

Presidential Documents

Presidential Determination No. 92-23 of April 27, 1992

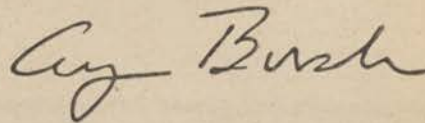
Military Drawdown for Israel

Memorandum for the Secretary of State [and] the Secretary of Defense

Pursuant to section 599B of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1991 (Public Law 101-513) (the "Act") and section 118 of H.J. Res. 456, the Joint Resolution making further continuing appropriations for the fiscal year 1992, and for other purposes (Public Law 102-266), I hereby:

- (1) direct the drawdown for Israel of an estimated \$47 million in defense articles from the stocks of the Department of Defense and defense services of the Department of Defense;
- (2) determine that providing the full value in drawdown authorized during fiscal year 1992 would have an adverse impact on the readiness of the Armed Forces of the United States; and
- (3) delegate to the Secretary of Defense the notification and reporting functions contained in subsections 599B(c) and (d) of the Act.

The Secretary of State is authorized and directed to publish this memorandum in the **Federal Register**.



THE WHITE HOUSE,
Washington, April 27, 1992.

[FR Doc. 92-12396

Filed 5-22-92; 11:06 am]

Billing code 3195-01-M

CONFIDENTIAL

WASHINGTON, April 22, 1952

MEMORANDUM FOR THE SECRETARY OF DEFENSE

1. The Department of Defense has received information from the Central Intelligence Agency (CIA) that the Soviet Union is currently conducting a large-scale program of espionage and sabotage against the United States. This program is being carried out by a large number of Soviet agents who are operating in the United States and are working to obtain information on the defense program and to sabotage the production of defense materials.

2. The information received from the CIA indicates that the Soviet Union is particularly interested in obtaining information on the development of the atomic bomb and on the production of defense materials. It is believed that the Soviet Union is currently obtaining this information through a large number of Soviet agents who are operating in the United States.

3. The Department of Defense is currently conducting a large-scale program of investigation and is working to identify and locate the Soviet agents who are operating in the United States. It is believed that this program will result in the identification and location of a large number of Soviet agents who are currently operating in the United States.

Very truly yours,
[Signature]

THE SECRETARY OF DEFENSE
WASHINGTON, April 22, 1952

FOR THE SECRETARY
[Signature]

Presidential Documents

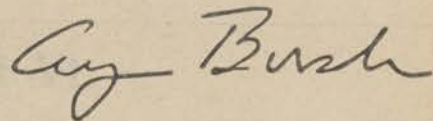
Presidential Determination No. 92-25 of May 6, 1992

Determination Under Section 402(c)(2)(A) of the Trade Act of 1974, as Amended—Azerbaijan, Georgia, Kazakhstan, Moldova, Ukraine, and Uzbekistan

Memorandum for the Secretary of State

Pursuant to section 402(c)(2)(A) of the Trade Act of 1974, as amended (the "Act") (19 U.S.C. 2432(c)(2)(A)), I determine that a waiver by Executive order of the application of subsections (a) and (b) of section 402 of the Act with respect to Azerbaijan, Georgia, Kazakhstan, Moldova, Ukraine, and Uzbekistan will substantially promote the objectives of section 402.

You are authorized and directed to publish this determination in the **Federal Register**.



THE WHITE HOUSE,
Washington, May 6, 1992.

[FR Doc. 92-12397

Filed 5-22-92; 11:07 am]

Billing code 3195-01-M

Editorial note: For the President's memorandum and his message to Congress on trade with these former Soviet Republics, see page 782 of the *Weekly Compilation of Presidential Documents*.

Presidential Documents

Presidential Determination No. 22 of May 5, 1906

Determination Under Section 403(c)(1) of the Trade Act of 1930, as Amended—Azerbaijan, Georgia, Kazakhstan, Maldives, Ukraine and Uzbekistan

Whereas the Secretary of State

has been advised by the Department of State that the Government of Azerbaijan, Georgia, Kazakhstan, Maldives, Ukraine and Uzbekistan have agreed to accept the provisions of the Trade Act of 1930, as amended, and to submit to the Secretary of State a declaration of their intention to do so;

and whereas it is the policy of the United States to encourage trade with friendly nations;

Jeff. Frank

THE WHITE HOUSE

Washington, May 5, 1906

Approved: _____

Department of State

Test Report

Tuesday
May 26, 1992

Part VI

Office of Management and Budget

Improving the Management and Use of
Government Aircraft; Notice

OFFICE OF MANAGEMENT AND BUDGET

Improving the Management and Use of Government Aircraft

AGENCY: Office of Management and Budget, General Management Division.

