN FACILITY MAINTENANCE RELATED IN INFLATION

Senator Stevens: How much of the growth in your facility maintenance backlog charted on page 9 of your statement is related to inflation and how much to actual growth in this backlog?

General Murray: In FY 1981, we estimate about $47 million growth in the backlog due to inflation and a slight reduction, about $5 million, in real terms. In FY 1982, about $42 million of the backlog estimate is attributable to inflation.

FUNDING REQUIRED TO REDUCE FACILITY MAINTENANCE BACKLOG

Senator Stevens: What level of funding would be required in the next five years in terms of constant 1982 dollars to bring the facility maintenance backlog down to manageable levels?

General Murray: We estimate it will require $1,975 milllon over the next five years, in constant FY 1982 dollars, to accomplish annually identified real property maintenance and repair requirements as well as reduce the backlog of currently identified requirements. This level of funding would enable us to achieve our manageable goal of about a $100 million backlog.

AREAS SUFFERING FROM FACILITY MAINTENANCE BACKLOG

Senator Stevens: What geographical areas suffer most from the facility maintenance backlog?

General Murray: Our real property maintenance backlog problems are really spread out worldwide among all Air Force installations. However, three major commands had over 64% of the actual reported backlog in FY 1980. Strategic Air Command, with installations primarily in the northern continental U.S. had nearly 30% of the backlog. Tactical Air Command, with installations predominantly in the southern half of the U.S., had slightly over 22% of the backlog. U.S. Air Forces in Europe had over 12% of the reported FY 1980 backlog.

PROTECTING MILITARY EQUIPMENT OVERSEAS

Senator Stevens: How serious is the problem of protecting military equipment and war reserve materiel overseas because of the deterioration of military property and base facilities?

General Murray: The problem is quite serious. Shortfalls in adequate storage space and rapidly aging existing facilities, especially in Europe, limit our flexibility and increase the potential for deterioration of our equipment and war reserve material.

SHORTAGES OF MILITARY CONSTRUCTION FUNDING

Senator Stevens: The addendum to your prepared statement, General Murray, states that "shortages of military construction funding have caused the Air Force to continue to operate and maintain some marginally effective facilities." How serious is this problem? Can you define it more specifically?

General Murray: Our facility deficiencies are significant. Construction backlogs are projected to be over $7 billion by the end of FY 82. Even with a substantial $400 mil investment in plant modernization planned for FY 82, we will be unable to arrest the growth of our backlog increasing at nearly $1 billion per year. We are taking initiatives in our FY 83-87 budget to arrest this growth and begin to reduce the backlog.

INADEQUACY OF REAL PROPERTY MAINTENANCE

Senator Stevens: Isn't it the inadequacy of real property maintenance that contributes to the marginal facilities that you now seek to replace?

General Murray: There is a correlation between the level of real property maintenance and facility replacement requirements in the Military Construction Program. If you do not adequately maintain a facility, then deterioration accelerated as that facility ages. At roughly 20 years old there are certain repairs and modernization that must be done to extend the life of the facility. For example, a roof system has about a 20 year life; supporting utility systems such as plumbing and electrical have about a 20 year life; and, depending on the type of original construction, other structural components must be repaired during the 20-25 year period. If you do not accomplish adequate maintenance and repair during the life cycle of a facility, then you face major repair bills to extend the facility life or, in extreme cases of deterioration, you must look to replacing that facility.

ADDITIONAL RECRUITMENT ASSETS

Senator Stevens: The budget devotes $3.2 million to support three recruiter squadrons to be reactivated at the end of this fiscal year, complementing 32 existing squadrons. Given the success of Air Force recruitment and your projected drop in recruiting targets, why are these additional recruitment assets necessary?

General Murray: The three squadrons are essential. They have been the key to our success this year (last squadron activated this month)--a year in which our enlisted recruiting goal increased to 81,200 (up from 74,860 last year). Second,

our goals do not drop but continue to increase in FY 1982 to 86,700. Similarly, our FY 1982 Officer Training School objectives increase to 3,755, up 470 over FY 1981. These high recruiting levels remain throughout the FYDP. Third, the kinds of people we need will be more difficult to recruit than in the past. We need more skilled prior service personnel, engineers and scientific officers, all of which have high civilian demand. Our required mix of new recruits will include more of those with higher electronic and mathematical aptitudes--the very ones most desired by industry and academia. At the same time, demographically, the number of eligibles decline.

