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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

DEFENSE DIVISION

FEB 23 1971



Commanding General, Air Force Logistics Command  
Wright-Patterson Air Force Base, Ohio 45433

Attention: MCIML

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Dear Sir:

Since July 1966, the Air Force has negotiated at least four contracts for remanufacture of snow removal equipment. The four contracts negotiated with the Oshkosh Truck Corporation, Oshkosh, Wisconsin, were F09603-67-D-0003, F09603-67-D-0099, F09603-69-D-0002, and F09603-70-D-1210. These contracts were issued by the Warner Robins Air Materiel Area and were administered by the Defense Contract Administration Service. All contracts were negotiated fixed price. The contract prices included costs to replace nonserviceable tires, and the contractor usually installed a complete set of new tires on each remanufactured vehicle.

We believe substantial savings are possible if rebuilt tires are used for this purpose rather than new ones. To the extent tires cannot be rebuilt, some savings can still be realized if new tires are obtained through the General Services Administration Federal Supply Schedule rather than through the contractor.

In order to demonstrate the savings which can be realized, we compared the prices paid for new tires under contract F09603-69-D-0002 with the prices shown in the Federal Supply Schedule for both rebuilt and new tires. The contract authorized the purchase of 608 new tires for \$173,930.

SAVINGS POSSIBLE BY USING REBUILT TIRES

Our review showed that had rebuilt tires been used instead of new tires, \$137,000 would have been saved. Prices for rebuilding tires as shown in the Federal Supply Schedule are substantially lower than the prices for the 608 new tires. Differences range from about \$126 to \$244 a tire depending on size. Rebuilding services are offered by four companies less than 85 miles from the contractor.

*7/14/81*

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To determine potential savings, if all of the 608 replaced tires could have been rebuilt, we used prices shown in GSA Region 5 Federal Supply Schedule for May 1969 through April 1970. The following comparison shows differences between the prices shown on work requests for new tires and costs for rebuilding.

Number of tires	Tire size	Unit price		Unit price difference	Total difference
		On work requests	Rebuilding price (note a)		
12	12.00-20	\$163	\$37.10	\$125.90	\$ 1,510.80
46	12.00-20	164	37.10	126.90	5,837.40
36	14.00-20	280	58.68	221.32	7,967.52
124	14.00-20	278	58.68	219.32	27,195.68
74	14.00-24	309	64.79	244.21	18,071.54
<u>316</u>	<u>14.00-24</u>	<u>307</u>	<u>64.79</u>	<u>242.21</u>	<u>76,538.36</u>
<u>608</u>					<u>\$137,121.30</u>

<sup>a</sup> Contractors listed in the Federal Supply Schedule offer discounts ranging from 50 to 62 percent. An average of 55 percent was used to arrive at these prices.

NEW TIRES LESS COSTLY WHEN PURCHASED FROM GENERAL SERVICES ADMINISTRATION

We recognize that not every tire removed from the vehicles can be rebuilt. However, even if none of them met rebuilding requirements, about \$49,000 could have been saved by purchasing new tires through the General Services Administration Federal Supply Schedule. We compared prices shown in the work requests under contract F09603-69-D-0002 with prices shown in the Federal Supply Schedule, Federal Supply Classification Group 26, Part II, for new tires based on size and ply rating. The following table shows constructed savings.

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<u>Number of tires</u>	<u>Tire size</u>	<u>Unit price</u>		<u>Difference</u>	<u>Total difference</u>
		<u>On work requests</u>	<u>FSS</u>		
12	12.00-20	\$163	\$107.23	\$55.77	\$ 669.24
46	12.00-20	164	107.23	56.77	2,611.42
36	14.00-20	280	195.12	84.88	3,055.68
124	14.00-20	278	195.12	82.88	10,277.12
74	14.00-24	309	223.41	85.59	6,333.66
<u>316</u>	14.00-24	307	223.41	83.59	<u>26,414.44</u>
<u>608</u>					<u>\$49,361.56</u>

We did not attempt to construct potential savings under the other contracts.

#### ADMINISTRATIVE VIEWS AND OUR EVALUATION

##### Purchase of tires through Federal Supply Schedule sources

In view of these potential savings, we directed an inquiry to the contracting officer, Warner Robins Air Materiel Area, Robins Air Force Base, Georgia. We asked what consideration was given to procurement of new tires through Federal Supply Schedule sources and rebuilding of old tires as opposed to procurement of new tires.

In a letter dated May 11, 1970, (attached), the Director, Procurement and Production, stated that consideration is given to the procurement of tires through the Federal Supply Schedule. However, the delivery offered in the supply schedules has not been compatible with required dates for delivery of tires.

