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UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
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SEATTLE, WASHINGTON 98109

APR 23 1974

Mr. T. A. Schlapfer
Regional Forester
Pacific Northwest Region
319 Southwest Pine Street
P.O. Box 3623
Portland, Oregon 97208

Dear Mr. Schlapfer:

We recently completed a survey of the procurement of parts for commercial-type vehicles by several Federal agencies. Since we do not plan further work on such procurements at the Forest Service, we would like to point out certain opportunities for savings which are within your authority to achieve. These matters have been discussed with your staff.

We found that Federal agencies were procuring repair parts from a multitude of suppliers under various methods of procurement. This resulted in substantially varying prices for the parts. Some procuring activities were attempting to consolidate their volume in order to achieve more favorable discounts, while others were purchasing on an item-by-item basis. In no cases, however, did we find that procuring activities were consolidating their volumes with other procuring activities to negotiate better prices. As a result of this fragmented procurement, local agencies were not taking advantage of the potential discounts available through volume procurement.

We examined the prices paid for automotive parts by the Forest Service, Atomic Energy Commission, Richland, Washington; and the five agencies in the Seattle/Tacoma area maintaining the largest vehicle repair facilities. The activities included the Fort Lewis Motor Pool, General Services Administration Motor Pool, Seattle District Postal Service, McChord Air Force Base, and Puget Sound Naval Shipyard (PSNS). At each location, we compared prices of replacement parts for general-purpose vehicles manufactured by Ford, Chrysler, General Motors, American Motors, and International Harvester.

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

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identified with the vehicle manufacturer. Alternate parts are marketed primarily through auto parts stores rather than vehicle dealers. Examples of alternate parts brand names include Wagner, Monroe, Echlin, and United Parts.

We compared the prices paid for OEM parts with 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.

Opportunities for achieving savings within the Forest Service are discussed in the following paragraphs.

Our survey of procurements by the Pacific Northwest Region was made at the Regional office and at the Mount Hood and Olympic National Forest offices. Price comparison information obtained on purchases by the Mount Hood National Forest was very limited since its principal supplier did not promptly or adequately respond to our request for information.

We found that prices paid by the Olympic National Forest for vehicle parts were high in relation to those prices paid by other agencies we visited. The following table compares the average prices paid by the activities visited (other than McChord Air Force Base, which uses an entirely different method of procurement).

<u>Agency</u>	<u>Index</u>	
	<u>OEM parts</u>	<u>Alternate parts</u>
Forest Service		
Mount Hood	116	114
Olympic	147	142
PSNS, Fort Lewis, GSA (average)	112	99
Atomic Energy Commission (AEC)	101	96
Postal Service	103	63

This table shows that Olympic National Forest paid about 46 percent more than AEC for OEM parts. Also, Olympic paid about 125 percent more than the Postal Service for alternate parts. We believe these differences are attributable primarily to the selection of sources of supply and methods of procurement.

OEM PARTS

The Atomic Energy Commission generally procured OEM parts from the Federal Supply Schedule contractors (OEM dealers or distributors), while the Forest Service garages normally purchase these parts from parts stores. The Olympic Forest supplier generally purchased the parts from OEM dealers and frequently resold them to the Forest Service at list prices.

OEM price indexes for the two Forest Service garages are shown below.

<u>OEM parts</u>	<u>Mt. Hood</u>	<u>Olympic</u>
International Harvester	107	125
Chrysler	138	143
General Motors	No index	179

We believe that the high prices paid for Chrysler and General Motors parts are especially significant since we were told by a knowledgeable Regional official that roughly 70 percent of the entire Pacific Northwest Division fleet of about 2,400 light vehicles were manufactured by Chrysler and General Motors.

AEC, which had the lowest price index for OEM parts, purchased Chrysler parts from a dealer at Kennewick, Washington, and General Motors parts by telephone from the General Motors warehouse at Beaverton, Oregon. Another Federal Supply Schedule contractor source for some General Motors parts is the United Delco Division warehouse at Seattle, Washington.

The following example illustrates the possible savings in procurement of General Motors parts. In November 1973, the Olympic Forest garage purchased for stock two Chevrolet wheels from the parts store at Port Townsend, Washington, at a total list price of \$70.70. Had this purchase been made from the General Motors warehouse, the total price would have been \$31.18, a difference of \$39.52.

ALTERNATE PARTS

The comparatively low prices enjoyed by the Postal Service for alternate parts (an index of 63) were achieved through the use of term contracts in lieu of blanket purchase agreements. Competitive price quotations were received from potential sources of supply in order to obtain optimum prices. Firm discounts from parts manufacturers' published catalog prices were incorporated into the contracts. The

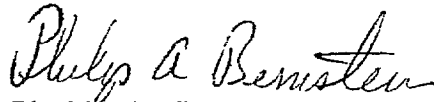
principal advantages of the blanket purchase agreement method of procurement (monthly billings and placement of orders by telephone) were included in the contract terms.

Because most Forest Service garages are located outside major metropolitan areas, the procurement sources used by AEC, Richland, which is similarly located, should be of interest to you. We noted that AEC frequently obtained lower prices for alternate parts by purchasing them outside the tri-city area. For example, about 28 percent of AEC alternate parts included in our test were procured from a supplier in Tacoma, Washington. These parts were purchased at an index of 69. Prices paid by Olympic National Forest for alternate parts were 106 percent higher.

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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. We would appreciate your comments and advice on actions taken on the foregoing matters.

Sincerely yours,


Philip A. Bernstein
Regional Manager