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Use of Civilian Agencies' Aircraft
for Passenger Transportation

Statement of
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Natural Resources
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USE OF CIVILIAN AGENCIES' AIRCRAFT FOR
PASSENGER TRANSPORTATION

SUMMARY OF STATEMENT BY
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The acquisition and operation of aircraft by federal civilian agencies is a costly, growing activity. Civilian agencies operate about 1,200 aircraft, most of which are government owned. The government-owned aircraft have a book value of about \$2 billion and cost about \$750 million annually to operate and maintain. Leased aircraft and other contract support cost at least another \$100 million annually.

In 1977 and again in 1983, GAO issued reports containing a series of recommendations aimed at improving the oversight, utilization, and cost effectiveness of agencies' aircraft programs.

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

Although those guiding policies and procedures have been strengthened since our 1983 reports, our followup work to date indicates that agencies' actual aircraft practices have not changed materially. Agencies are not justifying government ownership of aircraft or their use for administrative travel as intended by OMB Circulars A-76 and A-126. They need better aircraft cost data to comply fully with the justification, cost effectiveness, and cost comparison requirements of those Circulars.

More effective governmentwide guidance and leadership by OMB and GSA is needed. The Executive Branch has not established standardized aircraft cost elements for agencies to use or usage standards to better assure that aircraft are justified and used for legitimate mission purposes. However, recent GSA initiatives are encouraging.

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 government aircraft, particularly for passenger transportation that might be provided commercially. As you requested, my statement today addresses:

- The requirements of Office of Management and Budget Circulars A-76 and A-126 as they relate to the acquisition of, continuing need for, and use of government aircraft.
- The findings, recommendations, and actions taken on our past reports on civilian aircraft in general and two Coast Guard aircraft in particular.
- Our recent followup work on agencies' aircraft management practices.

Federal civilian agencies operate about 1,200 aircraft, most of which are government owned. The General Services Administration (GSA) estimates that the government-owned aircraft have a book value of about \$2 billion and cost about \$750 million annually to operate and maintain. GSA further estimates that leased aircraft and other contractual arrangements to operate or service aircraft cost at least \$100 million annually.

OMB CIRCULARS A-76 and A-126

Taken together, OMB Circulars A-76 and A-126 are intended to guide the initial acquisition of and continuing justification for government aircraft and their use for administrative transportation of passengers and cargo.

OMB Circular A-76, "Performance of Commercial Activities", states 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 operation is less costly 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 in 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 their aircraft and the cost effectiveness of aircraft operations. It also requires agencies to justify, in advance, the flight-by-flight use of government aircraft for passenger transportation or other administrative support purposes through a cost comparison showing that the variable (incremental) cost of using a government-operated aircraft is not more than the cost of using available commercial airlines or charter air services. Cost comparisons are not required for the secondary use of legitimate mission or training flights for passenger 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 another Government Operations subcommittee, 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 a summary report issued in 1983 (GAO/PLRD-83-64), we concluded 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 to capture the full costs of aircraft operations. 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 1983 report (GAO/PLRD-83-45) on the Coast Guard's use of two passenger aircraft located at Washington National Airport noted that the aircraft were used primarily for routine transportation of top level officials as well as their spouses and guests that did not appear justified based on either time critical mission requirements or the availability of commercial flights.

We recommended that the Coast Guard dispose of the two aircraft

and use more economical commercial airline service to the maximum extent possible consistent with mission accomplishment. For those instances where commercial airlines could not 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. We also recommended that the transportation of spouses, dependents, and other nonofficial travelers on DOT aircraft generally be prohibited.

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

AGENCIES' ACTIONS TO IMPROVE

AIRCRAFT MANAGEMENT

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

-- OMB revised A-76 in August 1983 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 in October 1983 which contains some 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. GSA has not yet established the aircraft usage standards we recommended or monitored agencies' aircraft usage to identify any underutilized aircraft.

In an April 1983 letter to the Chairman, House Committee on Government Operations, the Secretary of Transportation promised to take several specific actions to improve the utilization of departmental aircraft. For example:

- Administrative travel flights would be limited to those carrying the two senior officers of the Office of the Secretary, the Coast Guard, the FAA, and others approved specifically by the Coast Guard Commandant or Federal Aviation Administrator.
- Any use of departmental aircraft, regardless of the senior official on board, would be limited to those instances where it was clearly in the government's best interest from an

economy or mission accomplishment standpoint.

