

Selling 25 Underutilized Aircraft May Yield Up to \$8.1 Million and Save \$1.5 Million Annually

A presentation to the Joint Legislative
Program Evaluation Oversight Committee

April 29, 2010

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Overview

- Eight aviation programs operated 72 aircraft at a cost of \$10.8 million in Fiscal Year 2008-09
- Most aircraft were underutilized
- Weak management and decentralized operations contributed to increased costs and inefficiencies



Overview: Recommendations

- Establish an Aviation Management Authority to provide management oversight to state aviation programs
- Elimination of 25 aircraft may yield up to \$8.1 million and save \$1.5 million annually



Background



Research Questions

- What aircraft are owned, controlled, or operated by a state program?
- Is the state's aircraft fleet sized, managed, and operated efficiently?
- Are there alternatives that could increase the efficiency and cost savings of the state's aircraft fleet?



Data Sources

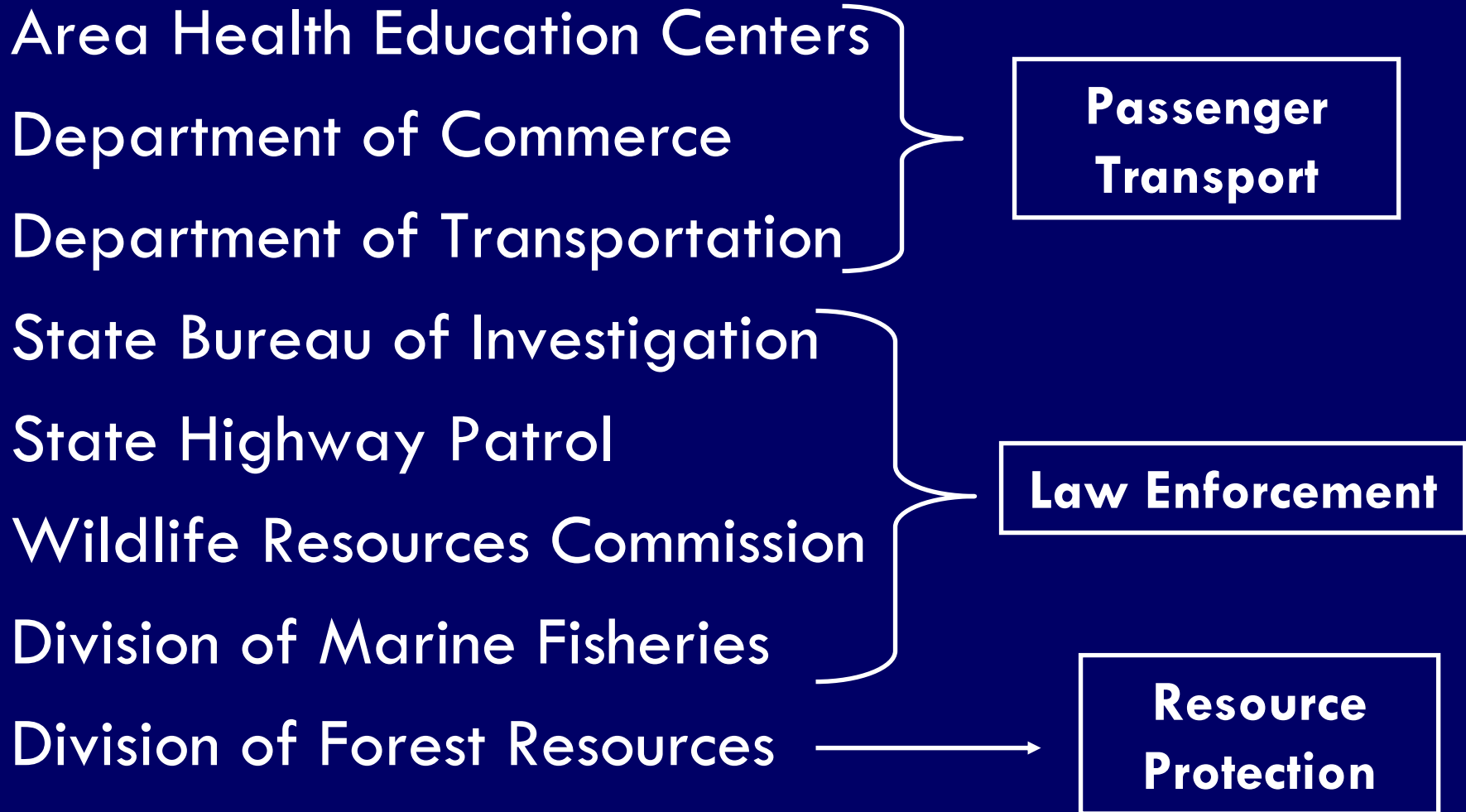
- Agency records including aircraft costs and flight data, policies and procedures, and planning documents
- Interviews with 8 aviation programs
- 16 site visits
- Interviews with 11 other states
- State and federal legislation



