

GAO

Report to the Chairman, Subcommittee on
Readiness, Committee on Armed Services,
House of Representatives

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April 1992

NAVAL RESERVES

The Frigate Trainer Program Should Be Canceled



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Washington, D.C. 20548



National Security and
International Affairs Division

B-247405

April 28, 1992

The Honorable Earl Hutto
Chairman, Subcommittee on Readiness
Committee on Armed Services
House of Representatives

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Dear Mr. Chairman:

At your request we reviewed the Innovative Naval Reserve Concept—a program to use Knox class frigates for training Naval Reserve crews. Our objective was to determine whether the program is still justified in light of the changes in our national security environment.

Background

In March 1990, as part of efforts to reduce the size of the fleet and to meet planned budget reductions, the Navy proposed decommissioning all 46 of the Knox class frigates—whose primary ocean escort mission is to protect merchant ship convoys from submarines. Decommissioning these frigates was considered prudent because, although they had significant service life remaining, they would have required costly weapons modernization and upgrades if they remained in the active fleet. (The frigates lack the guns, electronics and surface-to-air missiles that the Navy considers necessary for modern, anti-air and surface warfare.) The Navy estimated that decommissioning the entire Knox class would save about \$6 billion over their projected 10 years¹ of remaining service life.

In August 1990, however, a Navy task force recommended the "Innovative Naval Reserve Concept," whereby eight of the Knox class frigates would be assigned to the reserves. These frigates would be used to train "nucleus crews" for another 32 Knox class frigates that would be decommissioned and maintained in a slightly higher state of readiness than other ships the Navy decommissions. The remaining six frigates would be offered for sale or lease to foreign governments. Training nucleus crews during peacetime was seen as a hedge against the possibility of a future global war. The Secretary of the Navy approved the program in November 1990.

92-12875



¹The 10-year program life was projected based upon the estimated remaining service life of the ships and the availability of trained sailors with the skills required to operate and maintain their unique steam-powered propulsion systems.

Under the Knox class frigate reserve program, the eight Naval Reserve trainer ships will be manned by full-time support crews made up predominately of active-duty reservists. Each trainer ship will train its full-time support crew, a Selected Reserve augment crew (in case the ship is deployed in combat), and four additional reserve nucleus crews associated with four decommissioned frigates. If mobilized, the nucleus crews would be expected to help activate their frigates and train additional crew members.

The Navy estimates that the Knox class frigate reserve program will cost about \$1.4 billion over the next 10 years, saving \$4.6 billion rather than the \$6 billion if the entire class were decommissioned. The Navy also estimates that the program will require 488 officers and 4,184 enlisted active and reserve personnel.

As of March 1992, the 8 trainer frigates had been designated, 12 ships had been decommissioned, 20 were scheduled to be decommissioned, and the remaining 6 have been leased—3 to Greece and 3 to Taiwan. Four trainer frigates will move to their new homeports in fiscal year 1992, the first moving in March 1992. Planning is underway to move the remaining four trainer frigates to their new homeports in fiscal year 1993.

Results in Brief

When the reserve concept was proposed, it was viewed as a hedge against the possibility of a future global war. Much has happened in the world since that time. Defense officials now acknowledge that we have no global challengers and that there are no significant military alliances hostile to our national interests.

The Knox class frigate program should be canceled because of the much reduced threat of a global war. Decommissioning all of the ships now would save the program's projected \$1.4 billion 10-year cost.

Global War Is Far Less Likely

The Knox class frigate was designed primarily for escorting convoys. Although Navy officials told us that convoys have not been used since World War II, there was still considerable doubt about the future potential for a global war with the Soviet Union when the reserve concept was approved in November 1990. At that time, DOD planning focused on the possibility that the Soviet Union might seek to quickly restore the reductions it was making in its military forces.

Much has happened to the U.S. national security environment since the reserve frigate concept was approved. For example, the Baltic Republics declared independence, Soviet troops have begun withdrawing from East Bloc countries, the Soviet Union has ceased to exist, and military forces in the former Soviet Union have been cut even further. The Secretary of Defense testified on January 31, 1992, that whereas before we faced a Cold War threat of a global war beginning with only a week or two of warning, now the democratic liberation of Eastern Europe and the dissolution of the Soviet Union means that we have no global military challenger. The Secretary also said that we could respond in a graduated manner to preclude the reemergence of a global military threat—for example, using economic and political leverage.

Last year, the Chairman of the Joint Chiefs of Staff told the Congress that old planning assumptions about warning times were almost irrelevant and that it would likely take months, if not several years, for the Soviets to reconstitute their military forces. This past January the Secretary of Defense also told the Congress that if a new antagonistic superpower or alliance of hostile regional powers were to emerge in the coming years, we would have the lead time needed to counter the new threat.