In sum, the workload substantially increases while the kinds of people we need will be more difficult to recruit. We must keep the new squadrons activated this year or face recruiting failure in our most vitally needed skills.

CHAMPUS DENTAL CARE CONSIDERATION

Senator Stevens: As an additional incentive to personnel retention, a new proposal for the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) dental care is now under consideration. Preliminary estimates indicate this new dental care could cost Defense $230 million per year. What is the estimated cost to the Air Force? Is funding provided for this in the FY 82 budget?

General Murray: The $225 million figure is an estimated first year cost to the Department of Defense (FY83) and the cost of funding this plan would be budgeted by DOD CHAMPUS. Although there are no funds in the FY 82 budget for this proposal, DOD has programmed $100 million in the FY 82 legislative contingency fund to cover the dependent dental care program starting on 1 Apr 82 (6 months).

EXTENT OF DRUG AND ALCOHOL ABUSE

Senator Stevens: Your budget request for alcohol and drug abuse control is $26.7 million. FY 81 and FY 82 appropriations were $24.3 million and $24.0 million respectively. Yet, the number of civilians and military personnel assigned to combat this problem has not changed for several years: (107 and 715 personnel, respectively.) Does this indicate that the Air Force is effectively managing this problem? If so, could some resources be reduced? What is the extent of drug and alcohol abuse now as compared to FY 79 and FY 80?

Colonel Gatling: We believe the Air Force is effectively managing the problem and do not recommend reducing resources committed to the alcohol and drug abuse program. The $2.7 million increase ($24.0M to $26.7M) is attributable to inflation.

Abuse rates from FY 79 to present have been stable. A comprehensive Department of Defense study published on 14 November 1980 provided the following estimates which we believe accurately reflect abuse rates during the period in question:

Alcohol Abuse (Alcohol dependence during past 12 months)

Total Air Force	Total DOD
4%	7%

Drug Abuse (Drug use during past 30 days)

Total Air Force	Total DOD
21%	38%

REAL GROWTH IN FY 82 OVER FY 81

Senator Stevens: General Murray, your statement notes there is a real growth of $607.5 million in your fiscal 1982 budget over the augmented 1981 program. That is an increase of less than 4 percent if we disregard inflation. How does this compare with previous year program increases over the past five years?

General Murray: I would just like to point out that we don't collect any inflation data in the accounting system. However, using directed DOD composite inflation rates and taking into account the supplemental/amendments, and 3732 authority in FY 80, the following table reflects the rate of real growth.

FY 78	FY 79	FY 80	FY 81	FY 82
-2.3%	+1%	+3%	+8%	+4%

If the DOD budgeted rates used are lower than actual rates, which we believe is the case, then the percent real growth calculated would be less than shown. In FY 79 and 80, it would probably be zero or less.

O&M FUNDING LEVEL IN CONSTANT 1982 DOLLARS

Senator Stevens: For the record, please submit the Air Force Operation and Maintenance funding level for the past five years in terms of constant 1982 dollars. Break this down by budget activity.

General Murray: Again, we don't collect inflation data in the accounting system. However, using the DOD directed composite inflation rates, the following is the information requested.

(Dollars in Millions)

MFP	77	78	79	80	81	82
1	$2,825	$2,684	$2,624	$2,971	$2,977	$3,182
2	2,691	2,706	2,775	3,194	3,534	4,015
3	1,151	1,132	1,076	986	1,038	1,165
4	892	978	968	1,048	1,129	1,201
7	5,179	4,975	5,198	4,961	5,531	5,173
8	1,653	1,606	1,590	1,586	1,636	1,778
9	391	364	361	309	387	347
10	2	2	3	4	6	22
TOTAL	$14,784	$14,447	$14,595	$15,059	$16,238	$16,883

If the budgeted rates are lower than the actual rate, which we believe to be true, than the "real growth" differences reflected are overstated.

O&M Funding to M-X Missile Base Planning

Senator Stevens: This Committee was concerned, as you may know, over the recent commitment of O&M funding to M-X missile base planning. In fact, this Committee recommended

against any supplemental funding for this type of work. What kind of funding is in your fiscal 1982 O&M budget that is connected in any way with M-X missile basing?

General Murray: We have included about $5.5 million for operation of the Air Force Regional Civil Engineering Office at Norton AFB, California and, as directed by OSD, we have also included another $3.5 million for M-X Base Comprehensive Planning.

