

undercover aircraft does not display agency markings but is registered with the FAA to the owning agency.

Unsalvageable aircraft part is an aircraft part which cannot be restored to an airworthy condition due to its age, physical condition, a non-repairable defect, insufficient documentation, or non-conformance with applicable specifications. For additional information on disposition of such parts refer to FAA Advisory Circular No. 21-38, or other current applicable guidelines.

Useful life means the service life, in years, of the aircraft as estimated by the manufacturer or evidenced by historical performance. The useful life is established at the time of acquisition.

Using agency means an executive agency using aircraft for which it does not maintain ownership. This term applies when an agency obtains aircraft from any other executive agency on a temporary basis.

Variable costs means the costs of operating aircraft that vary depending on how much the aircraft are used. For specific variable aircraft program cost information see § 101-37.201(a).

[60 FR 3548, Jan. 18, 1995, as amended at 62 FR 43472, Aug. 14, 1997]

Subpart 101-37.2—Accounting for Aircraft Costs

SOURCE: 60 FR 3550, Jan. 18, 1995, unless otherwise noted.

§ 101-37.200 General.

The provisions of this subpart prescribe policies and procedures for accounting for aircraft costs. This subpart also prescribes provisions and procedures contained in OMB Circulars A-76 and A-126.

§ 101-37.201 Standard aircraft program cost elements.

The following cost elements will be used for the establishment of cost accounting systems and for reporting Government-owned and operated aircraft cost and utilization data to the Federal Aviation Management Information System (FAMIS) on GSA Form 3552.

(a) *Variable costs.* The variable costs of operating aircraft are those costs

that vary depending on how much the aircraft are used. The specific variable cost elements include:

(1) *Crew costs.* The crew costs which vary according to aircraft usage consist of travel expenses, particularly reimbursement of subsistence (i.e., per diem and miscellaneous expenses), overtime charges, and wages of crew members hired on an hourly or part-time basis.

(2) *Maintenance costs.* Unscheduled maintenance and maintenance scheduled on the basis of flying time vary with aircraft usage and, therefore, the associated costs are considered variable costs. In addition to the costs of normal maintenance activities, variable maintenance costs shall include aircraft refurbishment, such as painting and interior restoration, and costs of or allowances for performing overhauls and modifications required by service bulletins and airworthiness directives. If they wish, agencies may consider all of their maintenance costs as variable costs and account for them accordingly. Otherwise, certain maintenance costs will be considered fixed as described in paragraph (b) of this section. Variable maintenance costs include the costs of:

(i) *Maintenance labor.* This includes all labor (i.e., salaries and wages, benefits, travel, and training) expended by mechanics, technicians, and inspectors, exclusive of labor for engine overhaul, aircraft refurbishment, and/or repair of major components.

(ii) *Maintenance parts.* This includes cost of materials and parts consumed in aircraft maintenance and inspections, exclusive of materials and parts for engine overhaul, aircraft refurbishment, and/or repair of major components.

(iii) *Maintenance contracts.* This includes all contracted costs for unscheduled maintenance and for maintenance scheduled on a flying hour basis or based on the condition of the part or component.

(iv) *Engine overhaul, aircraft refurbishment, and major component repairs.* These are the materials and labor costs of overhauling engines, refurbishing aircraft, and/or repairing major aircraft components.

(A) In general, the flight hour cost is computed by dividing the costs for a period by the projected hours flown during the period. However, when computing the flight hour cost factor for this cost category, divide the total estimated cost for the activities in this category (e.g., overhaul, refurbishment, and major repairs) by the number of flight hours between these activities.

(B) Cost or reserve accounts for engine overhaul, aircraft refurbishment, and major component repairs may, at the agency's discretion, be identified and quantified separately for mission-pertinent information purposes. Reserve accounts are generally used when the aircraft program is funded through a working capital or revolving fund.

(3) *Fuel and other fluids.* The costs of the aviation gasoline, jet fuel, and other fluids (e.g., engine oil, hydraulic fluids, and water-methanol) consumed by aircraft.

(4) *Lease costs.* When the cost of leasing an aircraft is based on flight hours, the associated lease or rental costs are considered variable costs.

