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 The Honorable Roy A. Taylor
 House of Representatives

Dear Mr. Taylor:

This report relates to your January 29, 1975, request and later discussions with your office that we take another look at the Department of Agriculture's plans to consolidate the Agricultural Stabilization and Conservation Service aerial photography operations on an interim basis in Salt Lake City, Utah, pending a move to another location. We did not obtain the Department's written comments on this report; however, we discussed the report contents with the Department and Service officials and considered their views. On May 23, 1975, we briefed your office on the results of our review and, as requested, are sending you this summary.

We previously reported to you on the Service's decision to consolidate its aerial photography operations in Salt Lake City, effective July 1, 1975 (B-181844, Dec. 2, 1974). In that report we said that the Service had not adequately demonstrated the practicality and economic feasibility of its decision. We pointed out that some of the information the Service used to justify consolidation was outdated and that other information, which should have been developed and considered, was not available.

We pointed out also that Department officials recognized the weaknesses in the information developed to support the Service's proposed consolidation. In October 1974 the Department began a study aimed at correcting these weaknesses which was completed on November 13, 1974. The Department was evaluating the results of the study at the time of our December 2, 1974, report.

In early 1975, following that evaluation, the Department agreed with the November 13, 1974, report recommendation that the Service collocate its consolidated aerial photography operations with certain Forest Service activities. The Department determined, however, that until a new facility became available for the collocation, the Service should consolidate its aerial photography operations in the existing Salt Lake City facility on a double-shift or overtime basis.

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In summary, our further examination into this matter has shown that the Department's projected savings are based on an inappropriate comparison of the future operation of a consolidated laboratory with the historical operation of separate laboratories. On the basis of this examination, it is our conclusion that the Department did not perform a sufficient analysis to determine the economic feasibility of the proposed consolidation. The Service has already made considerable progress in implementing the consolidation decision, however, and it therefore appears impractical to reverse the decision.

NATURE AND PURPOSE OF SERVICE
AERIAL PHOTOGRAPHY OPERATIONS

The Service and its predecessor agencies have used aerial photography since the mid-1930s in the Department's farm-related programs. The Service maintains two aerial photography laboratories: one in Asheville, North Carolina, and one in Salt Lake City. There is also a small field office in Salt Lake City. The laboratories procure and prepare photo maps for the Service's use and for sale, at cost, to other Federal agencies, to State and local governments, and to the general public. The Service's county offices use these photo maps for cropland measurements and other commodity-program-related purposes. The photo maps are also used in conservation practices, urban development and planning studies, and various other land-use practices.

DEPARTMENT'S ECONOMIC
ANALYSIS OF INTERIM MOVE

In a February 6, 1975, letter, the Department told us that a decision had been made to consolidate the Service's aerial photography activities in the Salt Lake City laboratory effective July 1, 1975, on an interim basis. The Department said that the Salt Lake City facility would operate on a two-shift basis until a new facility was made ready to collocate the Service's aerial photography activities and Forest Service's geometronics¹ activities in the Ogden-Salt Lake City area. They estimated a December 1976 collocation date.

¹Forest Service has recently adopted this term to describe the process involved in preparing a broad range of maps and related products, including aerial photography.

The Department has estimated that one-time costs to consolidate the Service laboratories in Salt Lake City will be about \$571,000. The Department said, however, that by operating two shifts in Salt Lake City, the Service could recover these costs in 1.7 years because it would save an estimated \$334,000 a year with potential additional savings of up to \$77,000 in equipment maintenance and replacement. The Service plans, however, to occupy the consolidated facility only 1.6 years. The estimated savings and one-time costs, summarized below, are based largely on data and projections contained in the Department's November 13, 1974, economic analysis and in January and February 1975 addendums to the analysis.

Estimated Annual Savings

Reduction of 25 employees		\$272,000
Elimination of Asheville space		97,000
Reduction of travel		<u>4,500</u>
Gross annual savings		373,500
Less increased costs of operating consolidated facility in Salt Lake City:		
Premium pay for shift work	\$29,000	
Utilities	9,000	
Communications	1,000	
Transportation	<u>1,000</u>	<u>40,000</u>
Net annual savings		<u>\$333,500</u>

Estimated One-time Costs to Consolidate
In Salt Lake City

Relocation of employees		\$178,000
Termination of Asheville laboratory lease		132,000
Movement of equipment		90,000
Severance pay		81,000
Hiring and training		40,000
Disruption of service		30,000
Renovation (plumbing and alterations)		15,000
Storage of unused equipment		<u>5,000</u>
Total one-time costs		<u>\$571,000</u>

GAO EVALUATION

The obvious method of determining whether savings can be obtained from consolidating similar functions is to ascertain whether the anticipated workload can be accomplished with fewer people using less equipment in less space under a consolidated operation than under separate operations. In our December 2, 1974, report we pointed out that such information had not been developed and considered. By the end of April 1975, such information still had not been developed and considered. Without this type of information, the Department does not have an adequate basis for accurately estimating and comparing its manpower, space, and equipment needs under either a two-laboratory or consolidated-laboratory operation.