We believe the Knox class frigate reserve program is no longer justified because of the absence of a current global military threat to the United States and the prospect of far greater warning times if such a threat should reemerge.

Decommissioning Frigates Now Would Save \$1.4 Billion

The Navy estimates that the Knox class frigate reserve program will cost about \$1.4 billion over the next 10 years. In addition to saving this amount if the Navy decommissions all the Knox class frigates now, additional funds might also be saved. For example, as of March 1992, the Navy planned to reactivate one decommissioned frigate every other year to test the reactivation process. Reactivation costs were estimated to be \$124 million; however, these costs are not included in the Navy's original program estimate. In commenting on our draft report (see app. I), the Navy stated that it is continuing to evaluate the necessity of periodic reactivations.

Recommendation

We recommend that the Secretary of Defense cancel the reserve frigate trainer program and direct the Secretary of the Navy to decommission the eight frigate trainers.

Agency Comments

DOD did not agree that the Navy's reserve frigate trainer program should be canceled. DOD stated that the program clearly supports the reconstitution element of the new regional defense strategy and that it provides a cost-effective means to rebuild force structure in response to potential future global threats.

We acknowledge that the Navy's reserve frigate trainer program could provide an ability to field additional forces. However, DOD was not able to provide an analysis for the need to be able to more quickly reconstitute the Knox class frigates than would be possible without the training program.

We continue to believe that the threat of a global war has become significantly more remote since this program was first approved. Unless the program can be specifically justified, we do not support spending \$1.4 billion over its projected 10-year life. Therefore, we continue to believe that the reserve frigate program should be canceled.

Scope and Methodology

To accomplish our objectives, we reviewed Navy documents, studies, and publications. We analyzed the Navy's Innovative Naval Reserve Concept Implementation Plan and relevant budget and staffing data. We held discussions with officials from the Office of the Director of the Naval Reserve and the Deputy Chiefs of Naval Operations for Surface Warfare, Logistics, Air Warfare, and Plans, Policies and Operations in Washington, D.C. We also visited Atlantic Fleet Headquarters and the Navy Manpower Analysis Center, both of which are located in Norfolk, Virginia.

We conducted our review from June 1991 through February 1992 in accordance with generally accepted government auditing standards.

As agreed with your office, unless you publicly announce the report's contents earlier, we plan no further distribution until 30 days from the date of the report. At that time, we will send copies to the Chairmen and Ranking Minority Members, Senate and House Committees on Armed Services and on Appropriations; the Secretaries of Defense and the Navy;

and the Commandant of the Marine Corps. We will also make copies available to other interested parties on request.

Please contact me on (202) 275-6504 if you or your staff have any questions. Major contributors to this report were Norman Rabkin, Associate Director; Robert Eurich, Assistant Director; Joseph F. Brown, Evaluator-in-Charge; and Martin E. Scire, Evaluator.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Martin M. Ferber", with a long horizontal stroke extending to the right.

Martin M Ferber
Director, Navy Issues

Comments From the Department of Defense

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



RESERVE AFFAIRS

ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

MAR 24 1992

Mr. Frank C. Conahan
Assistant Comptroller General
National Security and International Affairs Division
United States General Accounting Office
Washington, DC 20548

Dear Mr. Conahan:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report entitled--"NAVAL RESERVES: All Knox Class Frigates Should Be Decommissioned" (GAO Code 394441/OSD Case 8749-A), dated February 20, 1992. The Department does not concur with the GAO findings or the recommendation.

The Navy Reserve frigate trainer program clearly supports the reconstitution element of the new regional defense strategy. Reconstitution is intended to deter any potential adversary from attempting to build forces capable of posing a global challenge to the U.S., and, if deterrence fails, to provide a global warfighting capability. The program is a cost effective means of assuring a responsive ability both to train officers and crews--a process that takes years to accomplish--and to provide ships which would otherwise have to be constructed, again a process measured in years, not in months.

The detailed DoD comments on the GAO findings and recommendation are provided in the enclosure. The Department appreciates the opportunity to review and comment on this draft report.