UNBUDGETED OR CONGRESSIONALLY UNAPPROVED INITIATIVES IN THE M-X BASING

Senator Stevens: This Committee should be notified of any unbudgeted or Congressionally-unapproved initiatives in the M-X basing area, particularly outside the Military Construction Appropriation. Can you see to it that we are kept up-to-date on such matters in the future?

General Murray: Yes, sir.

Increase Flying Hours in FY 81 and FY 82

Senator Stevens: You are currently requesting a $170 million supplemental appropriation to increase flying hours in fiscal 1981, and your 1982 budget takes that up even farther. How do your 1981-82 flying hour requests compare to the previous three years in terms of funding and total hours (details for the record)?

General Murray: The following chart compares O&M flying hours and cost from 1978 through 1982:

Year	FH (000)	Dollars (Millions)
1978	1987	1604
1979	2054	1679
1980	2007	2900
1981	2119	3131
1982	2232	3436

These hours are O&M hours and exclude Foreign Government Owned and Support of Other Nations data.

The dollars quoted include only the associated O&M costs. This includes aviation fuel, depot maintenance, and supply costs. Replenishment spares are not included in the calculation.

OPTIMUM LEVEL IN FLYING HOURS

Senator Stevens: Does the Air Force consider the budgeted level to be the optimum level?

General Murray: The Air Force does not consider the budgeted level of flying hours to be optimum. Rather the budgeted level represents a compromise between our aircrew requirements and fiscal constraints. Our flying hour program is a delicate balance between logistics, manpower, and aircrew training requirements and represents one step toward our optimum level of training.

FLYING HOUR LEVEL TO MAINTAIN INITIATIVE IN 1981-82 BUDGET

Senator Stevens: What flying hour level would be necessary to maintain the initiative that has been made in the 1981-82 budget amendments? Can we expect a downward trend in normal peacetime

operations as you attain your pilot-navigator manning goals and stabilize the new aircraft inventories?

General Murray: The 1981 Budget Supplemental and FY82 Budget amendments restored funding which had been reduced because of fiscal constraints. The restoration of these funds permitted us to maintain our program. The restoration did not specifically add "new" hours. Without the restoration of FY81 funds, we would have been forced to stand down some of our units at the end of the fiscal year. The FY82 restoration permitted us to continue the increase toward full training requirements in our tactical fighter systems. We do not anticipate a downward trend in normal peacetime operations if we attain our desired pilot/navigator manning goals and new aircraft are stabilized. Our flying hour program formulation is based on a 100% line pilot/navigator manning assumption. During our manning shortfall, we have elected to reduce our rated staff manning rather than decrease our combat capability by undermanning our line forces. We have maintained close to 100 percent manning in our line forces. Since we have undermanned our staff and so few members of our staff actively fly, our programmed hours are not impacted to any extent by increased retention. The increased hours required to support increased force structure are included in the FY83 POM and generally stabilize in FY85.

Questions Submitted by Senator Stennis

INCREASED FLYING HOURS FOR TACTICAL FIGHTER AIRCREW MEMBERS

Senator Stennis: What will the increased flying hours for tactical fighter aircrew members mean for the average aircrew on an annual basis. How many hours have they flown in the past and what will they go to in fiscal year 1982?

General Murray: The following data reflect our historic and planned annual hours for several of our primary fighter systems: (generally speaking flying hours for all our fighter systems are growing)

	FY79	FY80	FY81	FY82
F-4	166.8	165.6	169.2	186.0
F-15	171.6	164.4	188.4	198.0
A-10	223.2	224.4	273.6	276.0
F-16	-	-	192.0	188.4

INCREASE OF 1,500 CIVILIANS FOR INDUSTRIAL FUNDS ACTIVITIES

Senator Stennis: Your statement mentions an increase of 1,500 civilians for industrial funds activities. What type of functions are we speaking of that will be performed by these additional personnel?

General Murray: The additional civilian end strength for industrial fund activities will be used to improve the utilization and efficiency of our Air Logistics Centers, keep our weapons systems in good repair, and to improve wartime readiness. Logistics requirements generated by the additional flying hours programmed in FY 1982 will permit the Air Force to operate its depot level maintenance plants at greater efficiency, to

increase the ratio of direct to overhead workers, and improve the utilization of these modern plants without increase in utilities or plant maintenance. The increased in-house depot maintenance capability also alleviates part of the shortfall of capability to meet expanded wartime surge workloads.