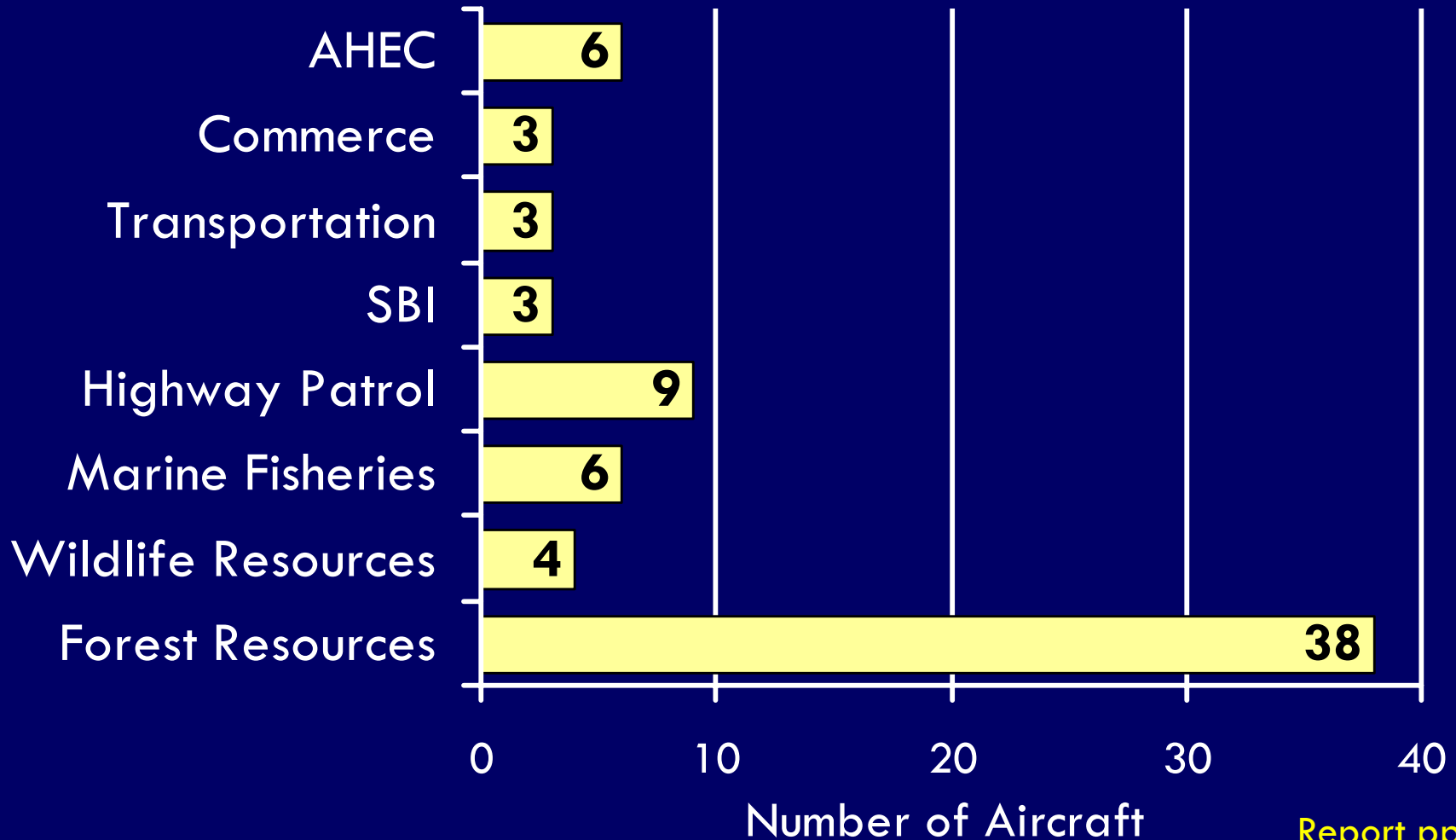
72 Aircraft



8 Programs Operate Aircraft



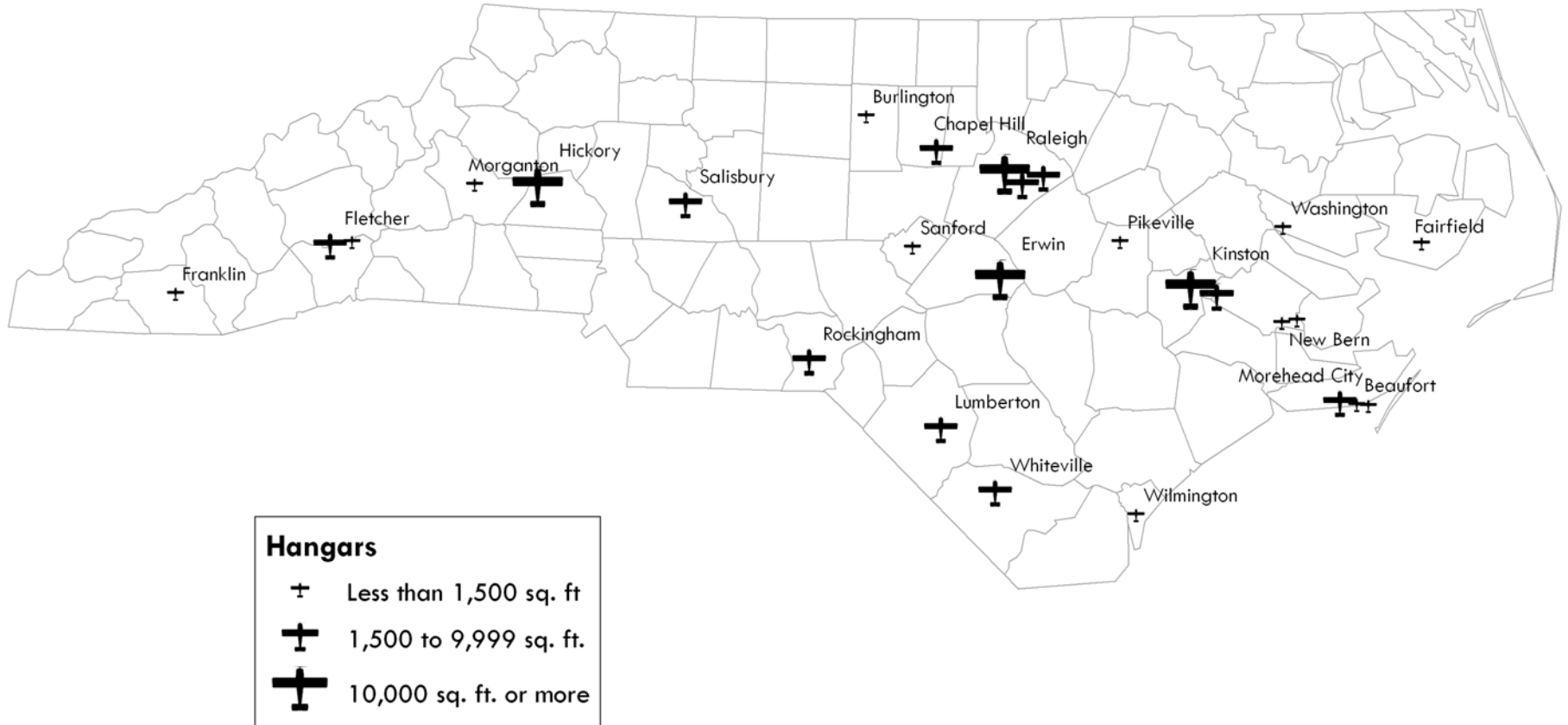
Aircraft by Program



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27 Hangar Leases



Aviation Programs Cost \$10.8 Million

<u>Program</u>	<u>Cost FY 08-09</u>
Area Health Education Centers	\$1,465,332
Dept. of Commerce	\$1,570,084
Dept of Transportation	\$1,340,245
State Bureau of Investigation	\$449,550
State Highway Patrol	\$2,160,271
Wildlife Resources Commission	\$138,529
Div. of Marine Fisheries	\$216,127
Div. of Forest Resources	\$3,462,412

