

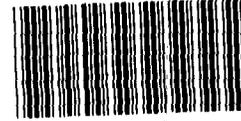
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**GAO**

United States  
General Accounting Office  
Washington, D.C. 20548

National Security and  
International Affairs Division

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September 22, 1992

The Honorable Alan J. Dixon  
The Honorable Paul Simon  
United States Senate

The Honorable Richard J. Durbin  
The Honorable Lane Evans  
The Honorable Harold L. Volkmer  
House of Representatives

In response to your request, we reviewed the Army's 1991 solicitation for M60/M88 steel roadwheels. The M60/M88 steel roadwheel is used on M60 chassis vehicles, including the M60A1/A3 tank and the M88A1 recovery vehicle. The M60 series tank is the Army's predecessor to the M1 series Abrams tank, and the M88A1 recovery vehicle is designed for hoisting and towing tanks and other tracked combat vehicles. The specific objectives of our report were to determine (1) whether the Army had followed appropriate laws and regulations in deciding not to restrict contracting competition to domestic sources for the acquisition of the M60/M88 roadwheels; (2) what consideration, if any, the Army was required to give to the economic consequences of its procurement decisions on domestic firms and communities; and (3) what future procurements the Army intends to make under the contract it awarded in March 1992.

On July 24, 1992, we briefed congressional staff members on the status of our review. This letter includes the information we provided at that briefing as well as additional information we have obtained since then.

RESULTS IN BRIEF

We found no evidence that the Army failed to comply with applicable laws and regulations in placing no source restrictions on the M60/M88 roadwheel solicitation. The Competition in Contracting Act of 1984 requires full and open competition unless certain conditions are met, and

GAO/NSIAD-92-341R Army's Acquisition of M60 Roadwheels

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these conditions were not met in the case of the M60/M88 roadwheel procurement.

In cases such as the roadwheel procurement, the Army is not required by federal statute to consider the economic consequences of its decisions on individual domestic firms or on the communities in which the firms are located.

The Army has placed a \$1.4-million order for 8,749 M60/M88 roadwheels under the recently awarded contract. However, the Army has no plans to place additional buy orders. Rather, the Army intends to fill future M60/M88 roadwheel requirements through its roadwheel rebuilding program. Therefore, this contract will likely have no further impact.

#### BACKGROUND

Under the Army's previous tracked vehicle roadwheel acquisition (for fiscal years 1987 through 1991), 50 percent of the Army's roadwheel procurement was restricted to U.S. and Canadian manufacturers in order to ensure a viable domestic production base in the event of mobilization. In the case of the M60/M88 roadwheel, the Army awarded two contracts--one to Titan Wheel International, Inc., in Quincy, Illinois, and one to Suspension and Parts Industries, Ltd., in Carmiel, Israel. Under these 5-year contracts, the Army placed orders in the first and fifth years, with each supplier providing equal quantities. In the interim, the Army filled its M60/M88 roadwheel requirements through the roadwheel rebuild program at the Red River Army Depot in Texarkana, Texas.

Prior to its current roadwheel acquisition (for fiscal years 1992 through 1994), the U.S. Army Tank-Automotive Command (TACOM) studied mobilization needs and concluded in an April 1991 report that the earlier 50-percent roadwheel restriction was not adequate to maintain a domestic production capability because the individual quantities of roadwheels produced by each manufacturer were too low to fully sustain production lines. Accordingly, TACOM recommended that purchases of roadwheels under the new acquisition be restricted solely to domestic sources.

In September 1991, the Deputy Assistant Secretary of the Army (Procurement) approved TACOM's recommendation to fully restrict the roadwheel acquisition to domestic sources. In October and November 1991, the Army received inquiries from the government of Israel, an Israeli roadwheel producer, and individual Members of Congress questioning the Army's

rationale for the 100-percent domestic restriction. On the basis of questions raised by these inquiries, officials from the Office of the Deputy Assistant Secretary of the Army (Procurement) reevaluated their decision and determined that the justification for 100-percent domestic restriction was not adequate for all types of roadwheels.