ACTION: Final Revision to OMB Circular No. A-126, "Improving the Management and Use of Government Aircraft."

SUMMARY: This revision implements the Office of Management and Budget's (OMB's) stated intention to revise OMB Circular No. A-126 "Improving the Management and Use of Government Aircraft," dated January 18, 1989. The Circular contains guidance to the Federal agencies on acquiring, managing, using, accounting for the costs of, and disposing of aircraft.

DATE: The revised Circular is effective immediately.

FOR FURTHER INFORMATION CONTACT: Jack Kelly, Federal Services Branch, General Management Division, Office of Management and Budget, 725 17th Street, N.W., Room 10202, Washington, D.C. 20503 (telephone: (202) 395-5090).

SUPPLEMENTARY INFORMATION: A notice was published in the *Federal Register* on February 27, 1992 (57 FR 6750) requesting comments on proposed revisions to OMB Circular No. A-126 "Improving the Management and Use of Government Aircraft," dated January 18, 1989.

Interested parties were invited to submit comments. Comments were received from five agencies, an interagency committee of agency aircraft policy officials, a private aircraft management and leasing company, an association of aircraft mapping contractors, and a U.S. Senator. All comments received were considered in developing this final revision, as well as relevant recommendations contained in recent reports on government aircraft activities by the General Accounting Office and several Departmental Inspectors General.

Attached to this notice is a revised Circular A-126 for inclusion in the *Federal Register*. The notice is signed by the Deputy Director for Management.

Frank Hodsoll,

Deputy Director for Management.

Dated: May 22, 1992.

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Improving the Management and Use of Government Aircraft

1. Purpose. This Circular is being issued to minimize cost and improve the management and use of government aviation resources. It prescribes policies to be followed by Executive Agencies in acquiring, managing, using, accounting for the costs of, and disposing of aircraft.

2. Authority. This Circular is issued under the authority of the Budget and Accounting Act of 1921, as amended; the Budget and Accounting Procedures Act of 1950, as amended; Reorganization Plan No. 2 of 1970; Executive Order 11541; and 31 U.S.C. 1344.

3. Background. The Office of Management and Budget has concluded that the government-wide policy guidance with respect to the use of government aircraft should be clarified to restrict the operation of government aircraft to defined official purposes; restrict travel on such aircraft; require special review of such travel on government aircraft by senior officials or non-Federal travelers in circumstances described hereafter; and codify policies for reimbursement for the use of government aircraft.

4. Scope and Coverage. This Circular applies to all government-owned, leased, chartered and rental aircraft and related services operated by Executive Agencies except for aircraft while in use by or in support of the President or Vice President.

5. Definitions. For purposes of this Circular, the following definitions apply.

a. Government aircraft means any aircraft owned, leased, chartered or rented and operated by an Executive Agency.

b. Mission requirements means activities that constitute the discharge of an agency's official responsibilities. Such activities include, but are not limited to, the transport of troops and/or equipment, training, evacuation (including medical evacuation), intelligence and counter-narcotics activities, search and rescue, transportation of prisoners, use of defense attaché-controlled aircraft, aeronautical research and space and science applications, and other such activities. For purposes of this Circular, mission requirements do not include official travel to give speeches, to attend conferences or meetings, or to make routine site visits.

c. Official travel means (i) travel to meet mission requirements, (ii) required use travel, and (iii) other travel for the conduct of agency business.

d. Required use means use of a government aircraft for the travel of an Executive Agency officer or employee, where the use of the government aircraft is required because of bona fide

communications or security needs of the agency or exceptional scheduling requirements.

e. Senior Federal officials are persons:

(i) employed at a rate of pay specified in or fixed according to subchapter II of chapter 53 of title 5 of the U.S. Code;

(ii) employed in a position in an Executive Agency, including any independent agency, at a rate of pay payable for level I of the Executive Schedule or employed in the Executive Office of the President at a rate of pay payable for level II of the Executive Schedule;

(iii) employed in a position in an Executive Agency that is not referred to in clause (i) (other than a position that is subject to pay adjustment under Section 1009 of Title 37 of the U.S. Code) and for which the basic rate of pay, exclusive of any locality-based pay adjustment under section 5304 of title 5 of the U.S. Code (or any comparable adjustment pursuant to interim authority of the President), is equal to or greater than the rate of basic pay payable for the Senior Executive Service under Section 5382 of title 5 of the U.S. Code; or

(iv) appointed by the President to a position under section 105(a)(2)(A), (B), or (C) of title 3 of the U.S. Code or by the Vice President to a position under section 106(a)(1)(A), (B), or (C) of title 3 of the U.S. Code.

