INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

REPORT
NO. 90-046

March 7, 1990

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (PRODUCTION AND LOGISTICS)
ASSISTANT SECRETARY OF THE ARMY (FINANCIAL MANAGEMENT)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: Report on the Survey of Military Airlift Command Air Passenger Terminals (Project No. 9ST-0040)

Introduction

This is our final Report on the Survey of Military Airlift Command (MAC) Air Passenger Terminals for your information and use. We made the survey from May through October 1989 at the request of the Deputy Inspector General, DoD. The survey objectives were to determine whether staffing levels and associated costs were limited to those necessary to support workload requirements at MAC's air passenger terminals; if readiness requirements and costs warranted the simultaneous operation of military and commercial air passenger terminals; and if operations were consistent with the conclusions in General Accounting Office (GAO) Report No. GAO/NSIAD-85-60, "Operating Chartered Flights From Commercial Airports Has Not Reduced Transportation Costs," June 24, 1985. In FY 1988, MAC processed about 1.6 million passengers through 53 military and 5 commercial air passenger terminals worldwide. During FY 1988, about 671,000 passengers (42 percent) were processed through military air passenger terminals and about 925,000 passengers (58 percent) were processed through commercial air passenger terminals.

Scope of Survey

We visited MAC Headquarters at Scott Air Force Base, Illinois, and obtained FY 1988 cost data and workload statistics for eight military air passenger terminals (five in CONUS and three outside CONUS [OCONUS]) and five commercial air passenger terminals. These 13 air passenger terminals handled 711,000 (44 percent) of the 1.6 million passengers processed worldwide during FY 1988. We visited four of the military air passenger

terminals and three of the commercial air passenger terminals in CONUS and obtained cost data, workload statistics, and staffing levels and interviewed activity personnel on the operation of military air passenger terminals. We also reviewed staffing levels at eight military air passenger terminals to determine if they were in accordance with Air Force staffing standards that were in place at the time of our survey. We made a cost analysis to compare two alternative methods of operation for MAC air passenger terminals that are near commercial air passenger terminals. These alternative methods were simultaneous operation of military and commercial air passenger terminals and exclusive operation of military air passenger terminals. We did not perform a cost analysis of exclusive operations at commercial air passenger terminals because military air passenger terminals are needed to transport military passengers aboard cargo/passenger type aircraft, to process couriers, to maintain military readiness, and to provide airlift training for military personnel. This economy and efficiency survey was made in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD, and accordingly, included such tests of internal controls as were considered necessary. The activities visited or contacted are listed in Enclosure 5.

Internal Controls

Our evaluation of MAC's system of internal controls did not disclose any material weaknesses. At the time of the survey, internal controls over passenger work load and staffing levels were functioning to ensure that MAC was operating air passenger terminals consistent with operational and readiness requirements.

Background

DoD Directive 5160.2, dated October 17, 1973, designates MAC as the DoD operating agency responsible for managing international airlift services for passengers and cargo. MAC procures commercial airlift services between CONUS and OCONUS areas, including chartered service and scheduled service on commercial flights for military personnel, military dependents, and employees of DoD and other U.S. Government agencies. MAC provides transportation planning support to the Joint Chiefs of Staff, the Unified and Specified Commands, the Military Departments, and the Defense Agencies.

MAC uses cargo aircraft with limited passenger seating (military aircraft) and commercially chartered (category B) aircraft, and it purchases blocks of seats on regularly scheduled commercial aircraft (category Y) to provide international air transportation. In CONUS, category B flights operate from commercial air passenger terminals while military aircraft

operate from military air passenger terminals. In overseas locations, both military and category B flights generally operate from military air passenger terminals.

