

<b>DEPARTMENTAL REGULATION</b>		Number: 5400-004
SUBJECT: Aircraft Management	DATE: March 28, 1994	
	OPI: Personal Property Management Division, Office of Operations	

1 PURPOSE

On May 22, 1992, the Office of Management and Budget (OMB) issued Revised OMB Circular A-126, Improving the Management and Use of Government Aircraft, that prescribes policies to be followed by Executive Agencies in acquiring, managing, using, accounting for costs of, and disposal of Government aircraft. The General Services Administration (GSA) established a civilian Executive Agency Federal Aircraft Management Information System (FAMIS) to be utilized by all Federal Agencies. This Regulation identifies the policies, responsibilities and reports required by OMB Circular A-126 and the Federal Property Management Regulations, 41 CFR Part 101-37, Government Aviation Administration and Coordination, and the Department.

2 CANCELLATION

This Regulation cancels Departmental Regulation 5400-4, dated April 18, 1986.

3 SCOPE AND COVERAGE

This Regulation applies to all Government aircraft and related aircraft services used by agencies of the Department.

4 DEFINITIONS

For purposes of this Regulation, the following definitions will apply:

- a Government aircraft - means any aircraft owned, leased, chartered, contracted, or rented by an agency of the Department. The term Government aircraft does not include commercially scheduled airline flights.
- b Operate an aircraft - means to cause the aircraft to be flown by furnishing a flight crew and controlling the aircraft.
- c Government-operated aircraft - means an aircraft operated by Department personnel. This includes: Department owned and operated

aircraft, Department leased and operated aircraft and aircraft rented or obtained under a call-when-needed contract and operated by Department personnel.

d Leased aircraft - means an aircraft owned by a private sector entity or other Government agency that is operated by the Department under a formal agreement with the owner which conveys custody and operational responsibility.

e Contract aircraft - means to procure commercially operated aircraft or aircraft services under detailed specifications and all applicable Federal Acquisition Regulations. The four basic types of use under aviation contracts are:

(1) Chartered aircraft - means a commercially operated aircraft procured for short periods on the open market under the conditions of the operator's FAA issued operating certificates.

(2) Rented aircraft - means an on-call aircraft procured with specifications and requirements beyond the scope of the operator's FAA operating certificates.

(3) Exclusive use aircraft or aircraft services - means aircraft or aircraft services that are under the exclusive control of the Department for a specific period of days or months.

(4) Call-when-needed use aircraft or aircraft services - means aircraft or aircraft services that are provided only if available, when requested, for a relatively short period of time. All rental and charter use is of this type.

f Mission requirements - means activities that constitute the discharge of the Department's official responsibilities. Such activities include, but are not limited to, the transport of emergency response personnel and/or equipment, training, evacuation, intelligence and counter-narcotics activities, search and rescue, agricultural aerial research and development, fire detection and suppression, predator control, animal and plant disease eradication and other such activities. For purposes of this Regulation, mission requirements do not include official travel to give speeches, to attend conferences or meetings, or to make routine site visits.

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

h Required use - means use of a Government aircraft for the travel of a Departmental officer or employee, where the use of the Government aircraft is required because of a bona fide communications

or security need of the Department or exceptional scheduling requirements.

i Senior Federal Officials are:

(1) The Secretary, Deputy Secretary, Under Secretaries, and Assistant Secretaries, the General Counsel, the Inspector General, and the Chief Financial Officer.

(2) Department Agency Heads, all levels (1-6) of Senior Executive Service (SES) employees, Administrative Law Judges, Judges on the Board of Contract Appeals and all employees formerly GS-16 through 18 (ST and SL).

j 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.

## 5 POLICIES

The following policies will be followed in the acquisition, utilization and disposal of Government aircraft:

a Any employee of the Department who willfully uses or authorizes the use of an aircraft owned or leased by the United States Government (except for an official purpose authorized by section 1344 of Title 31) or otherwise violates this section shall be suspended without pay by the head of the agency. The officer or employee shall be suspended for at least one month, and when circumstances warrant, for a longer period or removed from office in accordance with 31 U.S.C. 1349.

b Aircraft shall be limited to the number necessary to meet mission requirements and, in the case of owned aircraft, are specifically authorized in appropriations. The number and type of aircraft and their capacity to carry passengers and cargo shall not exceed the level necessary to meet essential mission requirements, except when larger aircraft would be more cost effective.

c Before purchasing, leasing, reassigning or otherwise acquiring aircraft and related support services, the requirements of this Regulation and OMB Circular Nos. A-76 and A-126 will be met. All A-76 studies shall be reviewed and approved by the agency's Chief Financial Officer before aircraft are acquired or placed in operation. Aircraft may be acquired as excess by Departmental agencies from other Federal Agencies prior to completion of an A-76 study, however, they should not be modified or placed in operational status until the A-76 study is completed. Two copies of each agency A-76 cost comparison study shall be submitted to the Office of Operations (OO), Personal Property Management Division (PPMD), when completed and one copy submitted with the agency's next budget submission to OMB. A-76 studies are not necessary for replacement aircraft unless the

original A-76 qualification period is no longer in effect; the replacement aircraft will perform different duties; or the replacement aircraft cost is significantly different than that of the original aircraft. When the A-76 cost comparison study expires, agencies shall conduct another A-76 study.