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Findings



Finding 1.
**79% of State Aircraft Flew Fewer
than 200 Hours per Year**

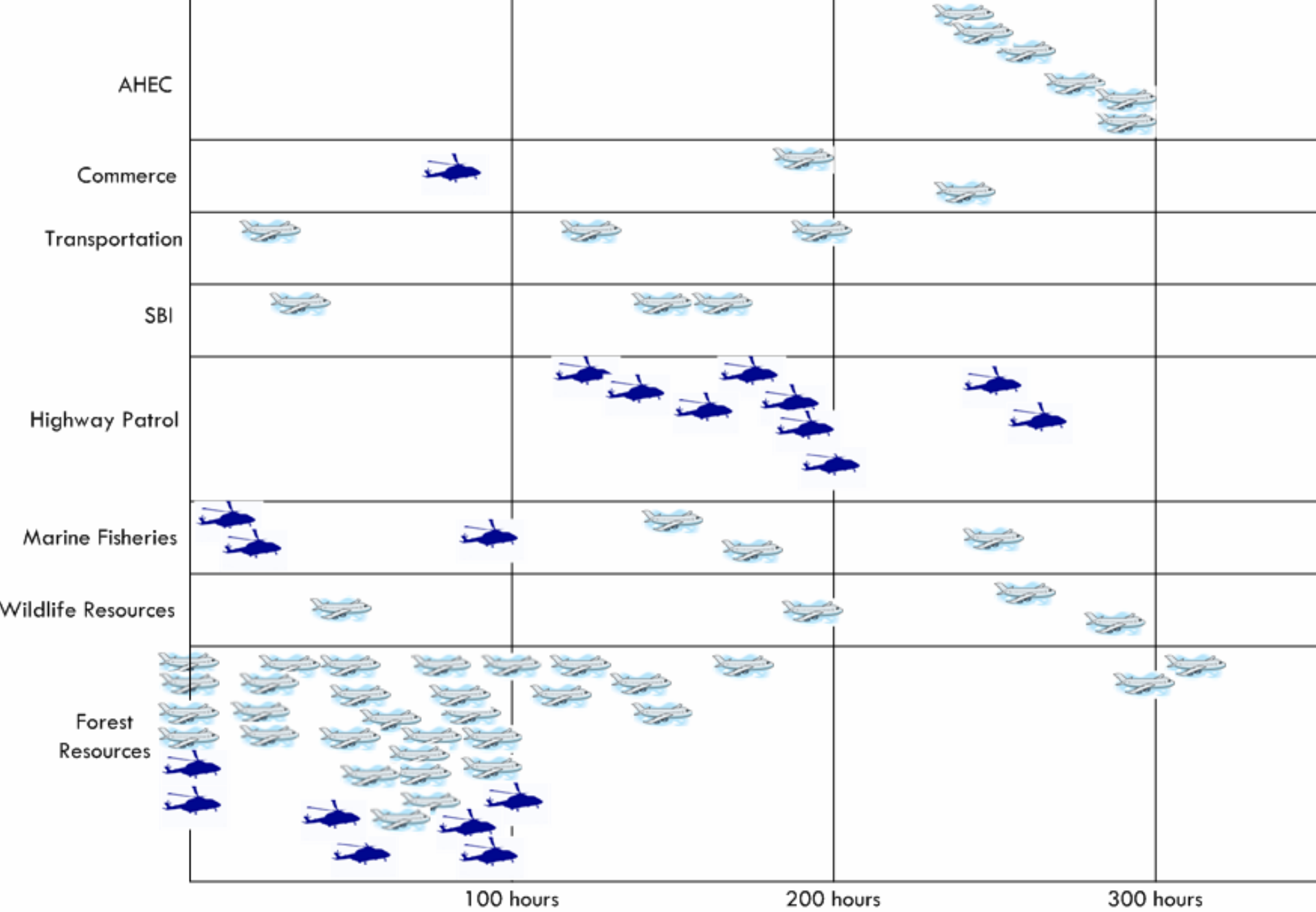


Utilization of Aircraft

- One indicator of efficiency is flight hours per year
- Industry sources set the efficient use threshold between 200-400 hours per year
- If aircraft are flown less than 200 hours per year, alternatives should be considered

