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Civilian Agencies' Management and
Use of Aircraft

Statement of
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Subcommittee on Environment, Energy, and
Natural Resources
Committee on Government Operations
United States House of Representatives



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**CIVILIAN AGENCIES' MANAGEMENT
AND USE OF AIRCRAFT**

**SUMMARY OF STATEMENT BY
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The acquisition and operation of aircraft by federal civilian agencies is a large and costly activity. As of fiscal year 1986, the most recent period for which data are available, civilian agencies operated about 1,100 aircraft, most of which were owned by the government. The government-owned aircraft had an estimated book value of about \$2 billion and cost about \$650 million annually to operate and maintain. Leased aircraft and other contract support cost about \$100 million annually.

Many of these aircraft are configured with specialized equipment and perform numerous and unique missions. For example, NASA uses F-14 and F-15 tactical fighters in the Space Shuttle Program. In many instances, however, as our work and that of others has shown, government aircraft have been and continue to be used for passenger transportation that could be accomplished at lower cost by relying on a combination of commercial airlines and charter air services.

In 1977 and again in 1983, GAO issued reports on civilian agencies' management of aircraft containing a series of recommendations aimed at improving the oversight, utilization, and cost effectiveness of those important, costly assets.

Primarily through the policies and procedures of OMB Circulars A-76 and A-126 and the implementing guidelines and regulations of operating agencies, the Executive Branch has attempted to gain better control over how government aircraft are justified and used.

Although GAO has not revisited these matters in detail or evaluated the effectiveness of agencies' reported corrective actions, limited work we recently completed on agencies' use of certain aircraft models and Executive Branch audit reports indicate that the patterns of aircraft usage reported in 1983 still exist.

A 1988 contractor study done for the U.S. Army Corps of Engineers showing that owning and operating 3 Corps executive aircraft is less costly than commercial alternatives used flawed productivity analysis and should not be used as the basis for a decision on this matter.

Mr. Chairman and Members of the Subcommittee:

We are pleased to appear before you today to discuss our work on civilian agencies' management and use of aircraft and to comment on the assumptions and methodology used in a recent contract study assessing the costs of various alternatives for providing executive air service for the Army Corps of Engineers.

As you requested, I will address today:

- The requirements of Office of Management and Budget (OMB) Circulars A-76 and A-126 as they relate to the acquisition of, continuing need for, and use of government aircraft.
- The findings and recommendations of our 1983 reports on government aircraft in general and Federal Aviation Administration (FAA) and Coast Guard aircraft in particular.
- The Executive Branch's reported corrective actions.
- Work we are now completing on the use of certain aircraft models.
- Other reviews of aircraft by Inspectors General and others.

-- The underlying assumptions and methodology of a Corps of Engineers sponsored study comparing the costs of owning and operating 3 Corps executive aircraft with the cost of commercially available alternatives.

As of fiscal year 1986, federal civilian agencies operated over 1,100 aircraft, most of which were government owned. The General Services Administration (GSA) estimates that the government-owned aircraft have a book value of about \$2 billion and cost about \$650 million annually to operate and maintain. GSA further estimates that leased aircraft and other contractual arrangements to operate or service civilian agencies' aircraft cost about \$100 million annually.

OMB Circulars A-76 and A-126

OMB Circular A-76 "Performance of Commercial Activities" as revised August 4, 1983, restates the government's general policy of relying on commercial sources to supply the products and services it needs, including aircraft and aircraft services. It requires that agencies justify government performance of such commercial activities through cost comparisons demonstrating that the government is operating or can operate the activity at lower

costs than commercially available services. The Supplement to A-76 provides a methodology for agencies to use in making these cost comparisons.

OMB Circular A-126, "Improving the Management and Use of Government Aircraft," issued October 5, 1983, prescribes policies executive agencies are to follow in acquiring, managing, using, accounting for the cost of, and disposing of aircraft configured to carry passengers or cargo. However, it does not apply to the use of "specially configured or equipped mission aircraft for bona fide mission purposes."

A-126 requires agencies to at least annually review the continuing need for aircraft and the cost effectiveness of aircraft operations; agencies are supposed to dispose of (through established procedures) aircraft that are not fully utilized or justified. It also requires agencies to justify, in advance, the flight-by-flight use of government aircraft for passenger transportation or other administrative support purposes, in lieu of commercially available aircraft services, through a cost comparison showing that the variable cost of using a government-operated aircraft is not more than the cost of using available commercial airlines or charter air services. For cost comparison purposes, the cost of commercially available service includes the cost of any additional travel and lost employees' work time (computed at gross hourly costs to the government). Cost

comparisons are not required for the secondary use of bona fide mission or training flights for transportation since such use would be considered a cost savings.

