

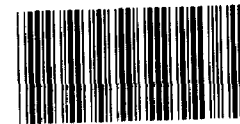


21105  
117783  
UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

COMMUNITY AND ECONOMIC  
DEVELOPMENT DIVISION

MAR 5 1982

Mr. Charles E. Weithoner  
Associate Administrator, Federal  
Aviation Administration  
Department of Transportation



117783

Dear Mr. Weithoner:

Subject: Need for Written Procedures to Guide FAA Staff  
in Preparing Certain Cost-Benefit Analyses

At the request of Senator Gary Hart, we recently conducted a review of the Federal Aviation Administration's (FAA's) plan to close its Denver and Honolulu regional offices and consolidate them into offices located in Seattle and Los Angeles. The results of our review are summarized in the enclosed report, CED-82-45, dated February 25, 1982.

We noted that while the cost-benefit analysis contained in FAA's September 1981 consolidation plan was generally accurate, cost estimates for early retirements, unemployment compensation, and lump-sum annual leave payments were not included. Although some of these items are not direct costs to FAA, they are costs to the Federal government and are directly related to the regional office consolidation. We believe these costs are proper offsets to FAA's projected savings and estimated them at about \$4.6 million. In preparing any future cost-benefit analyses, all costs associated with consolidating offices and/or eliminating positions should be recognized. This will ensure that FAA management has the most complete information on which to base decisions.

We realize that some cost estimates may be highly uncertain because actual data is not available and assumptions must be made or averages used. FAA, nevertheless, should acknowledge these costs and make estimates using the best information available. For example, we estimated unemployment compensation by using cost data from a July 1981 Congressional Budget Office study.

As far as we know, no written procedures are available to guide the FAA staff in preparing cost-benefit analyses associated with reorganizations and/or elimination of positions. Accordingly, we recommend that such procedures be developed.

(341038)

020931

We appreciate the courtesy and cooperation extended to our staff during the review. Because of our continuing interest, we would appreciate being informed of the action you take in this matter.

Sincerely yours,

original signed by  
Oliver W. Krueger

Oliver W. Krueger  
Associate Director

Enclosure