As a result, in November 1991 the Army made the 100-percent domestic restriction apply only to those vehicles that the Army considered essential to its combat mission. The Army did not consider the M60 series tanks or the M88 recovery vehicle essential to carry out its combat mission. Therefore, under the revised 1991 solicitation, the M60/M88 roadwheels were to be purchased using full and open competition. After reviewing the responses to the solicitation, the Army awarded a 3-year contract in March 1992 for M60/M88 roadwheels to Armored Vehicle Systems, Inc., a wholly owned subsidiary of Armored Vehicle Spares, Ltd., Netanya, Israel.

ARMY COMPLIED WITH APPLICABLE REQUIREMENTS  
IN PLACING NO SOURCE RESTRICTIONS ON  
THE M60/M88 ROADWHEEL ACQUISITION

The Army complied with applicable laws and regulations in reevaluating TACOM's recommendation of a 100-percent domestic restricted purchase and substituting a 100-percent unrestricted purchase of the M60/M88 roadwheel. The Competition in Contracting Act of 1984 (10 U.S.C. 2304) requires executive agencies' contract awards, in general, to be based on "full and open competition." This requirement means that all responsible suppliers--basically, those capable of meeting the government's needs--are allowed to compete equally for the government's business. Use of other than full and open competition is generally required to be justified and approved in writing.

The act provides exceptions to the full and open competition requirement. One exception is the necessity to award the contract to a particular source or sources in order "to establish or maintain a facility, producer, manufacturer, or other supplier available for furnishing property or services in the case of a national emergency or to achieve industrial mobilization." TACOM cited this exception in support of its

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<sup>1</sup>Subpart 6.3 of the Federal Acquisition Regulation states the statutory and regulatory requirements for the justifications.

original recommendation to limit the Army's acquisition of roadwheels to domestic sources.

In reevaluating the decision, officials in the Office of the Deputy Assistant Secretary of the Army (Procurement) cited two main reasons that this exception should not have been applied to the acquisition of M60/M88 roadwheels:

- the M60 series tanks and the M88A1 recovery vehicle were not critical to the Army's ability to meet its combat mission and
- Red River's roadwheel rebuild program would provide a source of M60/M88 roadwheels that the Army could rely on in a mobilization.

For these reasons, according to the Army, preserving a domestic production capability for the M60/M88 roadwheel was not a critical requirement.

M60 Tank and M88A1 Recovery  
Vehicle Not Considered Critical

The Army determined that the M60 series tanks were not critical for combat operations and removed them from the critical items list in 1988. This list represents those weapon systems and other items that the Army considers essential to its ability to sustain combat operations. The Army and the Marines are now replacing their M60 series tanks with M1 series Abrams tanks. The Army is projecting that its M60A3 tanks will largely be replaced in both the active and reserve components by the end of fiscal year 1996. The Marine Corps expects that its M60A1 tanks will be essentially replaced by the end of fiscal year 1993.

Because the Army believed that the M88A1 was obsolete and could not effectively perform its mission, it removed the M88A1 from its critical items list in August 1992. About 80 percent of the items on the previous list, including the M88A1, were removed, according to the Army, as part of a general revision of the list to recognize the changed threat.

Even before the M88A1 was formally taken off the critical items list, however, the Army had indications that it was obsolete. It did not perform well in the Persian Gulf War--it proved to be unreliable and was often unable to effectively recover the M1A1 Abrams tank. The M88 was originally fielded in 1961 and later upgraded to the M88A1

configuration to be able to tow vehicles weighing less than 60 tons. Because the M1 series Abrams tanks weighs almost 70 tons, the Army determined it needed an improved vehicle as early as 1981. A 1988 analysis concluded that the M88A1 lacked sufficient weight, power, mobility, and hoist-and-winch capability to safely recover the M1A1 Abrams tank.