Sincerely,

A handwritten signature in cursive script that reads "Stephen M. Duncan".
Stephen M. Duncan

GAO DRAFT REPORT -- DATED JANUARY 18, 1992

(GAO CODE 394441) OSD CASE 8749

"NAVAL RESERVES: ALL KNOX CLASS FRIGATES SHOULD BE
DECOMMISSIONED"

DEPARTMENT OF DEFENSE COMMENTS

* * * * *

FINDINGS

- o **FINDING A: Knox Class Frigates.** The GAO reported that in March 1990, as part of efforts to reduce the size of the fleet and to meet planned budget reductions, the Navy proposed decommissioning all 46 of the Knox class frigates. The GAO found that decommissioning these frigates was considered prudent because they would have required costly weapons modernization and upgrades if they remained in the active fleet. The GAO noted that the Navy estimated that decommissioning the entire Knox class would save about \$6 billion over their projected 10-years of remaining service life. The GAO found, however, that in August 1990 a Navy task force recommended, and the Secretary of the Navy subsequently approved, the "Innovative Naval Reserve Concept" whereby eight of the Knox class frigates would be assigned to the Reserves. The GAO also reported that these frigates would be used to train "nucleus crews" for another 32 frigates. The GAO also noted that the remaining six frigates would be offered for sale or lease to foreign governments. The GAO pointed out that training nucleus crews during peacetime was seen as a hedge against the possibility of a future global war. The GAO found that under the Knox class frigate reserve program, the eight Naval Reserve trainer ships will be manned by full-time support crews made up predominantly of active-duty Reservists. In addition, the GAO reported that the Navy estimates that the Knox class frigate Reserve program will cost about \$1.5 billion, and will require 488 officers and 4,184 enlisted Active and Reserve personnel. Finally, the GAO reported that, as of January 1992, the eight trainer frigates had been designated, 12 ships had been decommissioned, and 20 were scheduled to be decommissioned. The GAO found that four trainer frigates will move to their new homeports in FY 1992, and the remaining four in FY 1993. (pp. 1-2/GAO Draft Report)

DOD RESPONSE: Partially Concur. The Navy has determined that Knox class frigates would require significant

See GAO comment 1.

weapons modernization only if they were required to meet a full range of missions against a reemergent global threat. As currently configured, however, the Knox class frigates would be valuable as Protection of Shipping combatants to be used in escorting convoys and/or conducting anti-submarine warfare.

Six of the frigates have been offered and accepted for lease--three to Taiwan and three to Greece.

The Navy's 10-year programmed cost for the program is \$1.4 billion, somewhat less than the cost of \$1.5 billion cited by the GAO.

- o **FINDING B: Global War is Far Less Likely.** The GAO reported that the Knox class frigate was designed primarily for escorting convoys. The GAO noted that Navy officials stated that there was still considerable doubt about the future potential for a global war with the Soviet Union when the Reserve concept was approved in November 1990. The GAO also noted that, at the time, the DoD planning focused on the possibility that the Soviet Union might seek to quickly restore the reductions it was making in its military forces.

The GAO observed that much has happened to the U.S. national security environment since the Reserve frigate concept was approved. The GAO noted that the Secretary of Defense testified on January 31, 1992, that whereas before the U.S. faced a Cold War threat of a global war beginning with only a week or two of warning, now the democratic liberation of Eastern Europe and the dissolution of the Soviet Union means that the U.S. has no global military challenger. The GAO noted that the Secretary of Defense also said that the U.S. could respond in a graduated manner to preclude the reemergence of a global military threat--for example, using economic and political leverage.

The GAO also reported that the Chairman of the Joint Chiefs of Staff told the Congress last year that old planning assumptions about warning times were almost irrelevant, and that it would likely take months, if not years, for the Soviets to reconstitute their military forces. The GAO also noted that the Secretary of Defense also told the Congress this past January that if a new antagonistic superpower or alliance of hostile regional powers were to emerge in the coming years, the U.S. would have the lead time needed to counter the new threat. The GAO concluded that the Knox class frigate reserve program is no longer justified because of the absence of a current global military threat to the United States and

the prospect of far greater warning times if such a threat should reemerge. (pp. 3-4/GAO Draft Report)

DOD RESPONSE: Nonconcur. While Knox class frigates do have convoy escort as one of their missions, additional primary and secondary missions assigned are anti-submarine warfare, anti-surface warfare, anti-air warfare, naval gunfire support, escort of underway replenishment groups, support of amphibious operations, maritime intercept operations, counternarcotic operations, and electronic warfare. Since first built, these ships have been modernized to enhance their mission capability. The combat systems of all Knox class frigates have been upgraded to include the Harpoon anti-ship cruise missile, and they have been continually upgraded in their anti-submarine warfare capability, making them capable of effectively detecting, tracking, and engaging the majority of Commonwealth of Independent States and Third World submarines.

See GAO comment 2.