Generally, these are persons employed by the White House and executive agencies, including independent agencies, at a rate of pay equal to or greater than the minimum rate of basic pay for the Senior Executive Service. Exempted from this definition, for purposes of this Circular, are active duty military officers.

f. Full coach fare means a coach fare available to the general public between the day that the travel was planned and the day the travel occurred.

g. Actual cost means all costs associated with the use and operation of an aircraft. (See Attachment A for detailed definition.)

6. Acquisition and Management.

a. The number and size of aircraft acquired by an agency and the capacity of those aircraft to carry passengers and cargo shall not exceed the level necessary to meet the agency's mission requirements.

b. Agencies must comply with OMB Circular No. A-76 before purchasing, leasing or otherwise acquiring aircraft and related services to assure that these services cannot be obtained from and operated by the private sector more cost effectively.

c. Agencies shall review periodically the continuing need for all of their

aircraft and the cost effectiveness of their aircraft operations in accordance with the requirements of OMB Circular No. A-76. A copy of each agency review shall be submitted to GSA when completed and to OMB with the agency's next budget submission. Agencies shall report any excess aircraft and release all aircraft that are not fully justified by these reviews.

d. Agencies shall use their aircraft in the most cost effective way to meet their requirements.

7. Use of Government Aircraft.

Agencies shall operate government aircraft only for official purposes. Official purposes include the operation of government aircraft for (i) mission requirements, and (ii) other official travel.

8. Travel on Government Aircraft.

Government aircraft shall only be used for (i) official travel; or (ii) on a space available basis subject to the following policies:

a. Official travel that is not also required use travel or to meet mission requirements shall be authorized only when:

(i) no commercial airline or aircraft (including charter) service is reasonably available (i.e., able to meet the traveler's departure and/or arrival requirements within a 24 hour period, unless the traveler demonstrates that extraordinary circumstances require a shorter period) to fulfill effectively the agency requirement; or

(ii) the actual cost of using a government aircraft is not more than the cost of using commercial airline or aircraft (including charter) service. When a flight is being made to meet mission requirements or for required use travel (and is certified as such in writing by the agency which is conducting the mission as required in Section 10.b.), secondary use of the aircraft for other travel for the conduct of agency business may be presumed to result in cost savings (i.e., cost comparisons are not required).

b. Travelers may not use government aircraft on a "space available" basis unless:

(i) the aircraft is already scheduled for use for an official purpose;

(ii) such "space available" use does not require a larger aircraft than needed for the official purpose;

(iii) such "space available" use results only in minor additional cost to the government; and

(iv) reimbursement is provided as set forth in Section 9.

9. Reimbursement for Use of Government Aircraft.

a. For travel that is not required use travel:

(i) Any incidental private activities (personal or political) of an employee undertaken on an employee's own time while on official travel shall not result in any increase in the actual costs to the government of operating the aircraft.

(ii) The government shall be reimbursed the appropriate share of the full coach fare for any portion of the time on the trip spent on political activities (except as provided in subsection (d) below).

b. For required use travel. The government shall be reimbursed as follows (except as may otherwise be required by subsection (d)) for required use travel:

(i) For a wholly personal or political trip, the full coach fare for the trip;

(ii) For an official trip during which the employee engages in political activities, the appropriate share of the full coach fare for the entire trip;

(iii) For an official trip during which the employee flies to one or more locations for personal reasons, the excess of the full coach fare of all flights taken by the employee on the trip over the full coach fare of the flights that would have been taken by the employee had there been no personal activities on the trip.

c. "Space available" travel. For "space available" travel other than for the conduct of agency business, whether on mission or other flights, the government shall be reimbursed at the full coach fare except (i) as authorized under 10 U.S.C. 4744 and regulations implementing the statute; and (ii) by civilian personnel and their dependents in remote locations (i.e., locations not reasonably accessible to regularly scheduled commercial airline service).

d. In any case of political travel, reimbursement shall be made in the amount required by law or regulation (e.g., 11 C.F.R. 106.3) if greater than the amount otherwise required by the foregoing reimbursement rules.