Eliminating the Backlog of Items Awaiting Depot Maintenance

Senator Stennis: Is it really wise to completely eliminate the backlog of items awaiting depot maintenance? From an optimal effective use of resources standpoint, it would appear wise to have some amount of backlog. Can the system absorb this large influx of funding to completely eliminate the accumulated backlog in such a short period of time? Isn't it more desirable to spread the increase over a period of several years?

General Murray: To answer your last question first, the answer is no. From a performance standpoint, we have a vast reservoir of contractor capability which can be called upon immediately. Organic capabilities are expanded through use of on-call and temporary employees and by judicious use of overtime. Thus, we have the capability to perform the work.

Addressing the issue of keeping a planned backlog, it is important to understand the basic foundation of our logistics system. Because of the high cost of spare aircraft, equipment, engines and recoverable components we buy the minimum quantities necessary to support the force. This dictates that when these items become unserviceable they must be returned to the depots by expeditious means and repaired immediately, otherwise an operational unit will be short equipment and serviceable spares. To establish a reparable spares backlog to be "efficient" will require a drawdown of serviceable spares. This action will result in more cannibalizations, unnecessary man-hour consumption, and higher NMCS rates at the operating unit level. In short, no resource efficiency is gained by creating a backlog through under-funding depot repair requirements or reducing serviceable spares levels to provide a management backlog level to support depot production.

BEDDOWNS IN 1983 OF THE GLCM AND RAPIER IN THE UK

Senator Stennis: There are operation and maintenance funds included in the fiscal year 1982 request for impending beddowns in 1983 of the Ground Launched Cruise Missile (GLCM) and Rapier in the United Kingdom. What if this request for that occurs before the end items are installed?

General Murray: The FY 82 operations and maintenance funds for the Ground Launched Cruise Missile and Rapier support necessary start up operations and beddown preparation. In the case of GLCM, FY 82 funds are required for the operations and maintenance preparation to support a February 1983 delivery of the first GLCM. Specific preparation items include site activation, acquisition of maintenance equipment and stock, and commencement of the nuclear certification program. In the case of Rapier, FY 82 funds represent start up cost associated with maintenance of the system. Specific items are purchase and prepositioning of stock, parts and test equipment for field and depot level maintenance and some refurbishment of facilities to accommodate field operational personnel.

INCREASED TEST RANGE SUPPORT IN FY 1982

Senator Stennis: Tell me about the increased test range support of $19 million that you are requesting in fiscal year 1982.

General Murray: The $19 million increase is the net increase caused by the interaction of increased institutional costs for the basic range capablity and decreased reimbursements by users. The amount requested for test range support is the residual cost to the Air Force of operating three National Test Ranges for OSD. The Eastern Test Range (ETR), Western Test Range (WTR), and Utah Test and Training Range (UTTR) are operated under a reimbursable funding policy with test facility users paying for capability actually used. In general, the annual costs of operating the ranges change relatively little with moderate changes in workload, while reimbursements vary considerably with the same changes. A further complication results from differing reimbursement policies for Government and non-Government users. This results in radically different reimbursements for performing identical services.

The net increase of $19.0M results from offsetting totals of $29.3M in increases with $10.3M in decreases. The specific changes for the $29.3M are as follows: a $7.4M increase in Air Force net payments to Military Sealift Command for range instrumentation ships maritime operations due to decreased requirements in support of US Navy Fleet Ballistic Missile (FBM) testing; a $5.7M increase in net cost for range services contracts resulting from, (a) decreased FBM testing at ETR, (b) additional in-house software conversion effort at WTR, and (c) operation of new range instrumentation at UTTR; a $6.2M increase in data processing costs to implement the transition to several new systems; a $5.7M increase in Air Force operating costs results from the decrease in proportion of Non-Government (full cost reimbursement) launches to Government (direct cost reimbursement) launches with associated reduction in reimbursements; $1.7M for facilities projects to reduce the backlog of approved minor repair and construction projects; $1.5M to initiate development of a supplemental land test area to support MX and Trident testing in the Pacific; and $1.1M for other miscellaneous items. The decreases are the planned decommissioning of one range instrumentation ship to save $8.9M and forecasted new workload reimbursements at the ETR of $1.4M for a total offset of $10.3M.

REDUCED COST FOR THE BASE-LEVEL COMPUTER

Senator Stennis: How has the Air Force realized reduced costs for the base-level computer modernization project in fiscal year 1982? This is the Phase IV project.

