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

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OCT 25 1973

B-173873

CHP The Honorable Henry S. Reuss  
House of Representatives

Dear Mr. Reuss:

In response to your May 2, 1973, request we have inquired into the cost of retaining surplus military helicopters and the amount that could be realized if the helicopters were sold.

As indicated in the information the Army furnished you, most surplus helicopters are at the Davis-Monthan Air Force Base, Tucson, Arizona, and are under the auspices of the Military Aircraft Storage and Disposition Center (MASDC). MASDC has responsibility for providing a single-point operation for the Department of Defense (DOD) in the processing and maintaining of military aircraft in extended storage; preparing such aircraft for withdrawal from storage for one-time flight or surface shipment; reclaiming these aircraft for supply purposes; and processing excess and surplus aircraft for disposal.

As of July 31, 1973, 1,980 helicopters were on hand at MASDC. This is 545 more helicopters than the inventory the Army furnished you, because the Army figures were as of January 31, 1973, and because our figures included all types of helicopters whereas the Army figures included only those suitable for rescue and police type work. As of July 31, 1973, the inventory for these types of helicopters was as follows.

<u>Type</u>	<u>Quantity</u>
H-13	421
H-23	363
H-34	307
H-43	70
TH-55	484
	<u>1,645</u>

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MASDC does not compile data on the costs of preparing each of the various types of helicopters for storage or of retaining them in storage. However, MASDC officials estimate that it costs about \$360 for each H-23 helicopter placed in long-term storage. This cost includes such services as preserving the fuel system and engine, sealing the cockpit, inspecting and storing spare equipment, transporting the aircraft to a storage location, removing and storing the rotor blades, and securing the aircraft.

The officials also estimate that the annual storage cost for each H-23 helicopter is \$228. This represents periodic inspections, repair of sealing material, and assurance of security of the tie-downs. MASDC has never prepared any of these helicopters for flight to return them to service. However, the officials estimate that it would cost from \$1,800 to \$3,000 to prepare an H-23 for flight or shipment to a maintenance facility for modifications or overhaul.

As of July 31, 1973, 291 H-13 and 214 H-23 helicopters were available for Federal use and donation screening. In most cases, these helicopters had been flown to MASDC and the engine and fuel systems had undergone preservation processing. Their condition generally indicated that they could be made flyable with a detailed visual and operational inspection. However, in many instances, engine overhaul and component replacement would be required within a relatively short time. Furthermore, to obtain a Federal Aviation Administration certificate of airworthiness, some of these aircraft would require modifications costing more than \$30,000. Without this certificate, insurance rates are extremely high.

Federal agencies and eligible donees may acquire these aircraft on an "as is, where is" basis at no cost. By law, the Federal agencies are given priority over donees. Although State, county, and municipal governments do not directly qualify for surplus donable aircraft, such property is normally obtainable through the Defense Civil Preparedness Agency for worthy related activities, such as emergency medical rescue programs.

In addition to the 505 helicopters available for Federal use and donation screening, 35 H-13 and 132 H-23 helicopters

were available for public sale. These helicopters had already been subjected to use and donation screening. MASDC officials said that the condition of these aircraft varied--from missing major components and having crash damage to missing minor components.

Our examination of randomly selected sales catalogs showed that most of these types of helicopters advertised for sale were in poor condition. Regardless of condition, however, the sales of such helicopters are handled through the Defense Surplus Sales Office in San Diego, California, usually on a sealed-bid basis. Prior to sale, they are advertised and are available for at least a 15-day examination period by prospective bidders.

Sales bring a low rate of return to the Government when compared with the original acquisition cost of the aircraft. For example, the proceeds were about \$175,000 from randomly selected sales of 112 helicopters within the past 2 years. This was less than a 2-percent rate of return on the original acquisition cost of over \$9.2 million. In considering this low rate of return, it should be recognized that these helicopters generally have been identified as being in poor condition when they are available for sale.

Our review of the names of the successful bidders on the 112 sales showed that the majority were either directly or indirectly associated with the aviation industry. Twenty-eight of the sales were made to private citizens. None of the successful bidders were municipalities or hospitals.

As agreed with your office, we are enclosing a brief description of the screening procedures for excess helicopters from the time they are determined to be excess until they become surplus to the Federal Government and are offered for sale to the public.

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We trust this information will be helpful, and we will be glad to discuss this matter in detail with your office. We plan no further distribution of this report unless you agree or make public its contents.

Sincerely yours,

A handwritten signature in black ink, reading "Thomas B. Staats". The signature is written in a cursive style with a large, prominent initial "T".

Comptroller General  
of the United States

Enclosure

SCREENING PROCEDURES FOR EXCESS HELICOPTERS

When one of the military services decides that all or a part of its instorage inventory of helicopters is no longer needed, it is reported as excess property and accountability is transferred to a Property Disposal Office (PDO) of the Defense Supply Agency (DSA). This reporting includes the type of aircraft, its condition, the quantity available, and other pertinent data necessary for its identification and usability.

PDO reports this excess property to the Defense Property Disposal Service (DPDS) of DSA, which then makes known the availability of the property to other DOD activities through its screening procedures. Any one of these activities can acquire this property on a nonreimbursable basis by requisitioning it from PDO through DPDS.

If no DOD activity requests the property, it is reported to the General Services Administration (GSA) as excess property. (Technically it is surplus to DOD because DOD has no known requirement for it.) GSA identifies the property and its availability to other Federal Government agencies by means of its screening procedures. These agencies can then request transfer of the property on a nonreimbursable basis.

If the property is not requisitioned by any of the other Government agencies, it is declared to be surplus property and is available for donation through the Federal Donation Program which is administered primarily by the Department of Health, Education, and Welfare. Subsequently, if the property is not requested under this program, it is available for sale to the public. Invitations to bid are prepared and published.