Besides prescribing governmentwide policy guiding the acquisition, management, and administrative use of agency owned or operated aircraft, OMB Circular A-126 requires that agencies maintain accounting systems for their aircraft operations enabling them to comply with the various aircraft justification, cost effectiveness, and cost comparison requirements of A-76 and A-126.

OUR PAST REPORTS

In 1977 we reported that federal civilian agencies commonly acquired, operated, and managed aircraft independently and without any governmentwide guidance. We recommended that OMB take actions to improve the management of agencies' aircraft programs and to make them more efficient and economical.

At the request of the Chairman, Subcommittee on Government Activities and Transportation, House Committee on Government Operations, in 1981 and 1982, we followed up on our 1977 report and evaluated various aspects of aircraft management by the Departments of Agriculture, Energy, Interior, Justice, Transportation, and Treasury. In an overall report in 1983

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(GAO/PLRD-83-64, June 24, 1983), we reported that no actions had been taken on the recommendations in our 1977 report and that little had changed in the way civilian agencies managed aircraft. We found that aircraft management was ineffective and cost accounting systems were inadequate. We made several specific recommendations to OMB and GSA designed to improve the management, use, and cost effectiveness of government aircraft.

We also issued separate reports on the aircraft programs of the Coast Guard, FAA, and the Department of the Interior. Our March 3, 1983, report (GAO/PLRD-83-45) on the Coast Guard's use of two administrative aircraft located at National Airport, VA. recommended that:

- The Coast Guard dispose of the two aircraft through normal disposal practices.

- DOT and Coast Guard officials use more economical commercial airline service to the maximum extent possible consistent with mission accomplishment. For those instances where commercial airlines cannot be used, arrangements should be made for those officials to use FAA; the 89th Military Airlift Wing at Andrews Air Force Base, Maryland; other federal government; or private commercial aircraft.

- The transportation of spouses, dependents, and other nonofficial travelers on DOT aircraft generally be prohibited.

Our April 1, 1983, report (GAO/PLRD-83-52) on FAA's management of the aircraft and pilots in its Evaluation, Currency, and Transportation (ECT) flight program recommended a number of actions to improve FAA's aircraft management and to make its flight programs more efficient and economical. For example, we recommended that:

- Commercial airlines, or other less costly means, be used to transport passengers when it is more economical and does not interfere with mission accomplishment.
- Criteria, guidelines, and procedures be established requiring consistent and valid comparisons of the cost of transporting passengers on agency aircraft versus commercial airlines.
- VIP transportation on FAA aircraft be limited to the minimum necessary and permitted only when (1) commercial airlines cannot be used due to mission requirements and (2) the government benefits justify the cost of such transportation.

-- An A-76 review be conducted of all the agency's ECT and logistics aircraft to see if the services they provide could be provided more economically by the private sector.

AGENCIES' REPORTED ACTIONS TO IMPROVE

AIRCRAFT MANAGEMENT

In an August 1, 1984, report (GAO/NSIAD-84-148), we summarized the status of OMB, GSA, Transportation (FAA and Coast Guard), and Interior actions to implement our recommendations concerning civilian agencies' management and use of aircraft. The data in that report was based on (1) those agencies official responses to the House Committee on Government Operations and Senate Committee on Governmental Affairs on our recommendations, as required by 31 U.S.C. 720; (2) interviews of GSA, DOT, and Interior officials and (3) a written status report from DOT on each of the recommendations in our FAA and Coast Guard reports.

Agencies generally agreed with most of our recommendations and said they either had implemented or planned to implement many of them. For example:

-- OMB revised A-76 to strengthen its applicability to the acquisition of aircraft and related services as we recommended. OMB said its internal budget examination

procedures should be sufficient to enforce agencies' compliance.

- OMB issued A-126 which contains much of the policy guidance and procedures we recommended regarding the management and use of aircraft.

- GSA implemented an aircraft management information system as we recommended. However, GSA has not established the aircraft usage standards we recommended or monitored agencies' aircraft usage to identify any underutilized aircraft.

- The Coast Guard transferred one of its administrative aircraft at National Airport (Gulfstream I) to the Coast Guard Air Station at Elizabeth City, North Carolina, for use in support of Coast Guard mission requirements. Also, 11 of the 23 Coast Guard personnel assigned to the National Airport operation were transferred to Elizabeth City with the aircraft.