In anticipation of continued congressional interest and audits of air passenger terminal operations, the Air Force closed the air passenger terminal at Norton Air Force Base, California, in 1979. In the Department of Defense Appropriations Bill for 1981, Congress' investigative staff recommended that the House Committee on Appropriations request that the Secretary of Defense close military air passenger terminals at Travis Air Force Base, California; McGuire Air Force Base, New Jersey; and Charleston Air Force Base, South Carolina, and, in their place, establish a system of DoD passenger processing points at selected commercial airports in CONUS. A principal consideration for closing the military air passenger terminals was the availability and proximity of commercial facilities that could replace military air passenger terminals and meet the needs of DoD travelers. The Committee considered the results of the Defense Audit Service (DAS) Report No. 79-025, "Report on the Audit of Military Airlift Command Air Passenger Terminals," December 18, 1978, in determining which military air passenger terminals to close.

MAC established air passenger terminals at Oakland and Los Angeles International Airports (IAP), California; Philadelphia IAP, Pennsylvania; Charleston IAP, South Carolina; and St. Louis IAP, Missouri, but did not close any of the military air passenger terminals that Congress recommended for closure. The Air Force reopened the air passenger terminal at Norton Air Force Base in 1981 to handle passengers on military aircraft. The Secretary of Defense's Commission on Base Realignments and Closures has identified Norton Air Force Base for closure. Plans are to transfer the passenger processing function from Norton Air Force Base to March Air Force Base, California.

Prior Audit Coverage

On December 18, 1978, DAS (a predecessor organization of the Inspector General, Department of Defense) issued Report No. 79-025, "Report on the Audit of the Military Airlift Command Air Passenger Terminals." The audit objectives were to determine the need for, and the effectiveness of, operations at 16 major air passenger terminals worldwide. The report indicated that DoD could save a potential $34.9 million by closing four military air passenger terminals, reducing the size of five others, decreasing personnel strengths, and curtailing questionable operations. The report also concluded that commercial air passenger terminals were available to handle most of DoD's needs and recognized a need for a cadre of people to handle passengers using mixed

military passenger and cargo aircraft. MAC generally nonconcurred with the audit conclusions and recommendations and indicated that savings would only approximate $3.3 million.

GAO issued letter Report No. GAO/NSIAD-85-60, OSD Case Number 6521, "Operating Chartered Flights From Commercial Airports Has Not Reduced Transportation Costs," on June 24, 1985, to follow up on the DAS report. GAO's objectives were to determine if it would be cost-effective to close commercial air passenger terminals, to return chartered flights to military air passenger terminals, and to operate both military and commercial air passenger terminals. GAO maintained that DoD did not close or scale down operations at military air passenger terminals when commercial air passenger terminals were opened. However, GAO also concluded that if military air passenger terminals had to be staffed at FY 1984 levels for readiness purposes, then commercial air passenger terminal operations should be closed or reduced. However, GAO also recognized that it was reasonable to maintain commercial air passenger terminals if staffing levels were reduced at military air passenger terminals. In responding to GAO, DoD maintained that valid needs existed for continued operation of military air passenger terminals, but that staffing levels and associated costs would be limited to those necessary to support valid transportation work load.

During the last 5 years, the Service audit organizations have not performed any audits covering the specific issues discussed in the report.

Discussion

Staffing levels approximated those necessary to support FY 1988 workload requirements at military air passenger terminals. There were four military and four commercial air passenger terminals located near each other that were considered simultaneous operations. At three of the military and commercial air passenger terminals (McGuire Air Force Base and Philadelphia IAP; Charleston Air Force Base and Charleston IAP; and Norton Air Force Base and Los Angeles IAP), simultaneous operation was less expensive than exclusive operation of the military air passenger terminal. At the other air passenger terminals (Travis Air Force Base and Oakland IAP), exclusive operation of the military air passenger terminal was less expensive than simultaneous operation.

Staffing Levels at MAC Terminals. By FY 1988, overall staffing levels at 8 military air passenger terminals worldwide had been reduced from 747 personnel, as shown in the 1978 DAS report, to 435 (42 percent) (Enclosure 1). This occurred although overall passenger work load decreased by only 5 percent at these military air passenger terminals during the same 10-year period (Enclosure 1). These reductions indicate that, overall,

