

113550



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

B-200337

September 19, 1980

The Honorable Jack Brooks
Chairman, Committee on
Government Operations
House of Representatives



113550

The Honorable Abraham Ribicoff
Chairman, Committee on
Governmental Affairs
United States Senate

Subject: Federal Guidelines for Acquisition
of Administrative Vehicles (PAD-80-100)

During the normal course of our work, we have identified a problem with the current policy on acquiring vehicles for Federal use. Each year the Federal Government purchases automobiles and trucks to provide Federal agencies the transportation necessary to carry out their various functions. The General Services Administration (GSA) has published guidelines regarding purchase of vehicles by the various Federal agencies. These guidelines, in turn, are dictated by the policy objectives and administrative regulations promulgated by the Department of Transportation (DOT). GSA simply carries out the policy and ensures conformance with it by Federal agencies.

Understandably, in some cases, the GSA guidelines are inconsistent with some Federal policies impacting the U.S. auto industry because these Federal policies are not all consistent with each other. In addition, some GSA guidelines are unrealistic and others appear to be internally inconsistent with each other.

From a business perspective, the objective of GSA guidelines for the acquisition of administrative vehicles should be to meet agency fleet needs at minimum acquisition and life cycle operating costs. This is not currently being accomplished.

There is a severe price constraint on the types of vehicles that may be purchased for administrative use. A base price limitation of \$3,400 is currently in force on the amount that may be paid by the Federal Government for the acquisition of new sedans. Ignoring other administrative requirements such as fuel efficiency standards, the price constraint drastically limits the types of vehicles which can be purchased for Federal use to the smallest of the U.S.-made subcompact vehicles such as General Motors' Chevette and American Motors' Spirit.

012494

(971891)

Clearly, Federal fleet needs include some larger vehicles capable of carrying five and six passengers.

If the continuation of a price constraint on sedans is desired, it is important that it be raised and subsequently indexed to trends in automobile pricing. At a minimum, the base price ceiling should be raised to \$5,000. This figure reflects the assumption that the Federal fleet requires a certain number of five and six passenger sedans that will soon command retail base prices in the neighborhood of \$6,000 and a 20 percent discount off retail on fleet purchases. Perhaps to allow additional flexibility, the ceiling might initially be established at \$5,400. Subsequent revisions of the ceiling should occur on a regular basis to reflect changes in automobile prices.

Other problems with current guidelines are not as clear-cut as the price constraint, but there exists a need for clarification of what is and what is not intended to be accomplished by the guidelines. In compliance with Executive Order 12003, dated July 20, 1977, GSA requires that the average fuel economy on new sedan purchases equal or exceed 24 MPG in 1980. This compares with Corporate Average Fleet Economy requirements of 20 MPG for automobile manufacturers. This four-mile per gallon difference between Federal fleet mix average fuel economy and that required of U.S. auto manufacturers is maintained through 1985 at which point average fuel economy for the Federal fleet is required to be 31.5 miles per gallon.

There are, and will be, a large number of smaller vehicles that meet or exceed the fuel economy requirements outlined in the GSA guidelines. If we ignore the price constraint, the issue remains as to whether fleet requirements can be met within the fuel economy standard, or whether it should be relaxed. If Federal fleet requirements cannot be met, then one needs to examine the trade-off between the shortcomings of the fleet and the cost savings in its operation attributable to the higher fuel efficiency standard. If the fleet requirements can be met within the current fuel economy requirements, then it makes good business sense to abide by them. With the current price constraint, it is clear that fleet requirements cannot be met. Even if it is raised, it is unclear whether fleet requirements can be met because of fuel economy standards. It is our understanding that neither GSA nor the agencies for which it purchases vehicles have any input into the formulation of regulations regarding acquisition of administrative vehicles. We believe that there should be more coordination between GSA and DOT in this regard to insure that

a rational basis for the current Federal fleet fuel economy requirements exists.

There also is a serious and immediate problem created by the Administration's guidelines and policy regarding acquisition of light-duty trucks. In 1981, average fuel economy on newly acquired trucks must be 16.7 miles per gallon. The way that fuel economy standards for trucks have been met in the past is through purchase of imported mini pick-up trucks, primarily of Japanese origin, which are partially assembled in the U.S. During the past year, 5,900 of the total of 20,600 trucks purchased for Federal use were made in Japan. These trucks are capable of achieving well in excess of 20 miles per gallon in their 4 x 2 versions and are used to offset the poor fuel economy achieved by American-made conventional one-half ton light duty trucks.