- Travel of spouses (except for those of the two senior officials in the Office of the Secretary, Coast Guard, and FAA and even then only when such travel is unquestionably in the national interest), dependents, and other nonofficial travelers would generally be prohibited.

- The Coast Guard Gulfstream I turboprop aircraft at Washington National Airport would be reassigned to the Coast Guard Air Station at Elizabeth City, North Carolina to be used in support of Coast Guard mission-related activities. The Gulfstream II jet would remain at National Airport and be used to support command requirements and other high priority or cost-effective transportation requirements.

OUR FOLLOWUP WORK TO DATE
ON AGENCIES' AIRCRAFT PROGRAMS

At the request of this Subcommittee and the Subcommittee on Government Information, Justice, and Agriculture we have followed up on our 1977 and 1983 work at selected agencies. Although this work is not yet completed, what we have done to date indicates that some of the same problems persist. OMB and operating agencies have strengthened their guiding policies and procedures for managing and using aircraft, but the actual aircraft

practices of the agencies we have reviewed to date have not changed materially since our 1983 reports. Several government aircraft we have reviewed apparently have no special mission purpose or capabilities. Instead, they are designed and used primarily for routine administrative travel between locations generally served by regularly scheduled commercial airlines. The agencies we reviewed do not appear to be complying fully with the intent of OMB Circulars A-76 and A-126 as we understand it.

Limited work on agencies'
use of certain aircraft models

As requested by the Subcommittee on Government Information, Justice, and Agriculture, House Committee on Government Operations, we reported on agencies use of Beechcraft King Air, Cessna Citation, Piper Cheyenne, and certain other aircraft models to transport passengers (GAO/GGD-88-92BR; August 1, 1988). This work was limited to examining flight and other administrative records for 47 aircraft operated by seven cabinet level departments and two independent agencies and did not permit us to draw conclusions about the appropriateness or cost effectiveness of the current use of those aircraft.

Nevertheless, we determined that 18 of the 47 aircraft were used for passenger transportation during the 12-month period ended June 30, 1987. Of those 18 aircraft, 10 were used primarily for

passenger transportation ranging from 70 percent to 93 percent of the aircraft's total flight hours. The remaining 8 aircraft were used primarily for special purpose missions, such as evaluating aviation equipment and services and maintaining the flight proficiency and currency of pilots. However, all 8 of these "mission" aircraft were used secondarily, on a space available basis, for passenger transportation. The rate of "secondary" usage of those mission flights for passenger transportation ranged from 9 percent to 69 percent of the flights.

We said in this report that our work indicated agencies may not be following the intent of OMB Circulars A-76 and A-126 governing the acquisition, justification, and use of government aircraft.

Coast Guard aircraft

At this Subcommittee's request, we followed up on the Coast Guard's management and use of its two command/administrative aircraft that were the subject of our 1983 report. Although the Coast Guard partially implemented our 1983 recommendations, we found that it continued to operate the two aircraft in essentially the same manner as discussed in our 1983 report. During calendar year 1987, the Coast Guard continued to use those aircraft primarily for routine administrative travel to U.S. and overseas locations generally served by commercial airlines; spouses of Coast Guard and DOT officials continued to accompany their husbands on trips.

Our followup findings are summarized below.

- Both aircraft were used by top Coast Guard officials, other less senior Coast Guard officials, top DOT officials, Members of Congress, congressional staff, and other Government officials.

- The Gulfstream II jet based at National Airport was used for administrative travel to conferences, meetings, and other functions, including several overseas trips. The Coast Guard flight logs categorized many of the 1987 flights as operational missions. Based on our review of available documentation and discussions with responsible Coast Guard Officials, we believe those flights were administrative in nature.

- The Gulfstream I turbo-prop based at Elizabeth City, North Carolina was used as a backup administrative aircraft when the Gulfstream II jet was unavailable or more passenger seats were required. About 70 per cent of the Gulfstream I's 1987 flight hours (excluding training and maintenance) were categorized as administrative travel; about 30% were categorized and appeared to be mission related. We noted that the Gulfstream I, which the Coast Guard said would be used as an operational aircraft, has no rescue capability and only limited search capability. We also noted that the Coast Guard frequently prepositioned

the Gulfstream I at National Airport and deadheaded it back to Elizabeth City after the Coast Guard travel requirement had been satisfied. Such practices are costly.

