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APR 18 1974

Mr. A. G. Fremling, Manager
Richland Operations Office
United States Atomic Energy Commission
P.O. Box 550
Richland, Washington 99352

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Dear Mr. Fremling:

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We recently completed a survey of the procurement of parts for commercial-type vehicles by several Federal agencies and the Atlantic Richfield Hanford Company (ARHCO). Since we do not plan further work on such procurements by AEC contractors, we would like to bring the results of our survey to your attention at this time.

We found that ARHCO is generally obtaining prices equal to or better than most Federal agencies we visited. However, there may be opportunities to achieve some further savings.

Automotive replacement parts can be classified into two categories--original equipment manufacturer's (OEM) parts and alternate parts. OEM parts are sold by the vehicle manufacturer and its dealers. Alternate parts are sold under different brand names and price lists than those identified with the vehicle manufacturer. Alternate parts are marketed primarily through auto parts stores rather than vehicle dealers. Examples of alternate parts brand names are Wagner, Gates, Monroe, Carter, and Borg Warner.

We selected invoices for OEM and alternate parts purchased during November 1973 to February 1974. All prices paid for OEM parts were compared to the prices that would have been paid had the part been purchased through nonmandatory Federal Supply Schedules. To provide a common basis for comparison, we related the prices paid for alternate parts to the prices available on the Federal Supply Schedule for an equivalent OEM part. An index system was developed whereby the Federal Supply Schedule price was set at a base of 100.

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Price indexes for parts purchased by ARHCO were as follows.

<u>Types of parts</u>	<u>Number of line items tested</u>	<u>Index</u>
OEM parts (Chrysler, IHC, GM, Ford, and AMC combined)	<u>77</u>	<u>101</u>
Alternate parts:		
The Flexible Co. Loudonville, Ohio	4	120
National Automotive Tacoma, Washington	13	69
Jobbers Warehouse Spokane, Washington	1	72
Tri-city area suppliers:		
D&R Auto Parts	17	113
Taylor Automotive Parts	6	116
Twin City Motor	4	88
Tri City Auto Parts	<u>2</u>	124
Total alternate parts	<u>47</u>	<u>98</u>

We believe that good prices were obtained for OEM parts, especially General Motors parts. ARHCO has generally ordered General Motors parts from the Federal Supply Schedule contractor--the General Motors warehouse at Beaverton, Oregon, where substantial price discounts were received.

While we did not include Jones Construction Company, Richland, in our survey, it appears that this AEC contractor could realize savings by obtaining parts either from ARHCO or directly from General Motors. A Jones Construction Company official told us that the company buys General Motors parts primarily under a blanket purchase agreement with a local Chevrolet dealer and occasionally from a Buick dealer. Although we did not determine prices Jones Construction Company paid for these parts, based on the few purchases ARHCO made from this Chevrolet dealer, the prices probably would be about 35 percent higher than Federal Supply Schedule prices.

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The Jones Construction Company official also told us that the company has a fleet of about 42 General Motors vehicles.

With respect to alternate parts, the foregoing table shows that relatively high prices were paid for parts purchased from The Flexible Company, D&R Auto Parts, Taylor Automotive, and Tri City Auto Parts. We believe lower prices might be obtained for alternate parts by (1) buying parts for the Flexible Company buses (with General Motors engines) from the General Motors United Delco Division, Seattle, Washington, under the Federal Supply Schedule contract and (2) establishing a term contract with a tri-cities parts store for alternate parts presently purchased from the three local suppliers mentioned above.

The Postal Service, Seattle, has established term contracts for alternate parts needs. By this method, it was able to consolidate requirements, generate competition among the local suppliers, and attain substantial price discounts. The contracts established fixed-price discounts based on suppliers' catalog prices.

It appears that such a contract could be used effectively to meet the combined needs of ARHCO and Jones Construction Company.

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I would like to take this opportunity to thank you and your staff for the cooperation and assistance my staff received during this survey. Further, the assistance we received from ARHCO representatives was outstanding. We would appreciate your comments and advice on actions taken on the foregoing matters.

Sincerely yours,

Philip A. Bernstein

Philip A. Bernstein
Regional Manager

cc: Atlantic Richfield Hanford Company
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