- The Coast Guard said its other headquarter's administrative aircraft (Gulfstream II) would be used to support command requirements and other high priority or

cost-effective transportation requirements. This aircraft and the 12 remaining support personnel were relocated to the FAA hanger at National Airport.

At that time, we concluded that the actions taken or planned, if fully implemented, would address most of the problems noted in our 1983 reports. We have not made any comprehensive reviews to follow up on the problems, but recent limited work indicates that in some cases these problems persist.

OUR CURRENT WORK ON AGENCIES' USE
OF CERTAIN AIRCRAFT MODELS

At the request of the Chairman, House Subcommittee on Government Information, Justice, and Agriculture, we obtained data on agencies' use of Beechcraft King Air, Cessna Citation and Piper Cheyenne aircraft and certain other aircraft models that possibly were being used for passenger transportation. That Subcommittee requested this information to assist it in identifying aircraft that might better be used by agencies involved in the war on drugs. Currently, we are completing a formal report to Chairman English of that Subcommittee summarizing the results of our review. As agreed with Chairman English, I will briefly discuss the results of that review.

From inventories of aircraft owned or leased by federal civilian agencies, we selected a sample of 47 aircraft. Our review of agency flight records disclosed that 18 of those aircraft--13 of the 27 King Air, Citation, and Cheyenne aircraft and 5 of the other 20 aircraft models we reviewed--were configured and used for passenger transportation during the 12-month period ended June 30, 1987. The usage patterns for these 18 aircraft were similar to those discussed in our 1983 reports. The remainder either contained mission-related equipment that leaves little or no room for passengers or were aircraft models not of interest to that Subcommittee. Our review also indicated that none of the agencies whose aircraft we reviewed complied fully with OMB Circulars A-76 and A-126. In these cases, our work shows that our 1983 recommendations have not been fully implemented.

The primary objective of our work, as specified by the requesting Subcommittee, was to provide data on how aircraft were configured and used. Since some of the aircraft were used for passenger transportation and our work indicated agency usage patterns similar to those we reported in 1983, we also determined whether the operating agencies had justified the need for those aircraft and that usage, as required by OMB Circulars A-76 and A-126. We were not asked and did not do sufficient work to arrive at conclusions about whether any alternative use would be more appropriate to the needs of the government.

Agencies that operated the sample aircraft included Agriculture's Forest Service; Commerce's National Oceanographic and Atmospheric Administration; Energy's Bonneville Power Administration, Nevada Test Site, Nuclear Weapons Program, and Western Area Power Administration; Interior's Office of Aircraft Services and Bureau of Reclamation; Justice's Drug Enforcement Administration and Federal Bureau of Investigation; Transportation's FAA and the Coast Guard; Treasury's Customs Service; National Aeronautics and Space Administration (NASA); and the National Science Foundation.

The 18 sample aircraft that were configured and used for passenger transportation during the 12-month period ended June 30, 1987, were operated by the Departments of Energy, Justice, and Transportation and NASA.

Of those 18 aircraft, 9 were originally acquired primarily for passenger transportation and 10 were used primarily for that purpose during the period covered by our review. Agencies' use of those 10 aircraft for passenger transportation ranged from 78 percent to 93 percent of the aircraft's total flight hours. We noted that many of those flights were to and from locations served by commercial airlines.

Nine of the 18 aircraft used for passenger transportation were originally acquired for special purpose missions and 8 were actually used primarily for that purpose during the period

covered by our review. However, all 8 of those "mission" aircraft were used secondarily for passenger transportation. The rate of secondary usage ranged from 8 percent to 55 percent of the aircraft's total flight hours.

Agency officials generally said they had not made A-76 cost studies to justify the initial acquisition of the sample aircraft because they did not believe that A-76 applied to the acquisition or replacement of those particular aircraft. Although most agency officials said they had complied with the OMB Circular A-126 requirements to at least annually review the continuing need for aircraft and the cost effectiveness of aircraft operations, only DOE's Bonneville Power Administration had formally documented its reviews.

The Department of Energy, the Coast Guard, and the Federal Aviation Administration were the only agencies that made A-126 cost comparisons for the use of the sample aircraft for passenger transportation, in lieu of using available commercial aircraft or airline service. Officials of the three agencies believed they fully complied with the A-126 cost comparison requirement. Although we did not examine the adequacy of those agencies' cost comparisons, we question whether agencies have the necessary cost data to make a valid A-126 cost comparison. Also, the Department of Energy's Inspector General questioned whether the

Bonneville Power Administration and Western Area Power Administration had adequately justified their use of aircraft for passenger transportation.