Basis for comparing operations inappropriate

In arriving at the savings to be derived from an interim move to Salt Lake City, the Department compared the fiscal year 1974 operating costs of \$2.58 million for the two Service laboratories with the estimated costs of \$2.25 million to operate a consolidated laboratory in Salt Lake City starting July 1, 1975. The Department concluded that it could realize savings at a rate of approximately \$334,000 a year. Since the costs to operate the consolidated laboratory are representative of costs to be incurred starting July 1, 1975, any analysis of estimated savings should compare consolidated costs with the costs which would be incurred if the Service maintained separate laboratories during the same period and performed the same workload. The Department's comparison of future operations with historical operations does not enable it to accurately compare the two alternatives.

Reductions in manpower costs represent about 73 percent of the Service's estimated savings to be derived from a consolidation in Salt Lake City. According to the Department, these savings are the result of reducing a staff of 106 employees in its two laboratories to a consolidated staff of 81. This represents savings to the Government of about \$272,000. Because of the need for shift work in Salt Lake City, these savings were reduced by \$29,000, resulting in net savings of \$243,000.

According to Department officials, this reduction in manpower costs is possible because of the Service's decreasing need for aerial photography. To the extent that these

reductions in manpower costs can be attributed to a decreasing workload, the related savings should not be attributed to the planned consolidation.

The Department had not prepared an analysis as to whether the anticipated workload could be accomplished with the proposed staff reduction. According to a Service official, neither a listing of the mix of skills needed to operate the consolidated operation (i.e., the number of photographers, engineers, and quality control specialists that will be needed) nor a listing of the mix of skills the Service will actually have as a result of the consolidation had been prepared. Consequently, the Service had no assurance when the consolidation decision was made that the employee composition of the consolidated laboratory would enable the Service to meet its anticipated workload during the interim period. As a result, the extent of the savings in manpower costs attributable to the closing of the Asheville facility and the planned interim move was uncertain.

Space cost savings would be offset
by lease-termination and other costs

The cost to the Government of providing space, including utility, janitorial, and protection services, for the two Service aerial photography laboratories is currently about \$186,000 annually (\$97,000 in Asheville and \$89,000 in Salt Lake City). The General Services Administration leases these laboratories from private contractors. The space costs, which are fixed by contract, will remain the same during the remainder of the respective leases. The lease for the Asheville laboratory will expire in August 1977; the lease for the Salt Lake City laboratory will expire in March 1978.

If the Service consolidates its operations in the Salt Lake City laboratory on July 1, 1975, the Department, through the General Services Administration, must find another tenant for the vacated Asheville space or terminate the Asheville lease. According to Service officials, several Federal agencies have expressed interest in utilizing part of the laboratory when the Service vacates; however, nothing definite has been arranged. Consequently, the Department, in its latest estimates, includes lease-termination costs of about \$132,000 (2 year's rent at about \$66,000 a year) as a one-time cost of consolidating. The Department concluded that, if it terminated the lease, it would save about \$97,000 a year during the 18-month period the Service is in the Salt Lake City laboratory. This included about \$66,000 for rent and about \$31,000 for utilities and protection.

The Department's plan to spend \$132,000 to terminate its remaining 2-year rental commitment in Asheville, however, offsets the Department's estimated yearly rental savings for the 18-month period the Service plans to occupy the Salt Lake City laboratory. The only space cost savings to the Government during that 18-month period is that portion of the \$97,000 a year attributable to utilities and protection.

In April 1975, a Department official told us that the lack of sufficient film-storage space in the Salt Lake City laboratory was a problem. Since there is insufficient space, it will be necessary to store a portion of these prints at another location. He said that the storage space cost estimate had been increased from \$5,000 to \$15,000, further reducing space and facility cost savings.

AGENCY COMMENTS

On May 6, 1975, Service officials told us that a number of actions had been or were being taken concerning the consolidation. These actions appeared to commit the Service to the consolidation and to make it impractical to reverse the consolidation decision. These actions were:

- A contract had been executed for shipping photographic equipment from Asheville to Salt Lake City. The first of 20 scheduled loads left Asheville May 2, 1975.
- Bids were to be opened May 7, 1975, for shipping the Service's Asheville employees' household furnishings to Salt Lake City.
- At least five of the Service's Asheville employees had purchased homes in Salt Lake City.
- The Service had executed a 1-year lease at a cost of about \$13,700, with an option to renew, of 8,500 square feet of storage space 10 miles from the Salt Lake City laboratory. At least 2,000 square feet of this space would be used for storing film. Most of the remainder would be used for storing equipment shipped from Asheville.

The Service officials told us that production in the Asheville laboratory was discontinued on May 31, 1975, and that the Service Asheville employees not transferring to Salt Lake City would stay on the payroll until July 1, 1975.

The officials told us also that the owner of the Asheville laboratory property may cancel the current lease and renovate the building for use by other Government agencies.

CS 1/2 Senator Jesse Helms also requested that we look further into the Department's plan to consolidate the Service's aerial photography operations. Pursuant to that request, the information contained in this report is also being sent to him. As agreed with your office, copies are being sent to the other Senators and Congressmen who expressed an interest in this matter.

Sincerely yours,

Fenner B. Atwell

Comptroller General
of the United States