10. Approving the Use of Government Aircraft. The following policies apply to the procedures under which the use of government aircraft for official travel may be approved by the agency which owns or operates the aircraft:

a. Only an agency head, or officials designated by the agency head, may approve the use of agency aircraft for official travel.

b. Whenever a government aircraft used to fulfill a mission requirement is used also to transport senior Federal officials, members of their families or other non-Federal travelers on a "space available" basis (except as authorized under 10 U.S.C. 4744 and regulations implementing that statute), the agency that is conducting the mission shall

certify in writing prior to the flight that the aircraft is scheduled to perform a bona fide mission activity, and that the minimum mission requirements have not been exceeded in order to transport such "space available" travelers. In special emergency situations, an after-the-fact written certification by an agency is permitted.

c. Agencies that use government aircraft shall report semi-annually to GSA each use of such aircraft for non-mission travel by senior Federal officials, members of the families of such officials, and any non-Federal travelers (except as authorized under 10 U.S.C. 4744 and regulations implementing that statute). Such reports shall be in a format specified by GSA and shall list all such travel conducted during the preceding six month period. The report shall include: (i) the name of each such traveler, (ii) the official purpose of the trip, (iii) destination(s), and (iv) for travel to which Section 8.a.(ii) applies, the appropriate allocated share of the full operating cost of each trip and the corresponding commercial cost for the trip. In addition, agencies shall report a summary of these data to OMB semi-annually in a format specified by GSA. (Reports on classified trips shall not be reported to GSA but must be maintained by the agency using the aircraft and available for review as authorized.)

11. Approving Travel on Government Aircraft. The following policies apply to the procedures under which travel on government aircraft may be approved by the agency which sponsors the travel:

a. General approval requirements.—All travel on government aircraft must be authorized by the sponsoring agency in accordance with its travel policies and this Circular and, when applicable, documented on an official travel authorization. Where possible, such travel must be approved by at least one organizational level above the person(s) traveling. If review by a higher organizational level is not possible, another appropriate approval is required.

b. Special approval requirements for required use travel.—Use of government aircraft for required use travel must be approved in advance and in writing. A Federal officer or employee must obtain written approval for all required use travel on a trip-by-trip basis from the agency's senior legal official or his/her principal deputy, unless (1) in the case of an officer or employee who is not an agency head, the agency head has determined that all travel by the officer or employee or travel in specified categories qualifies as required use

travel, or (2) in the case of an agency head, the President has determined that all travel, or travel in specified categories, by the agency head qualifies as required use travel. Any determination by an agency head that travel by an officer or employee of that agency qualifies as required use travel must be in writing and set forth the basis for that determination. In special emergency situations, an after-the-fact written certification by an agency is permitted.

Any agency head opting to determine that travel by an officer or employee may be required use travel shall establish written standards for determining when required use travel is permitted. Such travel is not permitted unless in conformance with such written standards.

c. Special approval requirements for travel that is not to meet mission requirements or required use travel.—Use of government aircraft for such travel by the following categories of people must be authorized in advance and in writing:

- (i) senior Federal officials;
- (ii) members of families of such senior Federal officials; and
- (iii) non-Federal travelers.

Such authorizations must be approved on a trip-by-trip basis and be signed by the agency's senior legal official or his/her principal deputy; or be in conformance with an agency review and approval system that has been approved by OMB. In special emergency situations, an after-the-fact written certification by an agency is permitted.

Travel by such individuals that is deemed to be official travel shall be subject to the same rules and conditions as any other official travel. Travel by such individuals that is not official travel is subject to the reimbursement requirements in Section 9.c. for "space available" travel.

12. Documenting the Use of Government Aircraft. All uses of government aircraft must be documented and this documentation must be retained for at least two years. At a minimum, the documentation of each use of government aircraft must include:

- the tail number of the plane used
- the date(s) used
- the name(s) of the pilot(s) and flight crew
- the purpose(s) of the flight
- the route(s) flown
- the names of all passengers

When government aircraft are used to support official travel, the documentation must also include evidence that the applicable provisions of this Circular have been satisfied.

13. Responsibilities.

a. All Executive Agency officials with statutory authority to procure aircraft will assure that:

(i) Their agency's internal policies and procedures for procuring aircraft and related services are consistent with the requirements of OMB Circular No. A-76.

(ii) Their agency's aircraft programs comply with the internal control requirements of OMB Circular No. A-123 and that they are included in the agency's Management Control Plan. Any material weaknesses in these programs are to be reported in the annual internal control reports to the President and the Congress.

(iii) Their agency cooperates with the General Services Administration in the development of aircraft management policies and standards and in the collection of aircraft information.