Over the past 3 years, we have reported on these and other problems that the M88A1 recovery vehicle experienced in meeting its performance requirements.<sup>2</sup> The Army is developing an improved recovery vehicle and will consider putting it on future critical items lists once that vehicle becomes available. Currently, the production decision for the improved recovery vehicle is scheduled for the beginning of fiscal year 1994.

ARMY NOT REQUIRED TO CONSIDER  
ECONOMIC CONSEQUENCES

Although federal law does provide for the protection of the domestic industrial base in certain circumstances, it does not require the Army to consider the economic consequences of its procurement decisions on individual firms or communities when these circumstances do not apply. The Competition in Contracting Act requires full and open competition in all government contracts unless at least one of seven specific exceptions applies. Although one of these exceptions refers to the maintenance of the industrial mobilization base, the principal focus of this exception is on government needs in the event of mobilization rather than the economic effect of specific procurement decisions on individual firms or communities. Consequently, none of the exceptions applies to the contract award in question.

ARMY EXPECTS NO FUTURE PROCUREMENTS  
UNDER THE M60/M88 CONTRACT

The Army has placed a \$1.4-million order for 8,749 M60/M88 roadwheels under the recently awarded contract. However, the Army has no plans to place additional buy orders. Rather, the Army intends to fill future M60/M88 roadwheel

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<sup>2</sup>Tank Recovery Vehicle: Status of Program Acquisition and Full-Scale Engineering Development (GAO/NSIAD-89-156, June 2, 1989) and Operation Desert Storm: Early Performance Assessment of Bradley and Abrams (GAO/NSIAD-92-94, Jan. 10, 1992).

requirements through the Red River Army Depot's rebuild program until at least fiscal year 1995.

Before the Army awarded the recent M60/M88 contract, it considered eliminating rebuilt roadwheels as a source for its M60/M88 roadwheel requirements because it was too expensive to rebuild them. In the past, the Army has used Red River's roadwheel rebuild program to supplement its purchases of M60/M88 roadwheels to meet requirements. In May 1991, TACOM determined Red River's rebuild price to be uneconomical because it exceeded the Army's maintenance expenditure limit and decided to meet its M60/M88 roadwheel requirements through new production only. The maintenance expenditure limit restricts the Army to spending not more than 74 percent of the price of new production roadwheels for rebuilt wheels.

In June 1992, Red River submitted a fiscal year 1993 price for rebuilding M60/M88 roadwheels that fell within the maintenance expenditure limit and well below the cost of new production roadwheels. As a result, the Army plans to make no future procurements under its current contract. Therefore, this contract will likely have no further impact.

#### SCOPE AND METHODOLOGY

We reviewed applicable laws and regulations and interviewed and obtained procurement documents from officials from the Department of the Army, Headquarters, Washington D.C.; the U.S. Army Tank-Automotive Command, Warren, Michigan; the Red River Army Depot, Texarkana, Texas; and the Marine Corps Assistance Command, Quantico, Virginia. In addition, we interviewed a top management official from Titan Wheel International in Quincy, Illinois. We conducted our review from May through September 1992 in accordance with generally accepted government auditing standards.

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As requested, we did not obtain fully coordinated Department of Defense comments on this letter. However, representatives of the Offices of the Under Secretary of Defense for Acquisition, and the Assistant Secretary of the Army for Research, Development, and Acquisition reviewed a draft of this letter and agreed with its contents.

Unless you announce the contents of this correspondence earlier, we plan no further distribution of it for 10 days from its issue date. At that time, we will send copies to

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the Chairmen and Ranking Minority Members of the Senate and House Committees on Armed Services and on Appropriations and the Secretaries of Defense and the Army. We will also provide copies to others on request.

If you have any questions concerning this letter, please call me at (202) 275-6504.

  
Richard Davis  
Director, Army Issues

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