there has been significant progress in matching staffing levels with work load at military air passenger terminals. We computed the number of personnel needed to accomplish the FY 1988 passenger work load using Air Force staffing standards that were approved for military personnel by the Air Force Management Engineering Agency in FY 1986. While some terminals employed both military and civilian personnel, there were terminals that employed only military personnel. Therefore, we used military staffing standards as an indicator of the staffing levels required to accomplish work load at individual terminals. Analyses of the workload statistics and staffing standards suggest that adjustments resulting in further reduction of 57 personnel should be achievable (Enclosure 2). Of the eight military air passenger terminals reviewed, staffing levels and work load were not balanced at three terminals (Travis Air Force Base; Hickam Air Force Base, Hawaii; and Andersen Air Base, Guam), while staffing levels and work load were balanced at the other five terminals (Charleston Air Force Base; Dover Air Force Base, Delaware; Norton Air Force Base; McGuire Air Force Base; and Rhein Main Air Base, Germany).

We recognize that individual terminals may experience imbalances between staffing levels and work load because of fluctuations in work load and the time it takes to do staffing analyses and to accomplish the administrative processing necessary to balance staffing levels and work load. MAC officials indicated that a study of staffing levels was in-process to determine what further staffing adjustments are warranted at military air passenger terminals.

Simultaneous Operation. At three of the four military and commercial air passenger terminals located near each other (McGuire Air Force Base and Philadelphia IAP, Norton Air Force Base and Los Angeles IAP, and Charleston Air Force Base and Charleston IAP), simultaneous operation of the military air passenger terminals and commercial air passenger terminals was less expensive than exclusive operation of the military air passenger terminals. At the other terminals (Travis Air Force Base and Oakland IAP), the cost to operate exclusively at the military air passenger terminal would have been less expensive. The overall cost of simultaneous operation of the four military and commercial air passenger terminals located near each other was $11.9 million, while the total cost to operate exclusively out of the military air passenger terminals was $14 million. A detailed analysis of our evaluation of the two alternative methods is shown in Enclosure 3 and is further discussed below.

Simultaneous operation was less expensive because it cost less to process large volumes of passengers at three commercial air passenger terminals (Enclosure 4). For example, the cost to process a passenger at Charleston Air Force Base was $36.90,

while at Charleston IAP the cost was only $15.97. Simultaneous operation allows DoD to process passengers with the most cost-effective mix of military and chartered commercial aircraft while maintaining a reasonable readiness capability. Maintaining military air passenger terminals allows DoD to transport a substantial number of passengers on military aircraft that otherwise would require a more expensive commercial transportation charge. Additionally, simultaneous operations eliminates the need to shuttle passengers between commercial air passenger terminals and military air passenger terminals.

Simultaneous operations were not cost-effective at Travis Air Force Base and Oakland IAP because of the low volume of originating passengers at Oakland IAP. Also, the operation costs, especially landing fees, at Oakland IAP were higher than those at other locations based on the number of passengers being processed. The cost to process passengers at Travis Air Force Base was $31.04, while at Oakland IAP the cost was $62.66. MAC officials stated that the terminal at Oakland IAP was being reviewed for possible closure.

GAO Followup. Our third objective was to follow up on the GAO report. This objective has been satisfied with our evaluation of staffing levels and the cost-effectiveness of simultaneous operations.

Based on our survey of selected air passenger terminal operations, we consider MAC's completed and ongoing initiatives appropriate to address issues raised by prior GAO and DAS reports. MAC has achieved significant staffing reductions and has ongoing reviews to further balance staffing with work load at military air passenger terminals. While we found that simultaneous operation of commercial and military air passenger terminals can be cost-effective at certain locations, MAC has initiated a study to propose the elimination of one simultaneous operation that is not cost-effective. Overall, MAC was achieving an efficient level of operations in its air passenger terminals, while maintaining military readiness and meeting the travel needs of DoD passengers. Therefore, no additional audit work was deemed appropriate.

We provided a draft of this report to the addressees on December 22, 1989. Because there were no recommendations, no comments were required of management; however, 60 days were allowed for management to provide comments on the content of the report. No comments were received as of February 22, 1990. Therefore, we are publishing this report in final form.