d USDA agencies shall make an annual review and certify as to their continuing need for all Government-owned aircraft and the cost effectiveness of their aircraft operations. A copy of each agency review and certification shall be submitted to OO, PPMD, by January 2 of each year. Agencies shall immediately report and release excess aircraft that are not fully justified by these reviews.

e Government aircraft shall only be used for transportation when such use is more economical than commercial airline or aircraft services, or when commercial service is not available to effectively meet the Department's transportation needs. A determination must be made that other modes of transportation, such as Department owned motor vehicles, are not more cost effective than using Government aircraft. Space available travel for other than the conduct of agency business except as authorized under 10 U.S.C. 4744 and regulations implementing the statute or by civilian personnel and their dependents in remote locations shall be prohibited.

f The transportation of passengers or cargo on Government aircraft shall be limited in accordance with this Regulation and authorized by law. Further, such use will comply with travel requirements contained in the Federal Travel Regulations (41 C.F.R. 301) and the Agriculture Travel Regulations (DM-2300-1). Non-Federal employees or family members of employees shall not be transported on Government aircraft unless they have an official purpose and advance written approval in accordance with this Regulation.

g Government aircraft will only be used for official purposes, i.e., (i) to meet mission requirements, (ii) required use travel, (iii) other travel for the conduct of agency business. Transportation of Department employees, Government authorized cargo, other official Government passengers, and others, whose transportation on these aircraft is permitted by statute or an official Department directive or policy, may fall into either category.

h Whenever possible, agencies shall use the most cost effective aircraft to satisfy transportation requirements. Exceptions to this usage shall be documented in writing.

i No employee or officer of the Department may use, nor may any USDA agency authorize the use of, Government aircraft in connection with any travel involving private business or activities (personal or political).

## 6 USE OF GOVERNMENT AIRCRAFT FOR TRANSPORTATION

Justification. Each use of a Government aircraft to transport passengers must be justified and documented. Documentation shall include written justification and approvals by the

Agency Head or his or her designees authorizing the use of Government aircraft. Agencies may justify the use of aircraft to transport passengers using any of the following criteria:

- a The aircraft was scheduled to perform a bona fide mission or training activity, and the minimum mission or training requirements have not been exceeded.
- b Failure to use the aircraft to carry passengers and/or cargo would result in the failure to meet the minimum mission or training requirements.
- c No commercial airline or aircraft service was reasonably available to effectively fulfill the transportation requirements, i.e., within the same calendar day.
- d The actual cost of using a Government aircraft (as defined in Appendix A) is not more than the cost of using commercial airline or aircraft service. The cost of using commercial airline or aircraft service includes the costs of any additional travel and lost employees' work time (computed at gross hourly costs to the Government, including benefits). When the flight is being made to meet a mission or training requirement (and is certified as such in writing), secondary use of the flight for transportation may be presumed to be a cost savings and cost comparisons would not be required.

## 7 AUTHORIZING/APPROVING TRAVEL ON GOVERNMENT AIRCRAFT

The following policies apply to the procedures under which travel on Government aircraft may be authorized/approved by the agency which sponsors the travel:

- a Authorizing Authority - USDA Agency Heads shall have the authority to authorize the use of agency aircraft for official travel. This authority may be re-delegated.
- b General authorizing/approval requirements - All travel on Government aircraft must be authorized by the approving official in accordance with this Regulation and the Department's Travel Regulations and, when applicable, documented on an official travel order. No employee or officer may authorize their own travel/transportation on Government aircraft. 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.
- c Special requirements for required use travel - In addition to general authorization requirements, use of Government aircraft for required use travel must be authorized/approved in advance and in writing. A Federal official or employee must obtain written approval for all required use travel on a trip-by-trip basis from the Department's General Counsel or his or her principal deputy, unless, in the case of an officer or employee other than the Secretary, the Secretary has determined that all travel by the officer or employee or travel in specified categories qualifies as required use travel. All determinations

by the Secretary for 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 the Secretary is permitted.

USDA agencies may request the Secretary to determine that certain types of travel by an officer or employee is required use travel. In such an event, agencies shall establish written standards for determining this type of travel as required use travel for approval by the Secretary. After approval, such travel is not permitted unless in conformance with such written standards.

d Special 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:

- (1) Senior Federal officials;
- (2) members of families of such senior Federal officials; and
- (3) non-Federal travelers.

Such authorizations must be approved and signed on a trip-by-trip basis by the Department's General Counsel or his or her principal deputy certifying the trip appears to be in compliance with this Regulation; or be in conformance with an agency review and approval system that has been approved by the Department and OMB. In special emergency situations, an after-the-fact written certification is permitted. Proposed agency processes shall be submitted to OO, PPMD, for Departmental approval prior to implementation.