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Underutilized Aircraft Cost More to Operate per Flight Hour



- Dept. of Commerce
- Total operating cost =
\$434,762
- Flight hours = 146.7

\$2,964 per hour

- Dept. of Transportation
- Total operating cost =
\$388,017
- Flight hours = 27.5

\$14,109 per hour

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Five Aircraft that Can Not Fly

Cost \$38,449

- 5 salvage aircraft
 - 4 Division of Forest Resources
 - 1 Division of Marine Fisheries



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Three Aircraft that Did Not Fly

Cost \$396,304

- 3 additional Division of Forest Resources aircraft
 - 2 fire patrol
 - 1 fire suppression



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Finding 2.
**25 Aircraft and 5 Facilities Can Be
Eliminated**



Aircraft Elimination Analysis

- Three phases
 - Phase One: Annual Flight Hours
 - Phase Two: Daily Demand
 - Phase Three: Age of Remaining Aircraft
- Feasibility review
- Cost comparison



Aircraft Elimination – Phase One

- How much were aircraft flown?
- Examined annual flight hours by purpose
 - Passenger transport aircraft were considered only in this phase
 - Non-passenger transport aircraft were evaluated in phases two and three

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Aircraft Elimination – Phase Two

- How many aircraft were needed to meet demand?
- Examined patterns of daily use and determined the number of aircraft needed to meet daily demand

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Aircraft Elimination – Phase Three

- Are back-up aircraft needed to meet demand because of reduced availability due to age?
- Examined age and how often aircraft were flown
 - As aircraft age, availability goes down

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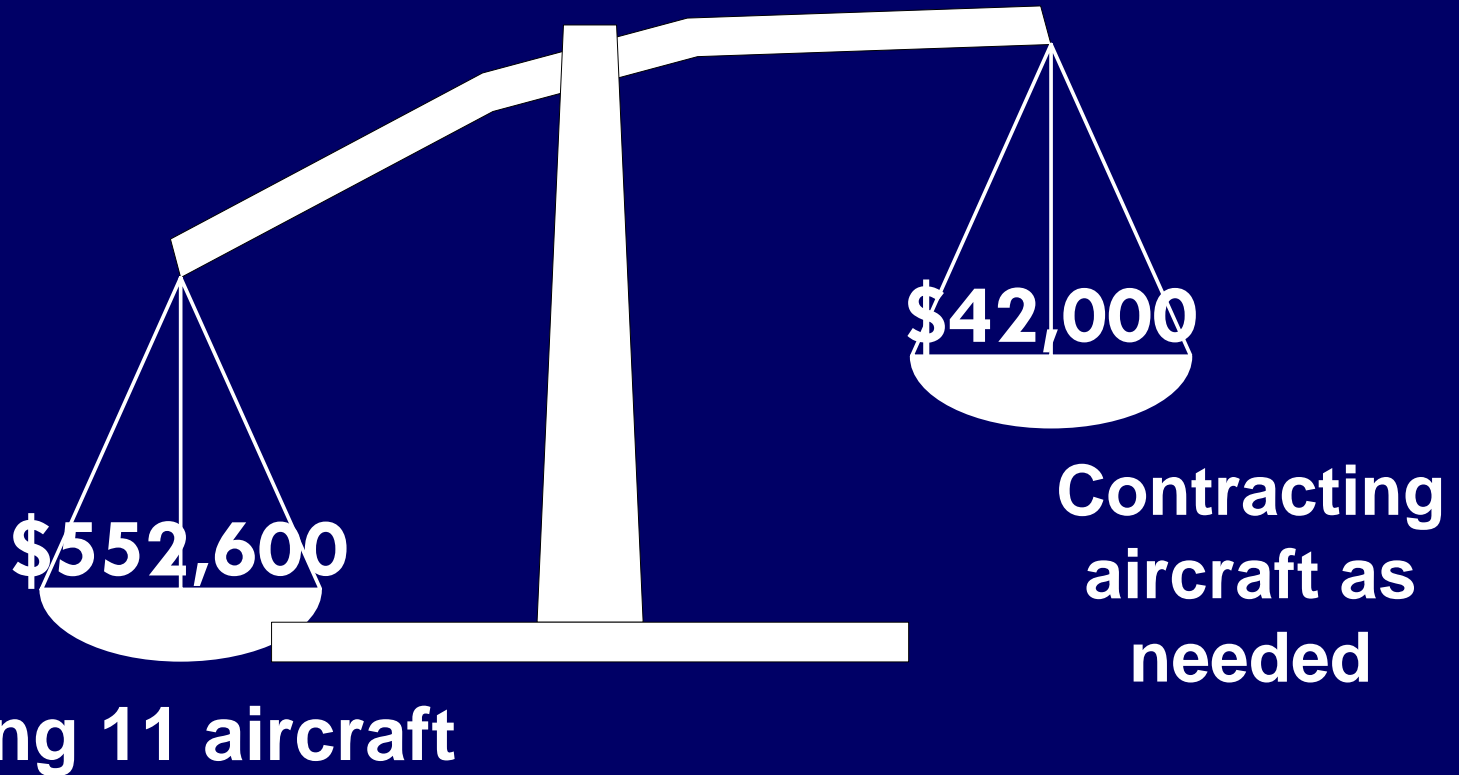
25 Aircraft Identified for Elimination

