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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

INTERNATIONAL DIVISION

B-165629

MAR 15 1971

The Honorable
The Secretary of Defense *AGC00005*



Attention: Assistant Secretary of Defense
(Installations and Logistics)

Dear Mr. Secretary:

[Possibility

Our Office is currently reviewing the advantages and disadvantages of using contractors instead of U.S. Government-owned facilities for providing laundry services in Southeast Asia.]

In the course of our review, we learned that, for certain locations, the Army obtains laundry services by contracting with foreign firms, whereas the Air Force has its own "in-house" laundry facilities operating at a fraction of their capacity at the same locales.

AGC00020 AB-C00035
Cost calculations we made in conjunction with Army and Air Force specialists revealed that meaningful savings could be achieved through the use of a military inter-service agreement which would enable the Army to reduce its volume of contracting by using Air Force laundry facilities at Cam Ranh Bay, Vietnam, and U Tapao, Thailand.

Up until the time of our examination, the two services had not cooperated to reduce expenditures by consolidating their laundry service operations. After we discussed the matter with Army and Air Force laundry specialists, steps were taken to consider an inter-service laundry support arrangement for the Cam Ranh Bay area.

Our computations (see appendix A) show that annual savings of about \$227,238 can be realized by the Government if the Army would reduce its contracts and obtain its laundry services from the Air Force facilities at Cam Ranh Bay. As shown in appendix A, about \$113,056 of these savings consist of the difference between the Army's contractual costs and the cost of obtaining the Air Force services at current operating unit costs. Also, the savings would include an estimated additional \$114,182 because even lower unit costs would be experienced through the more efficient operation of the Air Force facilities at full capacity.

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From our observations and those of military officials, similar operational affiliations should result in savings at U Tapao, Thailand. As a result of our inquiry, an inter-services support agreement has been negotiated for the U Tapao area which reduced the handling of the Army's laundry requirements by local contractors, and increased the work load at the Air Force's facility. That facility formerly operated at only 1/3 of capacity.

In view of the substantial potential cost and balance-of-payments benefits that might be realized, we propose that the Department of Defense undertake studies to determine whether similar inter-service support agreements would be beneficial at other overseas locations. As a first step, we suggest that data be compiled and compared on contracting and in-house operations of the Army, Navy, Air Force and Marines. This would enable the identification of specific situations which indicate potential benefits through the use of inter-service support agreements so that they can be studied in greater detail.

We have discussed this matter with appropriate military specialists and they have agreed that economic benefits are possible by using "in-house" facilities rather than contracting for laundry services.

We would appreciate receiving the Department's views and advice as to any steps taken or contemplated with regard to the matters discussed in this letter.

Copies of this letter are being sent to the Director, Office of Management and Budget; and the Foreign Operations and Government Information Subcommittee, House Committee on Government Operations.

HSE 1511

Sincerely yours,


Cye V. Stovall
Director

Enclosure

ESTIMATED SAVINGS TO BE REALIZED
BY CONSOLIDATION OF LAUNDRY OPERATIONS
AT CAM RANH BAY, VIETNAM

Estimated Savings Attributable to Difference in
Cost Per Unit of Laundered Clothing

<u>Under Army Contract</u>		<u>Estimated Air Force</u> <u>"In-House" Operations</u>
.07		.044
<u>Estimated</u> <u>"In-House" Savings</u> <u>Per Unit</u>	<u>Approximate</u> <u>Number of Army Clothing Units</u> <u>Air Force can Process</u>	<u>Estimated Annual Potential</u> <u>Savings Attributable to</u> <u>Difference in Existing Unit Costs</u>
.028	4,037,700	\$113,056

^{1/} Military specialists have informed us that the Air Force facility can handle this additional work load and that Army is currently contracting for a work load in excess of this volume.

Estimated Additional Savings Attributable to
Full Capacity Laundry Operations

<u>Estimated Unit Cost of Air Force</u> <u>"In-House" Operations</u>			<u>Approximate</u> <u>Work Load Units</u> <u>at Full Capacity</u>	<u>Estimated Savings</u> <u>at Full Capacity</u>
<u>Current</u>	<u>At Full</u> <u>Capacity</u>	<u>Savings</u>		
.044	.025	.019	6,009,600	\$114,182

Summary of Estimated Annual Savings

Attributable to:

Difference in existing unit costs	\$113,056
Full capacity operations	<u>114,182</u>
Total estimated savings	<u>\$227,238</u>