Based on our limited work for Chairman English, other work to follow-up on the recommendations made in our 1983 reports, and reviews of aircraft usage by Inspectors General and others that are discussed later, some of the continuing problems concerning agencies' management and use of aircraft may stem from less than complete guidance and oversight by OMB and GSA. Although A-126 requires agencies to have, maintain, and use cost accounting systems for their aircraft operations, the Administration has not published or issued criteria for a uniform cost accounting system to standardize aircraft program cost elements. Thus, the agencies may not consider all relevant costs. Also, the Administration has not established standards for aircraft use to help assure that agencies' owned or leased aircraft are justified, based on their use for mission purposes.

OTHER REVIEWS OF AIRCRAFT

The Inspectors General (IG) of Agriculture, Energy, and NASA and the Army Audit Agency (AAA) have reviewed agencies' management and use of aircraft since our 1983 reports. Their reviews have generally disclosed similar problems with the justification for and use of aircraft for passenger transportation. They generally

have recommended that agencies use less costly alternatives such as commercial airlines when practical and charter air service for occasional trips to remote locations not served by commercial carriers and valid emergency/exigency mission requirements. For example, the Energy IG has recommended that the Bonneville Power Administration (BPA) and Western Area Power Administration (WAPA) dispose of their administrative aircraft, and Army Audit has recommended that the U.S. Army Corps of Engineers dispose of its 3 executive aircraft.

CRITIQUE OF ASSUMPTIONS AND
METHODOLOGY OF CORPS OF ENGINEERS' CONTRACTOR STUDY

You also asked that we examine a February 16, 1988 study completed under contract for the Corps titled Cost Analysis of Alternatives for Providing Executive Air Services to the Corps of Engineers. This study addresses several of the issues raised by the Army Audit Agency in its July 1987 report on the ownership and use of Corps aircraft.

In the limited time available we focused our attention on the contract study's analysis of the costs of providing executive aircraft services by (1) continuing to operate the current fleet of three aircraft modified by a central scheduling arrangement, and (2) obtaining aircraft services by a combination of charter flights for emergency operations and for areas inaccessible by

commercial flight and the use of commercial flights for the remaining travel requirements. The study concluded that continuing to operate the present fleet under a centralized scheduling arrangement is about \$800,000 cheaper than the use of a combination of charter and regularly scheduled commercial flights.

We do not believe the Corps' analysis is credible primarily because of the method it used to calculate lost productivity costs. OMB Circular A-126 provides for including the cost of lost time, but the Corps did not base its analysis on this Circular.

We disagree with the Corps' methodology primarily because of the inclusion of a "Salary Productivity Factor" (SPF) in its calculations. The use of this factor is not consistent with Circular A-126 and it skews the analysis.

Circular A-126 provides for calculating the cost of lost time by multiplying the hours lost by the "gross hourly cost to the government" -- salary plus benefits. The Corps, however, based its calculations on using the traveler's hourly pay multiplied by the SPF, which equates to the traveler's military pay grade or the civilian equivalent. For example, the SPF multiplier for a Lieutenant General, pay grade O-9, is 9. Thus, the General's hourly salary was multiplied by 9 in calculating lost

productivity costs, clearly producing a higher cost for lost time than would be the case under A-126. Corps officials conceded that the salary productivity factors have no empirical basis.

We have not recalculated the total cost of lost time in the Corps' analysis in accordance with Circular A-126. However, if we assume that employee benefits are 50 percent of salary, in accordance with A-126 the total cost to the government for lost time is 1.5 times salary. The factors used in the Corps' analysis ranged from a low of 3 times salary to a high of 9 times salary. Consequently, we believe the Corps' estimate for lost productivity cost is overstated by at least 50 percent.

We noted two additional assumptions in the Corps' analysis which we believe are questionable. First, commercial ticket costs were valued using standard one-way coach fares. No consideration was given to the use of government contract air fares, potential discounts, or possible round-trip savings. The study report recognized these points, but stated they did not significantly affect the analysis. Second, ground transportation costs for the use of personally owned vehicles and rental cars were assigned to the commercial alternative, but not to the owned-aircraft alternatives.

In addition, the Army Audit Agency's July 1987, report on use of the aircraft differed from the study's assumption that all flights are mission related, as OMB interprets the term in Circular A-126.

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That concludes my prepared statement. We would be pleased to respond to your questions.