The courtesies extended to the survey staff are appreciated. Enclosure 6 lists the Survey Team Members. If you have any questions on this survey, please contact Mr. John Gebka at (202) 694-6206 (AUTOVON 224-6206) or Mr. Billy Johnson at (202) 693-0630 (AUTOVON 223-0630). Copies of this report are being provided to the activities listed in Enclosure 7.

Edward R. Jones
Deputy Assistant Inspector General
for Auditing

Enclosures

cc:
Secretary of the Army
Secretary of the Navy
Secretary of the Air Force

CHANGES IN STAFFING LEVELS AND WORK LOAD AT MILITARY AIR PASSENGER TERMINALS

Between 1978 and 1988

Location	FY 1978 DAS Report [1]		FY 1988 Survey Results [2]		Actual Change		Percentage Change	
	Staffing	Passengers [3]	Staffing	Passengers [3]	Staffing	Passengers	Staffing	Passengers
Charleston AFB, [4] SC	97	238,837	35	90,370	(62)	(148,467)	(64)	(62)
Dover AFB, DE	37	24,285	38	109,870	1	85,585	3	352 [5]
McGuire AFB, NJ	141	268,693	33	64,955	(108)	(203,738)	(77)	(76)
Norton AFB, CA	71	97,901	51	182,826	(20)	84,925	(28)	87
Travis AFB, CA	181	245,051	59	153,105	(122)	(91,946)	(67)	(38)
Andersen AB, [6] Guam	45	45,115	26	87,521	(19)	42,406	(42)	94
Hickam AFB, HI	66	96,077	92	197,931	26	101,854	39	106
Rhein Main AB, Germany	109	378,143	101	437,854	(8)	59,711	(7)	16
Total Changes Since 1978	747	1,394,102	435	1,324,432	(312)	(69,670)	(42)	(5)

[1] Defense Audit Service Report No. 79-025, "Report on the Audit of the Military Airlift Command Air Passenger Terminals."

[2] Military and civilian personnel

[3] Includes all space required and space available passengers departing from and arriving at the terminals.

[4] Air Force Base

[5] Increase in passenger volume attributed to the increased awareness of available seats on C-5 aircraft by the passenger community.

[6] Air Base

ENCLOSURE 1

COMPARISON OF STAFFING REQUIRED AT MILITARY AIR PASSENGER TERMINALS

Locations	Staffing Required Based On Standards 2/	Actual Staffing 1/			Staffing Over (Under) Standards
		Civilian	Military	Total	
Charleston AFB, 3/ SC	34	9	26	35	1
Dover AFB, DE	37	0	38	38	1
McGuire AFB, NJ	30	6	27	33	3
Norton AFB, CA	49	0	51	51	2
Travis AFB, CA	43	17	42	59	16
Andersen AB, 4/ Guam	34	8	18	26	(8)
Hickam AFB, HI	50	31	61	92	42
Rhein Main AB, Germany	101	27	74	101	0
Total	378	98	337	435	57

1/ Actual assigned staffing as of September 30, 1988.

2/ Staffing requirements based on actual FY 1988 work load.