General Murray: The decrease in funding from FY 81 to FY 82 for the Phase IV program is due primarily to the phasing of system contractor costs. When the two Phase IV contracts were awarded in early fiscal 1981, $66 million was obligated to fund the transition of high risk software. A substantially reduced funding level is required in fiscal 1982 for the remaining contract deliverable items. The selection of the final Phase IV vendor will occur in February 1983.

78-680 O - 81 - 22

REDUCTION IN SERVICE-WIDE SUPPORT IN FY 82

Senator Stennis: Your request for service-wide support is reduced substantially from fiscal year 1981. Why is this?

General Murray: Service-wide support is reduced substantially from FY 81 due to a planned decrease in contract services associated with the ADP effort. The FY 81 effort for Phase IV provided for the largest portion of the costs of competitive test and evaluation to select the contractor and to upgrade the standard base support software from the baseline version used during testing to permit prompt replacement of the U1050-II computers.

NEW DOD IDENTIFICATION CARD SYSTEM

Senator Stennis: Tell us about the new DOD identification card system.

General Murray: The new DOD identification card system involves the issue of credit card type ID's with embossed information on front and magnetic stripe on back. The new card has been field and enviromentally tested and will be designed so that it can be used to verify eligibility for military benefits,such as food service, exchanges, medical facilities and commissaries. This new ID card is intended to reduce and minimize fraudulent use of services and benefits provided to military personnel. The cost effectiveness of the new ID card will be enhanced when it is interfaced with the Defense Enrollment Eligibility System (DEERS), which is being established to validate medical care authorization at medical treatment facilities. Start-up costs in FY 82 are estimated at $2.7 million

INCREASE SUPPORT FOR OTHER NATIONS PROGRAM

Senator Stennis: The support for other nations program request is increased substantially. Why is this?

General Murray: The increase in the Support for Other Nations Force Program is attributed to two significant changes. The first change is the preparation and operation of facilities for U.S. Air Force personnel in connection with the NATO Airborne early Warning and Control Program at the main operating base at Geilenkirchen, Germany. Three E-3A's will be delivered to NATO in FY 1982. The second change is initiation in October 1981 of the EURO-NATO Joint Jet Pilot Training Program at Sheppard AFB, Texas. Funds requested pay for the U.S. share of the cooperative program designed to improve NATO standardization and readiness and reduce training costs through consolidation at one location.

INCREASE OVER FY 81 IN OBJECT CLASS FOR TRAVEL AND TRANSPORTATION OF PERSONS

Senator Stennis: The object class for travel and transportation of persons is up substantially over fiscal year 1981, i.e., $398 million as opposed to $328 million. Why? I am sure that you are aware of Congressional interest in this area over the past several years.

General Murray: In recognition of Congressional concern, the Air Force closely scrutinizes its travel

program. Effective with the beginning of FY 1981, the Air Force's accounting system separately tracks administrative and mission travel. Administrative travel is closely monitored to detect and/or preclude abuses similar to those identified by members of Congress in various floor and committee discussions on this subject.

The increase requested for travel and transportation of persons must be separated into at least two pieces. $16 million represents price growth through application of approved inflation indices and a 21.6% tariff increase for transportation by the Military Airlift Command. The remaining $54 million must then be reduced by about $3 million in recognition of the FY 1982 Amendment offset for economies and efficiencies. Thus, the balance of approximately $51 million represents projected program growth of 15.5%.

In FY 1981, pending final Congressional action on the FY 1981 Supplemental, travel programs were suppressed and travel opportunities lost to ensure funding for must-pay requirements. Even though the Supplemental provided significant added resources, restoral of travel programs which were time sensitive or event oriented was not possible.

Increased attention to readiness and world-wide force projection capability in FY 1982 drives travel program growth. Specific program changes requiring higher level of effort and travel are increased SPACETRACK/ Defense Support Program operations, acceptance of Joint Surveillance Sites, enhanced White Alice (Alaska) environmental clean-up, increased Tactical forces capability including 20,000 more flying hours in FY 1982 compared to FY 1981 and greater NATO interoperability exercises. Other programs needing more travel are associated with Ground Launch Cruise Missile deployment in Europe, TR-1 preplanning for operational status in FY 1983, full-year impact of KC-10 use, and NATO AWACS. A significant improvement in resources dedicated to training also requires more travel to support Civil Engineer Mobility Teams, Aircraft Battle Damage Repair teams, and advanced technical training (TDY to school).

In summary, the travel program requested represents the level essential to carrying out the mission assigned to the Air Force. Failure to provide these funds will result in serious degradation to the Air Force's readiness posture and delay implementation of programs designed to improve the Air Force's capability to train, equip, maintain, and deploy forces world-wide.