(iv) Their agency has an aircraft information system that conforms to the generic data and reporting standards developed by GSA. Agencies that do not already have systems that conform to these standards are required to implement such systems within one year from the issuance of the GSA standards.

b. The Secretaries of Defense and "the uniformed services," the Secretary of State, and the Administrator of General Services shall incorporate the applicable policies in this Circular into the travel regulations which they promulgate for uniformed service, foreign service, and civilian employees, respectively. The necessary changes to these regulations should be issued no later than 180 days from the date of this Circular.

c. The Administrator of General Services shall maintain a single coordinating office for agency aircraft management. The responsibilities of this office shall include, but not be limited to, the following:

(i) coordination of the development of effectiveness measures and standards, policy recommendations, and guidance for the procurement, operation, safety, and disposal of civilian agency aircraft;

(ii) operation of a government-wide aircraft management information system;

(iii) identification, for agencies and OMB, of opportunities to share, transfer, or dispose of underutilized aircraft; to reduce excessive aircraft operations and maintenance costs; and to replace obsolete aircraft;

(iv) development of generic aircraft information system standards and software;

(v) other technical assistance to agencies in establishing automated aircraft information and cost accounting systems and conducting the cost analyses required by this Circular;

(vi) review of proposed agency internal aircraft policies for compliance with OMB guidance and notification to OMB of any discrepancies; and

(vii) conduct of an annual study of the variable and fixed costs of operating the different categories of government aircraft and dissemination of the results for use in making the cost comparisons required in Section 8.a.(ii) and reporting the trip costs as required in Section 10.c.

In order to carry out these responsibilities, the Administrator of General Services shall maintain an interagency aviation policy working group to advise him in developing or changing aircraft policies and information requirements.

d. Except for provisions of this Circular which specify their own implementation dates, each agency head shall issue internal agency directives to implement this Circular no later than 180 days from the date of the Circular. These internal agency directives must include all policies contained in this Circular, but may also contain additional policies unique to the agency. Responsibility for these policies shall be assigned to a senior management official who has the agency-wide authority and resources to implement them.

14. Accounting for Aircraft Costs.

Agencies must maintain systems for their aircraft operations which will permit them to: (i) justify the use of government aircraft in lieu of commercially available aircraft, and the use of one government aircraft in lieu of another; (ii) recover the costs of operating government aircraft when appropriate; (iii) determine the cost effectiveness of various aspects of their aircraft programs; and (iv) conduct the cost comparisons required by OMB Circular A-76 to justify in-house operation of government aircraft versus procurement of commercially available aircraft services. Although agency accounting systems do not have to be uniform in their design or operation to comply with this Circular, they must accumulate costs which can be summarized into the standard Aircraft Program Cost Elements defined in Attachment B. The use of these elements to account for aircraft costs is discussed in Attachment A.

EFFECTIVE DATE: This Circular is effective on publication.

INFORMATION CONTACT: All inquiries should be addressed to the General Management Division, Office of

Management and Budget, telephone number (202) 395-5090.

Richard Darman
Director

Attachment A

ACCOUNTING FOR AIRCRAFT COSTS

The costs associated with agency aircraft programs must be accumulated to: (1) justify the use of government aircraft in lieu of commercially available aircraft, and the use of one government aircraft in lieu of another; (2) recover the costs of operating government aircraft when appropriate; (3) determine the cost effectiveness of various aspects of agency aircraft programs; and (4) conduct the cost comparisons required by OMB Circular No. A-76 to justify in-house operation of government aircraft versus procurement of commercially available aircraft services. To accomplish these purposes, agencies must accumulate their aircraft program costs into the Standard Aircraft Program Cost Elements defined in Attachment B. The remainder of this Attachment presents guidance for accomplishing each of these purposes.

Justify Use of Aircraft

The cost comparison to justify the use of a government aircraft for a proposed trip under Section 8.a.(ii) of this Circular should be made prior to authorizing the use of the aircraft for that trip. Agencies that propose to use their aircraft to support recurring travel between locations are encouraged to develop standard trip cost justification schedules. These schedules would summarize the projected costs of using one or more specific types of agency aircraft to travel between selected locations as compared to using commercial aircraft (including charter) or airline service between those locations. Comparative costs for varying passenger loads would also be shown. Agencies that chose to use this approach would be able to see at a glance the minimum number of official travelers needed to justify the use of a particular aircraft or aircraft type for a trip between locations on the schedule. Agencies that are not able to use such schedules are required to do a cost justification on a case by case basis.