3/ Air Force Base

4/ Air Base

ENCLOSURE 2

COMPARISON OF SIMULTANEOUS OPERATIONS AND EXCLUSIVE OPERATIONS AT MILITARY AIR PASSENGER TERMINALS

	Simultaneous Operations (Military and Commercial Air Passenger Terminals)	Exclusive Operations at Military Air Passenger Terminals
Charleston AFB, [1] SC, and Charleston IAP, [2] SC		
Staffing Costs	$1,425,892	
Facilities Maintenance and Support Services	230,703	
Lease Cost	115,863	
Contract Cost	151,200	
Landing and Gate Fees	313,200	
Estimated Cost at Charleston AFB, SC, and Charleston IAP, SC	$2,236,858	
Estimated Costs to Operate at Charleston AFB, SC		
Current Operating Costs		$1,317,780
Ground Transportation (73,835 x $11.75) [3]		867,561
Increase in Military Personnel Cost (39 x $30,555) [4]		1,191,645
Increase in Passenger Overhead (116,951 x $1.29) [5]		150,867
Subtotal		$3,527,853
Less: Current Operating Cost at Charleston IAP, SC		919,078
Estimated Operating Cost at Charleston AFB, SC		$2,608,775
McGuire AFB, NJ, and Philadelphia IAP, PA		
Staffing Costs	$1,094,520	
Facilities Maintenance and Support Services	977,520	
Lease Cost	204,911	
Contract Cost	323,510	
Landing and Gate Fees	1,323,433	
Estimated Cost at McGuire AFB, NJ, and Philadelphia IAP, PA	$3,923,894	
Estimated Costs to Operate at McGuire AFB, NJ		
Current Operating Costs		$1,498,012
Ground Transportation (106,266 x $29.12) [6]		3,094,466
Increase in Military Personnel Cost (57 x $30,555) [7]		1,741,635
Increase in Passenger Overhead (199,842 x $7.04) [8]		1,406,888
Subtotal		$7,741,001
Less: Current Operating Cost at Philadelphia IAP, PA		2,425,882
Estimated Operating Cost at McGuire AFB, NJ		$5,315,119

See footnotes at end of chart

COMPARISON OF SIMULTANEOUS OPERATIONS AND EXCLUSIVE OPERATIONS AT MILITARY AIR PASSENGER TERMINALS (continued)

	Simultaneous Operations (Military and Commercial Air Passenger Terminals)	Exclusive Operations at Military Air Passenger Terminals
Norton AFB, CA, and Los Angeles IAP, CA		
Staffing Costs	$1,868,645	
Facilities Maintenance and Support Services	142,500	
Lease Cost	66,900	
Contract Cost	268,900	
Landing and Gate Fees	260,554	
Estimated Cost at Norton AFB, CA, and Los Angeles IAP, CA	$2,607,499	
Estimated Costs to Operate at Norton AFB, CA		
Current Operating Cost		$1,723,605
Ground Transportation (48,092 x $28) 9/		1,346,576
Increase in Military Personnel Cost (38 x $30,555) 10/		1,161,090
Increase in Passenger Overhead (89,273 x $0.39) 11/		34,817
Subtotal		$4,266,088
Less: Current Operating Costs at Los Angeles IAP		883,894
Estimated Operating Cost at Norton AFB, CA		$3,382,194
Travis AFB, CA, and Oakland IAP, CA		
Staffing Costs	$2,327,445	
Facilities Maintenance and Support Services	67,600	
Lease Cost	115,353	
Contract Cost	40,000	
Landing and Gate Fees	534,663	
Estimated Cost at Travis AFB, CA, and Oakland IAP, CA	$3,085,061	

See footnotes at end of chart

	Simultaneous Operations (Military and Commercial Air Passenger Terminals)	Exclusive Operations at Military Air Passenger Terminals
Estimated Cost to Operate at Travis AFB, CA		
Current Operating Costs		$1,851,310
Ground Transportation (21,537 x $46) 12/		990,702
Increase in Military Personnel Cost (35 x $30,555) 13/		1,069,425
Increase in Passenger Overhead (46,650 x $0.20) 14/		9,330
Subtotal		$3,920,767
Less: Current Operating Cost at Oakland IAP, CA		1,233,751
Estimated Operating Cost at Travis AFB, CA		$2,687,016
Totals	$11,853,312	$13,993,104

1/ Air Force Base

2/ International Airport

3/ Represents the cost to transport 70 percent of arriving and departing duty passengers between Charleston AFB, South Carolina, and Charleston IAP, South Carolina.

4/ Increase in military personnel for Charleston AFB, South Carolina, if Charleston IAP, South Carolina, were closed.

5/ Increase in overhead cost for additional passengers transferred from Charleston IAP, South Carolina.

6/ Represents the cost to transport 70 percent of arriving and departing duty passengers between McGuire AFB, New Jersey, and Philadelphia IAP, Pennsylvania.

7/ Increase in military personnel for McGuire AFB, New Jersey, if Philadelphia IAP, Pennsylvania, were closed.

8/ Increase in overhead cost for additional passengers transferred from Philadelphia IAP, Pennsylvania.

9/ Represents the cost to transport 70 percent of arriving and departing duty passengers between Norton AFB, California, and Los Angeles IAP, California.