Contract F09603-69-D-0002 provided for the contractor to deliver remanufactured vehicles in about 90 days after arrival at the contractors' plant. The Federal Supply Schedule for new tires in effect at the time provided for delivery from 10 to 60 days after the date of order, and the current schedule requires delivery within 30 days. The supply schedule for rebuilt tires provides for pickup and delivery within 7 to 25 days. There would appear to be ample time to obtain both new and rebuilt tires through Federal Supply Schedule sources and

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furnish them to the contractor without conflicting with the delivery of the remanufactured vehicles.

#### Rebuilt tires

The Director stated that the use of rebuilt tires on heavy snow removal vehicles is not feasible because the service life is questionable, and operational failures cannot be tolerated due to the limited number of snow removal vehicles in the Air Force.

The Federal Supply Schedule, we note, includes rebuilding services for tires as large as 33.5-33 on heavy earthmoving and special purpose equipment and guarantees rebuilding tires against defects in materiel and workmanship. This seems to establish the companies' confidence in using recapped tires on heavy equipment.

In recent years our office has issued four reports to the Congress on rebuilding tires. In June 1966, we reported that substantial savings could be attained by rebuilding motor vehicle tires within the Air Force. The Air Force was in general agreement with our findings, and as a result of the report, Technical Order 36Y32-1-11 was issued. The Air Force policy, as stated in this order, is to rebuild tires whenever possible rather than buy new tires.

Our most recent report to the Congress, "Opportunity for Improving Results of Tire-Rebuilding Programs in Europe," issued January 1971, pointed out that substantial savings could be attained by more extensive programs for rebuilding used tires. The Department of Defense concurred in our recommendations and stated that additional DOD policy on vehicle-tire standards and on the use of rebuilt tires was in order.

We believe that had there been any serious question regarding the service life of rebuilt tires that the Department of the Air Force and the Department of Defense would not have been in agreement with the conclusions and recommendations stated in the above report.

We cannot envision an Air Force installation which does not have the capability to change and repair tires on any of its equipment. This capability, it seems, would even be required to overcome downtime caused by defects which sometimes occur in new tires.

The Director also advised that rebuilding service is not readily available in the vicinity of the contractor due to the size of the molds required to accommodate the tires. This does not seem to be the case since four companies within 85 miles of the contractor offer

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to rebuild tires of the sizes in question. Buckley Air National Guard Base, Colorado, obtains rebuilding services from a company located 1,200 miles from the base with pickup and delivery being made every 21 days.

Tread design

The Director stated that certain tread patterns are prescribed for use on vehicles which are operated on and around airfield runways and taxi areas. Buckley Air National Guard Base, Colorado, has eight snow removal vehicles. The tread design of the tires mounted on this equipment varies between some of these vehicles; however, each of the vehicles has tires with similar tread design. Apparently, no one particular tire is required, provided the tread design meets foreign object damage requirements. Tires on these eight vehicles were manufactured by six different companies. There were at least four different tread designs on these vehicles. Two of the vehicles had one tire each that had been rebuilt.

CONCLUSIONS AND RECOMMENDATIONS

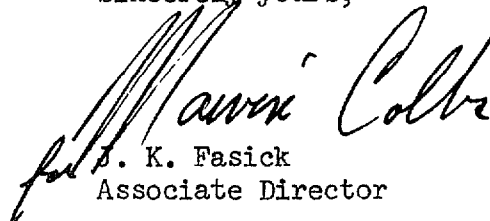
We do not believe that the views of the Director of Procurement and Production, Warner Robins Air Materiel Area, are valid regarding contract F09603-69-D-0002. Substantial savings can be realized by purchasing new tires from Federal Supply Schedule sources and by rebuilding tires whenever they meet rebuilding requirements.

We recommend that procedures being followed in replacement of tires on heavy snow removal equipment be reviewed in view of the potential economies involved.

We would appreciate your comments on this matter and advice as to any actions you plan to take as the result of this letter.

A copy of this letter is being sent to the Secretary of the Air Force.

Sincerely yours,

  
J. K. Fasick  
Associate Director

Attachment

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DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS WARNER ROBINS AIR MATERIEL AREA (AFLC)  
ROBINS AIR FORCE BASE, GEORGIA 31093



REPLY TO  
ATTN OF: WRP

11 MAY 1970

SUBJECT: Informal Inquiry Dated 6 March 1970, Contract F09603-69-D-0002,  
Oshkosh Truck Corp, Oshkosh Wisconsin

TO: Air Force Audit Staff  
U S General Accounting Office  
Field Operations Division