The Navy's Reserve frigate trainer program is designed to provide capability for reconstitution of forces to deter, or if necessary respond to potential future global threats. The eight ships maintained in the commissioned Knox class Reserve fleet provide a means of training crews essential to man a reconstituted force. In the absence of this program, training of the complements of the reconstituted ships would require a prohibitively long period. The 32 additional ships in the frigate trainer program will be maintained in condition to be recommissioned within six months. Clearly, without the program, reconstitution of similar capabilities would take years. The Reserve frigate trainer program is a relatively low cost option to provide insurance against possible future global threats.

o **FINDING C: Decommissioning Ships Now Could Save About \$1.5 Billion.** The GAO reported that--in addition to saving the \$1.5 billion the Navy estimates the program will cost over the next 10 years--if the Navy decommissions all the Knox class frigates now, additional funds would be saved. The GAO found, for example, that the Navy did not include the following items in its \$1.5 billion program cost estimate:

- Increased topside maintenance for the 32 decommissioned frigates (\$16 million total).
- Periodic reactivation costs. (Navy officials reportedly stated they plan to reactivate one ship every other year to test the reactivation process (\$124 million total).)

- Equipment necessary to support and maintain the frigates at the three new homeports.

The GAO concluded that decommissioning, selling, or leasing all of the ships now would save most of the program's \$1.5 billion cost. (pp. 4-5/GAO Draft Report)

DOD RESPONSE: Nonconcur. All topside maintenance costs were included in the original estimates. Since establishment of the Reserve frigate trainer program, the Navy has determined that condition-based rather than time-based topside maintenance is more appropriate. As a result, those ships maintained in more temperate climates will require less frequent topside painting. This new maintenance policy, when adopted, is expected to produce program savings above those already identified.

Periodic reactivation is currently scheduled. However, the Navy continues to evaluate its necessity.

The cost of the operational staff in Mobile, Alabama, will be absorbed within existing resources.

Equipment at the three homeports is a "sunk" cost not specifically related to the Reserve training frigate program. Port operating costs accrue regardless of what ships are homeported there, and cancellation of the Reserve training frigate program would not in and of itself result in closure of any homeports. The only specific expense related to the frigate program is an estimated \$1 million to run a steam line to the pier in Mobile, Alabama, that was included in the program cost estimate.

* * * * *

RECOMMENDATION

- o **RECOMMENDATION:** The GAO recommended that the Secretary of Defense cancel the Reserve frigate trainer program and direct the Secretary of the Navy either to decommission, sell, or lease the Knox class frigates. (p. 5/GAO Draft Report)

DOD RESPONSE: Nonconcur. The Department's view, as reflected in the FY93 President's Budget, is that the Navy's Reserve frigate trainer program is a cost effective means of providing reconstitution capabilities

See GAO comment 3.

See GAO comment 4.

See GAO comment 5.

to deter, or if necessary to respond to, potential future global threats requiring capabilities beyond those maintained in the active Navy. Because of the long lead time required to build new surface combatants and train their crews, even the most optimistic warning times are insufficient for such reconstitution activities.

See GAO comment 6.

In addition to its value as a reconstitution asset, the Navy's Reserve frigate trainer program also serves as an expanded shipboard training opportunity for Selected Reservists throughout CONUS and is an excellent vehicle for the Navy's women-at-sea program.

The following are GAO's comments on DOD's letter dated March 24, 1992.

GAO Comments

1. We did not question whether the Knox frigates could be used to protect shipping assets in a global war. Our position is that there will be sufficient time to reactivate them in the event of global war and, therefore, there is no need to maintain the \$1.4 billion frigate trainer program. We have revised the report to reflect the lease of the six frigates—three to Taiwan and three to Greece. Also, the report has been revised to reflect DOD's latest cost estimate of the program.
2. The frigates may be able to effectively detect, track, and engage the majority of Commonwealth of Independent States and Third World submarines. However, DOD views the frigate trainer program as a hedge against the possibility of a future global war and states that the ships and crews need to be able to be recommissioned within 6 months. But DOD officials have also testified that there would likely be several years' warning time of a possible global war.
3. Our draft report identified several additional costs that would be incurred if the program is continued. Based on DOD's response, our final report only includes estimates for periodic reactivations.
4. The Navy has not identified how long it would take to recommission ships without a training program. Also, there is no specific requirement to be able to reactivate the frigates within 6 months. Our recommendation in the final report was modified to reflect that we believe the Navy should decommission the remaining Knox class frigates.
5. Our draft report did not state or suggest that DOD should build new surface combatants. Rather, our report clearly states that the potential threat of a future global war is far less likely than when the frigate training program was first approved. We believe that increased warning times will allow sufficient time to reactivate crews for the Knox frigates if they were all decommissioned.
6. While the program may provide additional benefits as stated by DOD, we believe these benefits do not justify the program's continuation.