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.

## 8 RESPONSIBILITIES

a The Office of Operations, Personal Property Management Division, is responsible for assuring that:

- (1) All aircraft are acquired, utilized and disposed of by agencies in compliance with all applicable laws and regulations.
- (2) GSA is provided with a Department-wide contact point for the FAMIS reporting system and that data reported is accurate and timely.
- (3) Accountability for aircraft and aircraft services is maintained.
- (4) Department internal policies and procedures for procuring aircraft and related services are

consistent with the requirements of OMB Circular No. A-76.

(5) Department aircraft programs comply with the internal control requirements of OMB Circular 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 Federal Managers Financial Integrity Act (FMFIA) reports.

(6) Department personnel and agencies cooperate fully with GSA in the development of aircraft management policies and standards and in the collection of aircraft information.

(7) The Department and agencies have aircraft information systems that conform to the generic data and reporting standards developed by GSA. GSA has developed and operates FAMIS that will gather and maintain data on inventory of aircraft and related facilities, the costs involved in their operations (as well as those aircraft chartered, rented, or contracted for), and the utilization of those aircraft that are operated in-house by commercial firms for agencies. A report of inventory data related to aircraft/facilities eligible for interagency sharing will be prepared by GSA.

b Each agency shall be responsible for the following:

(1) Management. Manage all aircraft and aircraft services in accordance with all applicable laws and regulations in an effective and efficient manner. Incorporate aircraft operations into agency internal control review and FMFIA reporting requirements.

(2) Accounting for Aircraft Costs. Ensuring that accurate aircraft cost and operational data is recorded which will permit USDA agencies to:

(a) Fully justify the use of Government-owned or leased aircraft in lieu of commercially available aircraft, or the use of one Government aircraft in lieu of another;

(b) recover the costs of operating Government-owned or leased aircraft when appropriate;

(c) determine the cost effectiveness of various aspects of their aircraft program; and

(d) conduct the cost comparisons required by OMB Circular A-76 to justify in-house operation of Government aircraft versus procurement of commercially available aircraft or aircraft services. In conducting the cost comparisons, agencies must accumulate costs which can be summarized in the standard aircraft Program Cost Elements defined in Appendix B.

(3) Satisfy the recording and reporting requirements of the Department, Federal Property Management Regulation Section 101-37 and OMB Circular A-126 as follows:

(a) Report on aircraft and aircraft related facilities inventory additions and/or deletions as they occur.

(b) Specify aircraft and facilities that are not available for interagency use.

(c) Document all use of Government aircraft and retain this documentation for at least 2 years. At a minimum, the documentation of each use of Government aircraft must include:

o The tail number of the plane used

o The date(s) used

o The name(s) of the pilot(s) and flight crew

o The purpose(s) of the flight



- o The route(s) flown

- o The names of all passengers

(4) Comply with all policies outlined above.

(5) Send copies of all agency internal implementing policies to OO, PPMD, for review prior to issuance.

## 9 REPORTING REQUIREMENTS

Until Departmental systems are developed, agencies will report as follows:

a All FAMIS reports are to be submitted annually to OO, PPMD, for review, consolidation and submission to GSA. Include the name and telephone number of the agency contact when submitting the reports. The inventory reports are required for all owned aircraft (including those loaned to States), charter, lease, rental and contract aircraft. The utilization and cost data is required for all aircraft except those loaned to States. Inventory and cost data may be summarized for aircraft services (i.e. aerial spraying of pesticides, aerial photography mapping, etc.). All cost and utilization reports are to be submitted by January 2.

b Agencies that use government aircraft shall report semi-annually to OO, PPMD, each use of aircraft for non-mission travel by senior Federal officials, members of the families of such officials, and any non-Federal travelers. OO shall consolidate agency reports and submit a Department report to GSA in a format specified by GSA. The agency report shall list all such travel conducted from October 1 through March 31 and April 1 through September 30 and are due to OO by April 30 and October 30 for the preceding 6 month period. The report shall be submitted in accordance with the format of Appendix C.

c Annually by January 2 agencies are to certify as to the continuing need for all Government-owned aircraft and the cost effectiveness of aircraft operations required in Section 5d of this Regulation.

d Semi-annually (May 15 for the first 6 months of the fiscal year (FY) and November 15 for the entire FY) report to OO, PPMD, information to update the Report on Aircraft Owned, Loaned, Commercially Acquired Aircraft and Aircraft Services prepared for the Secretary. (See Appendix D for format).

## APPENDIX 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 Appendix B. The remainder of this Appendix 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 OMB Circular No. A-126 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 Appendix 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 Appendix 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 Appendix 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 costs comparisons are presented in the Supplement to the OMB Circular No. A-76.

## APPENDIX 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 costs 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 (e.g., engine oil, hydraulic fluids and water-methanol) consumed by aircraft.

Lease cost - 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 hangars 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 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 OMB Circular No. 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 an 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. OMB Circular No. 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 OMB Circular No. 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.

Signed by:

MIKE ESPY

END