10/ Increase in military personnel for Norton AFB, California, if Los Angeles IAP, California, were closed.

11/ Increase in overhead cost for additional passengers transferred from Los Angeles IAP, California.

12/ Represents the cost to transport 70 percent of arriving and departing duty passengers between Travis AFB, California, and Oakland IAP, California.

13/ Increase in military personnel for Travis AFB, California, if Oakland IAP, California, were closed.

14/ Increase in overhead cost for additional passengers transferred from Oakland IAP, California.

PASSENGER PROCESSING COSTS

Military Air Passenger Terminals

Location	Total Originating Passengers [1]	Cost Of Operations	Cost Per Originating Passenger
Dover AFB, [2] DE	44,159	$ 1,130,968	$25.61
McGuire AFB, NJ	22,536	1,498,012	$66.47 [3]
Charleston AFB, SC	35,712	1,317,780	$36.90
Norton AFB, CA	88,476	1,723,605	$19.48
Travis AFB, CA	59,640	1,851,310	$31.04
Hickam AFB, HI	78,484	3,306,855	$42.13
Andersen AB, [4] GU	37,941	794,800	$20.95
Rhein Main AB, FRG	207,961	3,463,000	$16.65
Total	574,909	$15,086,330	$26.24

Commercial Air Passenger Terminals

Philadelphia IAP, [5] PA	89,571	$2,425,882	$27.08
Charleston IAP, SC	57,564	919,078	$15.97
Los Angeles IAP, CA	48,319	883,894	$18.29
Oakland IAP, CA	19,689	1,233,751	$62.66
Lambert IAP, MO	81,503	981,973	$12.05
Total	296,646	$6,444,578	$21.72

[1] Includes 710,515 passengers processed on Airlift Service Industrial Fund (ASIF) and 161,040 passengers processed on non-ASIF aircraft.

[2] Air Force Base

[3] Attributed to repairs done in FY 1988

[4] Air Base

[5] International Airport

ACTIVITIES VISITED OR CONTACTED

Office of the Secretary of Defense

Office of the Assistant Secretary of Defense (Production and Logistics), Washington, DC

Department of the Air Force

Headquarters, Military Airlift Command, Scott Air Force Base, IL
375 Transportation Squadron, Scott Air Force Base, IL
436 Aerial Port Squadron, Dover Air Force Base, DE
437 Aerial Port Squadron, Charleston Air Force Base, SC
438 Aerial Port Squadron, McGuire Air Force Base, NJ

Unified Command

Headquarters, U.S. Transportation Command, Scott Air Force Base, IL

Non-DoD Activities

Lambert - St. Louis International Airport, St. Louis, MO
Philadelphia International Airport, Philadelphia, PA
Charleston International Airport, Charleston, SC

SURVEY TEAM MEMBERS

Donald Reed, Director, Logistics Support Directorate
John Gebka, Program Director
Billy Johnson, Project Manager
Edward LaBelle, Team Leader
Barry Harle, Team Leader
Wayne Brownewell, Auditor
Terry Holdren, Auditor
Clemon Scipio, Auditor
Ray Richardson, Auditor

ENCLOSURE 6

FINAL REPORT DISTRIBUTION

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition
Comptroller of the Department of Defense
Assistant Secretary of Defense (Production and Logistics)
Assistant Secretary of Defense (Public Affairs)

Department of the Army

Secretary of the Army
Assistant Secretary of the Army (Financial Management)
Commander, Military Traffic Management Command

Department of the Navy

Secretary of the Navy
Assistant Secretary of the Navy (Financial Management)
Comptroller of the Navy

Department of the Air Force

Secretary of the Air Force
Assistant Secretary of the Air Force (Financial Management and Comptroller)
Commander, Military Airlift Command

Non-DoD Activities

Office of Management and Budget
U.S. General Accounting Office,
NSIAD Technical Information Center

Congressional Committees:

Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
Senate Ranking Minority Member, Committee on Armed Services
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Ranking Minority Member, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Operations
House Subcommittee on Legislation and National Security, Committee on Government Operations