Just recently, the Administration imposed a 25 percent import duty on the knocked-down versions of imported Japanese mini pick-up trucks. As a result of this, these vehicles have become more expensive than American-made trucks. In considering whether to continue purchasing mini pick-ups, a trade-off exists between high acquisition costs and low life cycle operating costs. Furthermore, it is hard to envision how fuel economy standards for light duty trucks are going to be met unless imported vehicles are purchased. The Federal Supply Service, which does the shopping for government agencies, has been asking its customers to purchase American trucks because of the 25 percent import duty.

The current situation regarding Federal fleet purchases of trucks poses some interesting problems. First, and perhaps foremost, while there seems to be concern over prices paid for sedans, there appears to be little concern over prices paid for trucks. There is no price ceiling on trucks.

The reason for this is as follows. The current price limitation on cars was designed to prevent acquisition of lavishly-appointed large cars. On the other hand, in the past, trucks were not so luxuriously-appointed and so, no price constraint was considered necessary. Under today's conditions, this line of reasoning is no longer valid. First, it would be impossible today to purchase a lavishly-appointed sedan which both meets the fuel economy requirement and, whose price tag (after discounting) falls within any reasonable ceiling. Second, it is possible today to spend nearly

as much on a truck as on a Cadillac and this would argue for a price constraint on truck purchases.

Thus, both the import duty on mini pick-ups and the lack of a price ceiling on trucks are inconsistent with other Federal guidelines regarding purchase of administrative vehicles. Why is there continuing concern with acquisition costs for cars, but not for trucks? Why is there concern with fuel conservation, as evidenced by the standards imposed by DOT, when other Federal policies all but preclude purchase of the most fuel efficient trucks?

The Federal Government has a "buy American" policy which applies to its acquisition of sedans and trucks for administrative use. The import duty on Japanese mini pick-ups is consistent with this policy, but with a little examination, it is evident that it may work against, not for, the best interests of U.S. automakers, and is inconsistent with other policy goals designed to conserve fuel. A significant number of the imported Japanese trucks purchased by the Federal Government during the past year are known as captive imports. These are vehicles manufactured in Japan but sold by American auto manufacturers who have exclusive rights to their distribution. The Japanese benefit from the large distribution network of the U.S. automakers and U.S. automakers earn a pure profit on their sale. For example, were it not for Chrysler's line of captive imports (including sedans), sales over the past year would have been even lower and its losses greater.

If truck acquisition decisions are based on price comparisons between American-made conventional, one-half ton pick-ups and Japanese mini pick-ups, the DOT fuel economy standard will not be met and many of the U.S. light duty trucks which are newly acquired may not be used to their full capacity. If fuel economy is to be the major consideration, something needs to be done about the import duty, or there needs to be some change in policy to encourage the purchase of imported trucks.

CONCLUSIONS

Federal policies toward acquisition of administrative vehicles and their implementing guidelines are unrealistic and internally inconsistent with one another. Clearly, consideration needs to be given to raising the price ceiling on sedans. Furthermore, it would be a good idea for DOT to start soliciting GSA views on Federal fleet requirements. And, consideration needs to be given to the impact of the import duty associated with Japanese vehicles on the Federal Government's

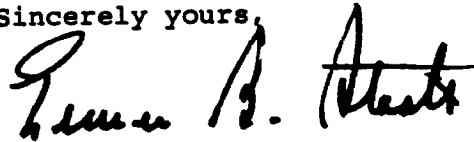
B-200337

acquisition and life cycle operating costs for its truck fleet and on our fuel conservation goals.

Because of the time constraints associated with getting these issues before the appropriate congressional committees, we did not follow our usual procedures of obtaining agency comments. Therefore, we are not making recommendations.

We are sending copies of this letter to the Senate Committees on Appropriations; and Commerce, Science and Transportation, and the House Committees on Appropriations; and Interstate and Foreign Commerce. Copies are also being sent to the Secretary of Transportation; Director, Office of Management and Budget; and the Administrator, General Services Administration.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Thomas B. Heath". The signature is written in a cursive style with a large initial "T" and "H".

Comptroller General
of the United States