To make the cost comparisons necessary to justify the use of a government aircraft, the agency must compare the actual cost of using a government aircraft to the cost of using a commercial aircraft (including charter) or airline service. The actual cost of using a government aircraft is either: (a) the amount that the agency will be

charged by the organization that provides the aircraft, (b), if the agency operates its own aircraft, the variable cost of using the aircraft; or (c), if the agency is not charged for the use of an aircraft owned by another agency, the variable cost of using the aircraft as reported to it by the owning agency.

Agencies should develop a variable cost rate for each aircraft or aircraft type (i.e., make and model) in their inventories before the beginning of each fiscal year. These rates should be developed as follows:

1. Accumulate or allocate to the aircraft or aircraft type all historical costs (for the previous 12 months) grouped under the variable cost category defined in Attachment B. These costs should be obtained from the agency's accounting system.

2. Adjust the historical variable costs from Step 1 for inflation and for any known upcoming cost changes to project the new variable cost total. The inflation and escalation factors used must conform to OMB Circular No. A-76.

3. Divide the total projected variable costs of the aircraft or aircraft type by the projected annual flying hours for the aircraft or aircraft type to compute the projected variable cost or usage rate (per flying hour).

To compute the variable cost of using an agency's own aircraft for a proposed trip, multiply the variable cost rate computed in Step 3 (above) by the estimated number of flying hours for the trip. The number of flying hours should include all time required to position the aircraft to begin the trip and to return the aircraft to its normal base of operations, if no follow-on trip is scheduled. If a follow-on trip requires any repositioning time, it should be charged with that time. If one aircraft mission (i.e., a series of flights scheduled sequentially) supports multiple trips, the use of the aircraft for the total mission may be justified by comparing the actual cost of the entire mission to the commercial aircraft (including charter) or airline costs for all the component trips.

The cost of using commercial airline or aircraft services for the purpose of justifying the use of government aircraft must:

1. be the current government contract fare or price or the lowest fare or price known to be available for the trip(s) in question;

2. include, as appropriate, any differences in the costs of any additional ground or air travel, per diem and miscellaneous travel (e.g., taxis, parking, etc.), and lost employees' work time (computed at gross hourly costs to the

government, including benefits) between the two options; and

3. only include costs associated with passengers on official business. Costs associated with passengers traveling "space available" may not be used in the cost comparison.

Recover Cost of Operation

Under the Economy Act of 1932, as amended, (31 U.S.C.S. 1535), and various acts appropriating funds or establishing working funds to operate aircraft, agencies are required to recover the costs of operating their aircraft for use by other agencies, other governments (e.g., state, local, or foreign), or non-official travelers. Depending on the statutory authorities under which its aircraft were obtained or are operated, an agency may use either of two methods for establishing the rates charged for using its aircraft: (1) the full cost recovery rate or (2), the variable cost recovery rate.

The full cost recovery rate for an aircraft is the sum of the variable and fixed cost rates for that aircraft. The computation of the variable cost rate for an aircraft or aircraft type is described under the previous paragraph "Justify Use of Aircraft." The fixed cost rate for an aircraft or aircraft type is computed as follows:

1. Accumulate from the agency's accounting system the fixed costs listed in Attachment B that are directly attributable to the aircraft or aircraft type (e.g. crew costs-fixed, maintenance costs-fixed, and aircraft lease-fixed).

2. Adjust the historical fixed costs from Step 1 for inflation and for any known upcoming cost changes to project the new fixed cost total. The inflation and escalation factors used must conform to OMB Circular No. A-76.

3. Add to the adjusted historical fixed costs amounts representing self insurance costs and the annual depreciation or replacement costs, as described in Attachment B.

4. Allocate operations and administrative overhead costs to the aircraft or aircraft type based on the percentage of total aircraft program flying hours attributable to that aircraft or aircraft type.

5. Compute a fixed cost recovery rate for the aircraft or aircraft type by dividing the sum of the projected directly attributable fixed costs (from Step 3) and the allocated fixed costs (from Step 4) by the annual flying hours projected for the aircraft or aircraft type.

To compute the full cost of using a government aircraft for a trip, add the variable cost rate for the aircraft or aircraft type to the corresponding fixed

cost rate (computed in Step 5 above) and multiply the result by the estimated number of flying hours for the trip using the proposed aircraft.