1. Your informal inquiry dated 6 March 1970 regarding subject contract was acknowledged by interim reply dated 25 March 1970. The referenced contract contemplates the remanufacture of snow removal vehicles to a "like new" condition and the vehicles carry the same manufacturer's warranty as a new vehicle. During remanufacture the vehicles are disassembled to the bare frame. All worn parts and assemblies are replaced during reassembly as required to assure a "like new" vehicle. Firm Fixed Prices for the remanufacture of the vehicles are based on the contractor furnishing all required supplies and services regardless of the condition of the vehicle when input to the contractor's facilities. The Government cannot forecast the type, size or quantities of reparable vehicles to be remanufactured. Special handling is necessary for certain unique requirements such as the vehicle tires. During remanufacture, the tires are installed pursuant to Section 3 para 3-2 of Technical Order 36Y32-1-11. Directional and non-directional tires with varying tread depth cannot be intermingled. The Administrative Contracting Officer at DCASD-Milwaukee issues work orders authorizing new tires only when the contractor cannot assemble a matching set of serviceable tires from those received on input vehicles. When negotiating prices on work requests the Administrative Contracting Officer is authorized to recognize reasonable, allowable, material handling and general and administrative charges. The quantity of snow removal vehicles in the Air Force inventory is the minimum necessary to support existing aircraft. This requires maximum remanufacturing effort during the summer months each year. The short period of time in which the vehicles can be brought from and returned to the Arctic locations creates a delivery problem of tires as well as a problem for delivery of other parts and components from subcontractors. The contract carries a production delivery time of 90 days from receipt of the vehicles in the contractor's facilities.

2. In answer to question one, consideration is given to utilization of the Federal Supply Schedule for procurement of tires. In many cases, however, the delivery offered in the supply schedules has

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not been compatible with required dates for delivery of tires. All factors are considered when approving the work request. Cost and delivery schedules for the tires are paramount in the decision as to source of supply which will be in the best interest of the Government.

3. In answer to question two, replacing tires at the installation on an as needed basis is not compatible with "like new" remanufacture of the vehicle. The remanufactured vehicle would not carry a new vehicle warranty on transmission, axles and drive line components if the vehicle was not equipped with serviceable tires. In many cases remanufactured vehicles are not returned to the base or even the same major command from which they originated. Often the vehicles are received at contractor's facility with tires that have no additional service life. The vehicles must be completely serviceable at the time they are returned to the Northern and Arctic bases. The need for vehicles during the fall and winter seasons will not permit the down time necessary for the bases to purchase tires after receipt of remanufactured vehicles.

4. In answer to question three, the use of recapped tires on heavy snow removal vehicles is not considered feasible. As stated above, operational failures cannot be tolerated due to the limited number of snow removal vehicles in the Air Force fleet. The service life of recapped tires used on these vehicles would be questionable. Due to the size of the molds required to accommodate the tires involved, recapping service is not readily available in the vicinity of the base or of the contractor.

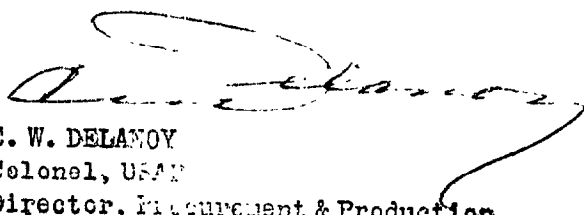
5. In answer to question four, all new tires are standardized according to the vehicle type and size. In order to prevent foreign object damage to aircraft, certain tread patterns are prescribed by T.O. 0.36Y32-1-11, para 2, 9.e., for use on vehicles which are to be operated on and around airfield runways and taxi areas. Dual-wheel axles are prohibited. All 54,000 pound Gross Vehicle Weight (GVW) plows (Rotary and Displacement) are equipped with four 14.00 x 24, 20 ply, Goodyear Hi-Miller All Weather (Diamond) tread tires, complete with tube and flaps. All 34,000 pound GVW Rotary type plows are equipped with four 14.00 x 20, 18 ply, Goodyear tires of the same tread pattern as 54,000 pound GVW vehicles, with tubes and flaps. Since the 34,000 pound GVW Displacement type plows are used primarily for clearing access roads, parking areas and residential (family housing) areas, use of dual wheel axles may be authorized. Either four or six tires may be installed, depending on the requirement of the using command. These are Firestone "On-Highway" tread, size 12.00 x 20, 14 ply, complete with tubes and flaps.

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6. In answer to question five, DCASD-Milwaukee has verified that old tires are disposed of according to normal plant clearance procedures specified in the Contracts for disposition of excess GFP, condemned property, salvage or scrap.

7. Please advise if additional information is required or if further assistance can be rendered.

FOR THE COMMANDER



C. W. DELANEY  
Colonel, USAF  
Director, Procurement & Production

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