AVERAGE GS GRADE LEVEL

Senator Stennis: The average GS grade level has remained relatively stable over the past several years at about 7.50. How do you maintain this level? Does it reflect the higher graded individuals retiring and being replaced by young entry-level personnel?

General Murray: The Air Force is maintaining a relatively stable average grade trend through a strong position management program. The program was established some years ago to stress the prudent use of personnel resources with the most efficient and economical grade structure for mission accomplishment. The plans

are tailor-made to a command's own needs and are aimed at identifying conditions in need of correction. The current Air Force average grade is expected to increase since the requirements for high grade positions have intensified, e.g., the MX program, civilianization of Audit Agency, use of civilian doctors, and other increased requirements which are technology intense.

AVERAGE SALARY OF UNGRADED PERSONNEL

Senator Stennis: The average salary of ungraded personnel is always slightly higher than the GS personnel. Why is this?

General Murray: This is mainly attributable to the mix of personnel by grade. For example, the largest concentration of employees in the ungraded workforce is at grade 10 and above where the average salary is between $21,500 and $24,200. In contrast, the mix of employees paid on the General Schedule is more equally spread over the full range of grades.

Professional Development

Senator Stennis: The Air Force is projecting a large increase in professional development--$34 million in fiscal year 1982 as opposed to $22 million in FY 1980. Why is this?

General Murray: FY 80 actual expense was $22.6 million and the revised FY 82 President's Budget is $33.9 million. The increase of $11.3 million is due to price increases of $6.6 million and program growth of $4.7 million.

The $6.6 million for price increases consists of $3.6 million for inflation, $1.6 million for the 1 October 1980 military per diem increase, and $1.4 million for civilian pay raises. Of the $3.6 million for inflation, $1.6 million is the result of commercial transportation rate increases due to the spiraling fuel cost increases during FY 80 and FY 81.

The $4.7 million for program growth consists of $4.2 million for increased student loads and $.5 million for other educational initiatives. The $4.2 million for increased student loads is broken into three areas. First, due to the congressional travel limitation in FY 80, student loads were decreased below required training levels to live within the fixed travel ceiling. An additional $2.3 million is required to bring the student loads back to FY 80 programmed levels. The second area involves an additional $1.7 million for scientific and engineering initiatives to be implemented in FY 82. These initiatives are required to turn around our current shortage of engineering and scientific personnel as we are only 86% manned in this area. The third area is an increase of $.2 million for an additional 95 graduate education quotas for engineering, technical, and space operations degrees.

O&M Requirement in FY 81 Supplemental Associated with 707 Aircraft

Senator Stennis: What is the $5.5 million operation and maintenance requirement in the fiscal year 1981 supplemental associated with the purchase of the used 707 series aircraft? With the supplemental coming this late in the fiscal year, can these funds be effectively used?

General Murray: The $5.5 million Operation & Maintenance (O&M) requirement in the FY 1981 supplemental is for funding the estimated installation costs of modifying five special purpose -135 aircraft with refurbished JT3D engines, pylons and horizontal/vertical stabilizers removed from donor 707 series aircraft.

It is doubtful at this time that the full $5.5 million can be applied toward the JT3D re-engining. An Independent Cost Study is in progress now to determine the actual cost expected to be incurred. Because of procurement lead time in negotiating the FY 1981 contract, we anticipate that only one aircraft will be input for modification in FY 1981 at a cost of about $1.1 million. The remaining $4.4 million is being used to fund other priority O&M requirements in MFP VII such as Aircraft Battle Damage Repair (ABDR) kits and supplies.

SUBCOMMITTEE RECESS

Senator RUDMAN. We will recess until Thursday, the 21st, unless we have to change the thing, at 10 a.m., We do have a hearing scheduled at that time, a joint session with the Military Construction Subcommittee to receive testimony on the M-X basing mode and alternatives. Until that time the subcommittee is in recess. Thank you.

[Whereupon, at 10:30 a.m. Monday, May 18, the subcommittee was recessed to reconvene at 10 a.m. Thursday, May 21.]

LIST OF WITNESSES, COMMUNICATIONS, AND PREPARED STATEMENTS

DEPARTMENT OF THE NAVY/MARINE CORPS

SUBJECT INDEX

DEPARTMENT OF DEFENSE

DEPARTMENT OF THE AIR FORCE

DEPARTMENT OF THE NAVY/MARINE CORPS