-- Despite the issuance of tighter restrictions on the travel of dependents and guests, wives of Coast Guard and DOT officials continued to accompany their husbands on trips, including overseas trips.

-- The Coast Guard had not made A-76 cost studies to justify ownership of those aircraft and only partially complied with the requirements of OMB Circular A-126. The Coast Guard made flight-by-flight cost comparisons for 1987 flights of the two aircraft that it categorized as administrative travel but used only fuel and crew per diem costs and considered only regularly scheduled commercial airlines as an alternative to the use of Coast Guard aircraft; leased or chartered aircraft as well as existing military operational support airlift programs were not considered. Not surprisingly, the Coast Guard's cost comparisons generally showed those flights to be cost effective compared to regularly scheduled commercial airlines. Even when the Coast Guard's cost comparison indicated a flight was not cost effective, it still used the two aircraft for administrative travel. We noted that including all variable costs, not just fuel and crew per diem, in those cost comparisons, as envisioned by OMB Circular A-126

would likely produce different results. If the Coast Guard cost comparisons included the full costs (fixed and variable) of operating those aircraft--\$3,388 per hour for the Gulfstream II and \$2,289 per hour for the Gulfstream I--none of those flights would have been cost effective.

TVA aircraft

At this Subcommittee's request, we reviewed TVA's management and use of its aircraft fleet. We also reviewed special transportation services TVA provided to the Manager of its Nuclear Power Program.

As of July 30, 1988, TVA's inventory of aircraft consisted of 11 owned and 3 leased aircraft. Three of those aircraft--a TVA owned 19 passenger Gulfstream, a TVA owned 8-passenger King Air and a leased 8-passenger King Air--were used for passenger transportation between TVA's three main offices in Knoxville, and Chattanooga, Tennessee, and Muscle Shoals, Alabama (Valley Shuttle); between Chattanooga, Tennessee, and Paducah, Kentucky (Paducah Shuttle); and for other requested flights to other U.S. locations (special flights). The remaining 11 aircraft--7 TVA owned turbine helicopters, 2 TVA owned utility airplanes, and 2 leased long range helicopters--were used primarily for mission-related purposes.

We analyzed TVA's passenger transportation services for the 6-

month period August 1, 1987, through January 31, 1988. At that time, TVA was using its passenger aircraft primarily for the Valley and Paducah shuttles. TVA policy in effect during that period required TVA employees to use TVA aircraft as the primary means of air transportation between shuttle locations; commercial airlines could be used only when TVA aircraft were not available. Cost comparisons were not required to justify those shuttle flights. For transportation flights to non-shuttle locations, however, TVA 's policy required a cost comparison between TVA's aircraft, charter aircraft, and regularly scheduled commercial airline service to determine the most cost effective means of satisfying the transportation requirement.

Our analysis indicated that TVA's use of its aircraft for regular shuttle flights frequently was less costly than using charter services or regular commercial airlines; the cost effectiveness of shuttle flights varied depending on the particular TVA aircraft used and the rate of passenger utilization. However, our analysis did not consider the validity of TVA's travel requirements between shuttle locations or all aircraft replacement costs and was not designed to determine the overall cost effectiveness of TVA's shuttle operation; consideration of such factors may have produced different results.

Our analysis of TVA's special flights indicated that TVA aircraft were used for passenger transportation when available charter and

commercial airline services were less costly. In about one-third of the special flights we reviewed, TVA did not make a cost comparison to justify usage of its aircraft. In another 15 percent of the special flights we reviewed, TVA used its aircraft even though the cost comparison indicated that such usage was not cost effective.

As part of its recently announced reorganization to streamline the agency and hold down operating costs, TVA plans to terminate its air passenger transportation at the end of this month. TVA also plans to dispose of its owned passenger aircraft, terminate its lease on the King Air, and retrofit its owned King Air for mission-related photographic work.

GOVERNMENTWIDE GUIDANCE
AND LEADERSHIP

Our followup work to date indicates that the continuing aircraft management problems stem, at least in part, from incomplete guidance and oversight by OMB and GSA.