The *variable cost recovery rate* for an aircraft or aircraft type is the same as the variable cost or usage rate described under the previous paragraph "Justify Use of Aircraft." If an agency decides to base the charge for using its aircraft solely on this rate, it must recover the fixed costs of those aircraft separately from the appropriation which supports the mission for which the procurement of the aircraft was justified. In such cases, the fixed cost recovery rate may be expressed on an annual, monthly or flying hour basis.

Determine Aircraft Program Cost Effectiveness

Although cost data are not the only measures of the effectiveness of an agency's aircraft program, they can be very useful in identifying opportunities to reduce aircraft operational costs. These opportunities might include changing maintenance practices, purchasing fuel at lower costs, and the replacement of old, inefficient aircraft with aircraft that are more fuel efficient and have lower operations and maintenance costs.

The most common measures used to evaluate the cost effectiveness of various aspects of an aircraft program are expressed as the cost per flying hour or per passenger mile for certain types of aircraft costs. These measures may be developed using the Standard Aircraft Cost Elements and include, but are not limited to: maintenance costs/flying hour, fuel and other fluids cost/flying hour, accident repair costs/flying hour (or per aircraft), and variable cost/passenger mile.

The Administrator of General Services should coordinate the development of specific cost effectiveness measures with an interagency aircraft policy working group.

Justify In-House Operation

OMB Circular No. A-76, "Performance of Commercial Activities," requires Federal agencies to conduct cost comparisons of commercial activities they operate and, where appropriate, to determine the most economical way to perform the work—whether by private commercial source or using in-house government resources. The guidelines for conducting these cost comparisons are presented in the Supplement to the Circular.

Attachment B

STANDARD AIRCRAFT PROGRAM COST ELEMENT DEFINITIONS

Variable Costs

The variable costs of operating aircraft are those costs that vary depending on how much the aircraft are used. The specific variable cost elements include:

Crew costs—variable.—The crew costs which vary according to aircraft usage consist of travel expenses (particularly reimbursement of subsistence (i.e., per diem and miscellaneous expenses), overtime charges, and wages of crew members hired on an hourly or part-time basis.

Maintenance costs—variable.—Unscheduled maintenance and maintenance scheduled on the basis of flying time vary with aircraft usage and, therefore, the associated costs are considered variable costs. In addition to the costs of normal maintenance activities, variable maintenance costs shall include aircraft refurbishment, such as painting and interior restoration, and costs of or allowances for performing overhauls and modifications required by service bulletins and airworthiness directives. If they wish, agencies may consider all of their maintenance costs as variable costs and account for them accordingly. Otherwise, certain maintenance costs will be considered fixed as described in a subsequent paragraph. Variable maintenance costs include the costs of:

Maintenance labor—variable.—This includes all labor (i.e., salaries and wages, benefits, travel, and training) expended by mechanics, technicians, and inspectors, exclusive of labor for engine overhaul, aircraft refurbishment, and/or repair of major components.

Maintenance parts—variable.—This includes cost of materials and parts consumed in aircraft maintenance and inspections, exclusive of materials and parts for engine overhaul, aircraft refurbishment, and/or repair of major components.

Maintenance contracts—variable.—This includes all contracted costs for unscheduled maintenance and for maintenance scheduled on a flying hour basis or based on the condition of the part or component.

Engine overhaul, aircraft refurbishment, and major component repairs.—These are the materials and labor costs of overhauling engines, refurbishing aircraft, and/or repairing major aircraft components.

NOTE 1: In general, the flight hour cost is computed by dividing the costs for a period by the projected hours flown during the

period. However, when computing the flight hour cost factor for this cost category, divide the total estimated cost for the activities in this category (e.g., overhaul, refurbishment and major repairs) by the number of flight hours between these activities.

NOTE 2: Separate cost or reserve accounts for engine overhaul, aircraft refurbishment, major component repairs, and other maintenance cost elements may, at the agency's discretion, be identified and quantified separately for mission-pertinent information purposes. Reserve accounts are generally used when the aircraft program is funded through a working capital or revolving fund.

Fuel and other fluids.—The costs of the aviation gasoline, jet fuel, and other fluids (eg. engine oil, hydraulic fluids and water-methanol) consumed by aircraft.

Lease costs—variable.—When the cost of leasing an aircraft is based on flight hours, the associated lease or rental costs are considered variable costs.

Landing and tie down fees.—Landing fees and tie down fees associated with aircraft usage are considered variable costs. Tie down fees for storing an aircraft at its base of operations should be considered part of operations overhead, a fixed cost.