<u>Program</u>	<u>Aircraft to be Eliminated</u>
Area Health Education Centers	0
Dept. of Commerce	0
Dept. of Transportation	1
State Bureau of Investigation	1
State Highway Patrol	0
Wildlife Resources	0
Div. of Marine Fisheries	3
Div. of Forest Resources	20

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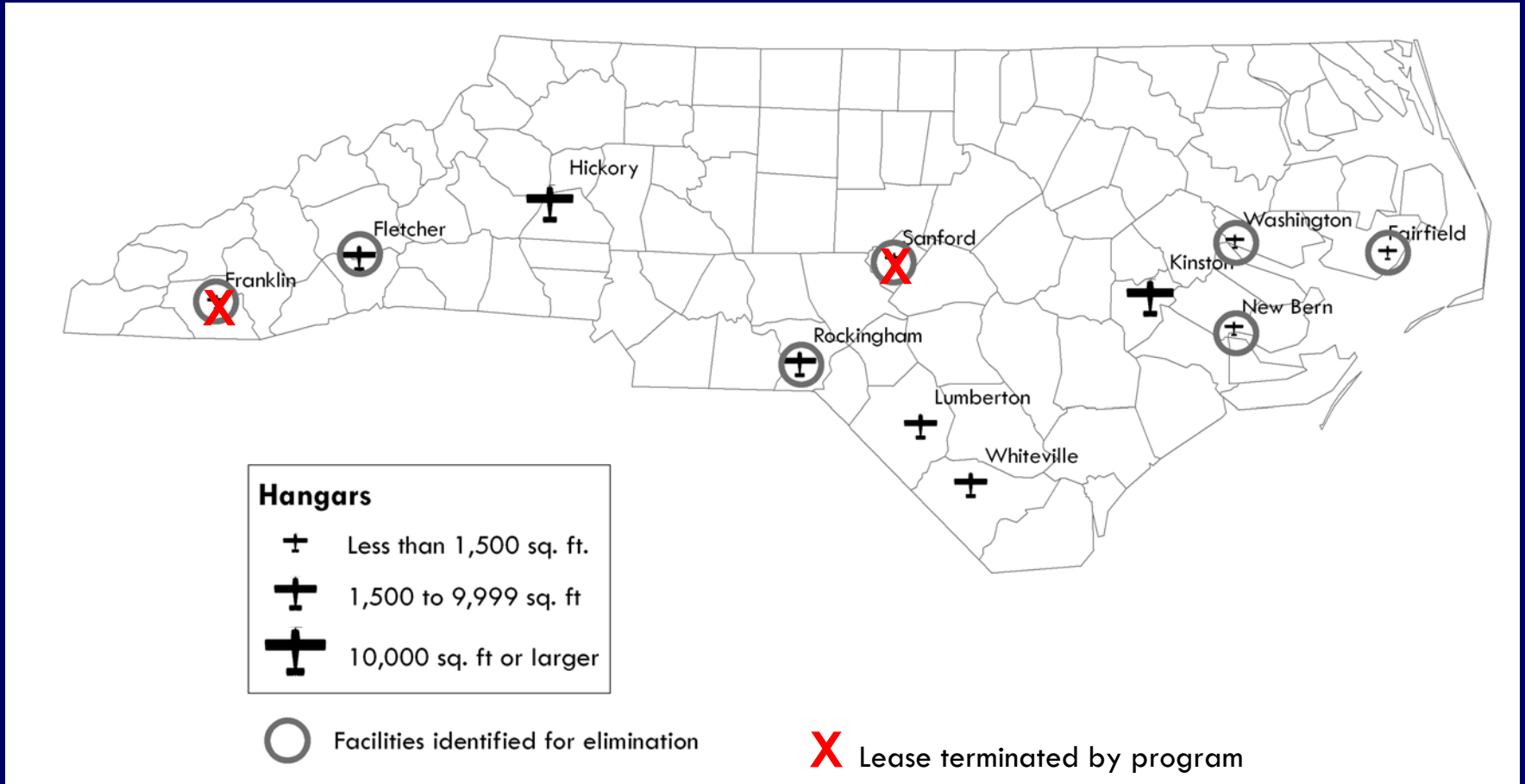