Although OMB revised A-76 and issued A-126 in response to our 1983 report, the policies and procedures stated in those circulars do not fully and effectively answer key questions arising from agency ownership, management, and use of government aircraft. Taken together, A-76 and A-126 are intended to guide

the initial acquisition of and continuing justification for government-owned aircraft and their use for administrative travel. However, they are not sufficiently linked; A-76 does not mention A-126, and A-126 makes only a passing reference to A-76.

OMB Circular A-126 indicates that "specially configured or equipped mission aircraft" are not subject to the cost comparison requirement, but it does not define those types of aircraft. While not specifically stated in A-126, we believe its flight-by-flight cost effectiveness requirement for administrative travel is predicated on the assumption that government ownership of the aircraft is required, and has been previously justified through an A-76 cost analysis, for a "bona fide" special mission purpose. Consequently, A-126 requires only that the aircraft's variable costs be compared against the commercial alternative to justify using the aircraft for administrative travel. Since A-126 does not address the fact that some government aircraft are designed and used only for passenger transportation and have no special mission purpose, it may contain an inherent bias in favor of using those aircraft for administrative travel instead of using available commercial alternatives.

OMB Circular A-126 requires agencies to have, maintain, and use cost accounting systems for their aircraft operations. However, OMB has not published or issued criteria for a uniform cost

accounting system to standardize consideration and analysis of aircraft program cost elements. A draft of A-126 did contain more cost accounting guidance and proposed standard cost elements, but OMB deleted that in the final version. Agencies do not now have the necessary cost data to comply fully with the justification, cost comparison, and cost effectiveness requirements of A-76 and A-126, in part because of the lack of governmentwide guidance and leadership in this area. Also, the Administration has not established standards for aircraft use to help assure that agencies' aircraft are justified for bona fide mission purposes.

From time to time, agencies have raised questions about the scope and application of A-76 and A-126. For example, the Department of Energy's (DOE) Assistant Inspector General for Audits, in connection with an audit of DOE aircraft in March 1986, sought clarification from OMB about when and for what purposes government aircraft could be acquired and used to transport passengers. In its April 22, 1986, reply, OMB said it did not support any interpretation of the word "mission" that would justify the acquisition and routine use of government aircraft to carry passengers or cargo when those functions could be done more economically using commercial aircraft. Also, OMB said that any continued passenger air travel requirements not time sensitive or not related to a specific exigency or emergency could not be used to justify the use of government aircraft. The DOE Inspector

General subsequently questioned the justification for and use of certain DOE aircraft that were used primarily to transport passengers to locations served by commercial airlines. However, OMB did not modify A-126 or otherwise communicate to federal agencies this guidance it had given to DOE to clarify the distinction between mission and administrative aircraft.

GSA also has not yet assumed its envisioned leadership role in this area. As mentioned earlier, GSA did implement an aircraft management information system as we recommended in 1983, but GSA has not yet used that system to analyze and identify aircraft management problems either governmentwide or in individual agency programs.

However, we believe some recent GSA initiatives are encouraging.

-- Effective August 9, 1988, GSA transferred responsibilities for government-wide aircraft management within its Office of Transportation and Property Management from the Fleet Management Division to the Transportation Systems staff. According to GSA, this change was made to better focus attention on implementing GAO's 1983 recommendations to GSA since the Transportation Systems staff is more conversant in the technical aspects of the air carrier industry and less susceptible to diversion of attention to questions surrounding motor vehicle fleets.

-- Also, effective August 30, 1988, GSA adopted a revised action plan and a more aggressive approach for implementing GAO's 1983 recommendations. GSA's revised plan addresses all GAO recommendations to GSA relative to improvements in civilian agency aviation management. If fully implemented, GSA's revised plan envisions a capability to (1) consolidate, coordinate, and analyze aviation procurement actions and operating cost information; (2) collect, monitor, and assist agencies in developing valid A-76 and A-126 aircraft justifications; and (3) establish an interagency forum to address and resolve issues relating to aviation standards, procurement, and safety. GSA is also developing proposals for clarification of the ambiguities in Circular A-126.

We strongly endorse GSA's new initiatives to assert more governmentwide leadership in the area of aircraft management and adopt a more aggressive action plan designed to fully implement our 1983 recommendations. Such leadership and actions are sorely needed. We note, however, that OMB's active support, and the use of its budget authority, will also be needed if GSA's new initiatives are to lead to actual improvements in agency acquisition, use, and justification of aircraft.

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