Fixed Costs

The fixed costs of operating aircraft are those that result from owning and support the aircraft and that do not vary according to aircraft usage. The specific fixed cost elements include:

Crew costs—fixed.—The crew costs which do not vary according to aircraft usage consist of salaries, benefits, and training costs. This includes the salaries, benefits, and training costs of crew members who also perform minimal aircraft maintenance. Also included in fixed crew costs are the costs of their charts, personal protective equipment, uniforms, and other personal equipment.

Maintenance costs—fixed.—This cost category includes certain maintenance and inspection activities which are scheduled on a calendar interval basis and take place regardless of whether or how much the aircraft are flown.

Agencies are encouraged to simplify their accounting systems and account for all maintenance costs as variable costs. However, if they wish, agencies may account for the following costs as fixed costs:

Maintenance labor—fixed.—This includes all projected labor expended by mechanics and inspectors associated with maintenance scheduled on a calendar interval basis. This does not include variable maintenance labor or

work on items having a TBO or retirement life.

This category also includes costs associated with unallocated maintenance labor expenses, i.e., associated salaries, benefits, travel expenses and training costs. These costs should be evenly allocated over the number of the aircraft in the fleet.

Maintenance parts—fixed.—This includes all parts and consumables used for maintenance scheduled on a calendar basis.

Maintenance contracts—fixed.—This includes all contracted costs for maintenance or inspections scheduled on a calendar basis.

Lease costs—fixed.—When the cost of leasing an aircraft is based on a length of time (e.g., days, weeks, months, or years) and does not vary according to aircraft usage, the associated leased costs are considered fixed costs.

Operations overhead.—These include all costs, not accounted for elsewhere, associated with direct management and support of the aircraft program. Examples of such costs include: personnel costs (salaries, benefits, travel, uniform allowances, training, etc.) for management and administrative personnel directly responsible for the aircraft program; building and ground maintenance; janitorial services; lease or rent costs for hangers and administrative buildings and office space; communications and utilities costs; office supplies and equipment; maintenance and depreciation of support equipment; tie down fees for aircraft located on base; and miscellaneous operational support costs.

Administrative overhead.—These costs represent a pro-rated share of salaries, office supplies and other expenses of fiscal, accounting, personnel, management, and similar

common services performed outside and the aircraft program but which support this program. For purposes of recovering the costs of operations, agencies should exercise their own judgement as to the extent to which aircraft users should bear the administrative overhead costs. Agencies may, for example, decide to charge non-agency users a higher proportion of administrative overhead than agency users. For purposes of A-76 cost comparisons, agencies should compute the actual administrative costs that would be avoided if a decision is made to contract out the operation under study.

Self-insurance costs.—Aviation activity involves risks and potential casualty losses and liability claims. These risks are normally covered in the private sector by purchasing and insurance policy. The government is self insuring; the Treasury's General Fund is charged for casualty losses and/or liability claims resulting from accidents. For the purposes of analyses, government managers will recognize a cost for "self-insurance" by developing a cost based on rates published in OMB Circular No. A-76.

Depreciation.—Depreciation represents the cost or value of ownership. Aircraft have a finite useful economic or service life. Depreciation is the method used to spread the cost of the purchase price, less residual value, over an asset's useful life. A-76 provides guidance on computing depreciation charges to be used in computing the fixed costs of an aircraft or aircraft program. Although these costs are not direct outlays in the sense of most other aircraft costs, it is important to recognize them for A-76 cost comparison purposes and when replenishing a working capital fund by recovering the full cost of aircraft

operations. Depreciation costs depend on aircraft acquisition or replacement costs, useful life, and residual or salvage value. To calculate the cost of depreciation that shall be allocated to each year, subtract the residual value from the total of the acquisition cost plus any capital improvements and, then, divide by the estimated useful life of the asset.

Other Costs

There are certain other costs of the aircraft program which should be recorded but are not appropriate for inclusion in either the variable or fixed cost categories for the purposes of justifying aircraft use or recovering the cost of aircraft operations. These costs include:

Accident repair costs.—These costs include all parts, materials, equipment and maintenance labor related to repairing accidental damage to airframes or aircraft equipment. Also included are all accident investigation costs.

Aircraft costs.—This is the basic aircraft inventory or asset account used as the basis for determining aircraft depreciation charges. These costs include the cost of acquiring aircraft and accessories, including transportation and initial installation. Also included are all costs required to bring aircraft and capitalized accessories up to fleet standards.

Cost of Capital.—The cost of capital is the cost to the Government of acquiring the funds necessary for capital investments. The agency shall use the borrowing rate announced by the Department of Treasury for bonds or notes whose maturities correspond to the useful life of the asset.

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