Comparing the Annual Cost of Owning vs. Contracting Fire Patrol Aircraft



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Eliminate 5 Hangars



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Forest Resources is Paying too Much for the Hickory Facility



Annual cost \$198,180

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Finding 3.
**Weaknesses in Aviation Program
Fleet Management Practices Create
Inefficient Operations**



Components of Good Management

- Complying with federal and state regulations
- Maintaining, integrating, and analyzing flight and maintenance information
- Tracking and analyzing costs by aircraft and for the fleet
- Determining optimal fleet size

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Finding 4.
**Decentralized Operations of State
Aircraft Result in Increased Costs
and Fractured Management**



Decentralized Operations

- Aviation staffing, budgeting, policies, and safety are compromised by decentralization
- Passenger transport aircraft are not used efficiently
- Other states have consolidated aviation services

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Recommendations



**Recommendation 1.
Establish the Aviation
Management Authority**



Aviation Management Authority

- Housed in the Department of Transportation
- Responsibilities
 - Operating consolidated passenger transport and photogrammetry services
 - Providing management oversight for all other aviation programs
 - Overseeing maintenance for all state aircraft
- Costs covered by transfer of assets and 3% management fee

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Aviation Management Authority

- Year One
 - Consolidate passenger transport services
 - Oversee implementation of Division of Forest Resources safety recommendations
 - Oversee elimination of aircraft (Recommendation 2)
 - Develop policies and procedures for aviation programs

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Aviation Management Authority

Year Two

- Oversee management of all state aviation resources
- Oversee maintenance operations

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**Recommendation 2.
Eliminate 25 Aircraft and
5 Facilities**



Eliminate 25 Aircraft and 5 Facilities

Estimated proceeds from sale of aircraft

up to \$8.1 million

Estimated recurring savings – aircraft operations

\$1.5 million

Estimated recurring savings – facilities

\$26,060

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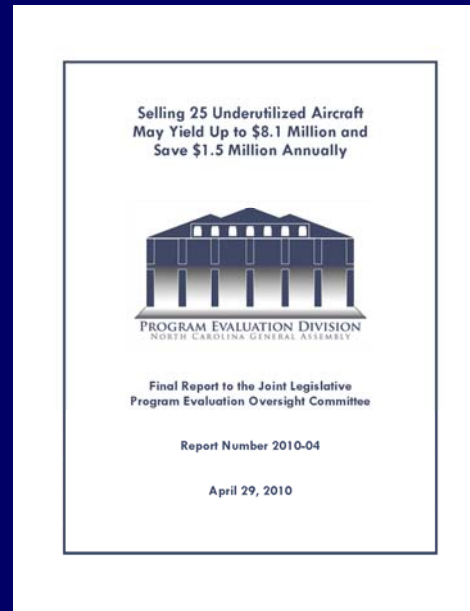
Summary

- Most of the state's 72 aircraft were underutilized
- Decentralized operations contributed to weak management and inefficiencies
- Establishing an Aviation Management Authority to provide management oversight to state aviation programs
- Elimination of aircraft, personnel, and facilities would yield up to \$8.1 million in proceeds and \$1.5 million recurring funds



Report available online at

www.ncleg.net/PED/Reports/reports.html



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