

[Index No. 28—B-157711, Apr. 21, 1966]

POTENTIAL SAVINGS BY BUYING INSTEAD OF LEASING SPECIALIZED
TRANSPORTATION EQUIPMENT, DEPARTMENT OF THE AIR FORCE

The Department of the Air Force provides logistic support for all Government missile and space programs. On the basis of our review, we are of the opinion that, during the period October 1961 through June 1965, the Air Force expended about \$1 million more to lease liquid oxygen and nitrogen transport trailers from common carriers than it would have expended to purchase and maintain the trailers. These costs were incurred as a result of the Air Force's adherence to a policy of leasing specialized transportation equipment from carriers without first considering the comparative costs of leasing and of owning the equipment. Had the comparative costs been considered before the agreements were made with the carriers, we believe that the financial advantages of ownership could have been foreseen and the additional costs avoided.

In its comments on this matter in April 1965, the Department of the Air Force recognized that, when a long-term requirement existed for specialized transportation equipment, it might be advantageous to consider Government purchase and stated that its transportation regulations would be revised to require a cost analysis of Government purchase versus lease or exclusive-use arrangements when such equipment is required. This revision had not been incorporated in the regulations at the time of issuance of our report.

The Air Force did not agree, however, that the leasing arrangements had resulted in avoidable costs to the Government, claiming that acceptable military design trailers could not have been purchased in time to meet the transportation requirements and thus avoid payment of interim leasing charges for commercial design trailers. Although the Air Force did not comment specifically on the possible procurement of commercial design trailers, we were informally advised that, since it already had military design trailers in its inventory, the Air Force would not have considered commercial design trailers. It is our opinion that the Air Force should not have limited its consideration of trailers to be purchased to those of military design. We believe that, if commercial design trailers were considered satisfactory for transporting the propellants under leasing arrangements with the carriers, they would have been equally satisfactory for the same purpose if under Government ownership.

We recommended that, in revising the transportation regulations, the Secretary of the Air Force considered including a provision specifying that specialized commercial design equipment be purchased in lieu of military design equipment, if financially advantageous to the Government, and used to transport military cargo. We recommended also that the Secretary of the Air Force institute a review to determine whether existing lease arrangements should be continued or whether some alternative arrangement should be negotiated with the carriers.