(5) *Landing and tie down fees.* Landing fees and tie down fees associated with aircraft usage are considered variable costs. Tie down fees for storing an aircraft at its base of operations should be considered part of operations overhead, a fixed cost.

(b) *Fixed costs.* The fixed costs of operating aircraft are those that result from owning and supporting the aircraft and do not vary according to aircraft usage. The specific fixed cost elements include:

(1) *Crew costs.* The crew costs which do not vary according to aircraft usage consist of salaries, benefits, and training costs. This includes the salaries, benefits, and training costs of crew members who also perform minimal aircraft maintenance. Also included in fixed crew costs are the costs of their charts, personal protective equipment, uniforms, and other personal equipment when the agency is authorized to purchase such items.

(2) *Maintenance costs.* This cost category includes maintenance and inspection activities which are scheduled on a calendar interval basis and take place regardless of whether or how

much an aircraft is flown. Agencies are encouraged to simplify their accounting systems and account for all maintenance costs as variable costs. However, if they wish, agencies may account for the following costs as fixed costs:

(i) *Maintenance labor.* This includes all projected labor expended by mechanics, technicians, and inspectors associated with maintenance scheduled on a calendar interval basis. This does not include variable maintenance labor or work on items having a retirement life or time between overhaul. This category also includes costs associated with nonallocated maintenance labor expenses; i.e., associated salaries, benefits, travel expenses, and training costs. These costs should be evenly allocated over the number of aircraft in the fleet.

(ii) *Maintenance parts.* This includes all parts and consumables used for maintenance scheduled on a calendar interval basis.

(iii) *Maintenance contracts.* This includes all contracted costs for maintenance or inspections scheduled on a calendar interval basis.

(3) *Lease costs.* When the cost of leasing an aircraft is based on a length of time (e.g., days, weeks, months, or years) and does not vary according to aircraft usage, the lease costs are considered fixed costs.

(4) *Operations overhead.* This includes all costs, not accounted for elsewhere, associated with direct management and support of the aircraft program. Examples of such costs include: personnel costs (salaries, benefits, travel, uniform allowances (when the agency is authorized to purchase such items), training, etc.) for management and administrative personnel directly responsible for the aircraft program; building and ground maintenance; janitorial services; lease or rent costs for hangars and administrative buildings and office space; communications and utilities costs; office supplies and equipment; maintenance and depreciation of support equipment; tie down fees for aircraft located on base; and miscellaneous operational support costs.

(5) *Administrative overhead.* These costs represent a prorated share of salaries, office supplies, and other expenses of fiscal, accounting, personnel, management, and similar common services performed outside the aircraft program but which support this program. For purposes of recovering the costs of operations, agencies should exercise their own judgment as to the extent to which aircraft users should bear the administrative overhead costs. Agencies may, for example, decide to charge non-agency users a higher proportion, not to exceed 100 percent of administrative overhead, than agency users if the agency has the authority to do so. If an aircraft is provided pursuant to an interagency agreement under the Economy Act of 1932 (31 U.S.C. 1535), the agency must charge based on the actual costs of the goods or services provided. For purposes of OMB Circular A-76 costs comparisons, agencies should compute the actual administrative costs that would be avoided if a decision is made to contract out the operation under study.

(6) *Self-insurance costs.* Aviation activity involves risks and potential casualty losses and liability claims. These risks are normally covered in the private sector by purchasing an insurance policy. The Government is self-insuring; the Treasury's General Fund is charged for casualty losses and/or liability claims resulting from accidents. For the purposes of analyses, Government managers will recognize a cost for "self-insurance" by developing a cost based on rates published by GSA's Aircraft Management Division.

(7) *Depreciation.* The cost or value of ownership. Aircraft have a finite useful economic or service life (useful life). Depreciation is the method used to spread the acquisition value, less residual value, over an asset's useful life. Although these costs are not direct outlays as is the case with most other aircraft costs, it is important to recognize them for analyses required by OMB and other cost comparison purposes and when replenishing a working capital fund by recovering the full cost of aircraft operations. Depreciation costs depend on aircraft acquisition or replacement costs, useful life, and residual or salvage value. To calculate

the cost of depreciation that shall be allocated to each year, subtract the residual value from the total of the acquisition cost plus any capital improvements and, then, divide by the estimated useful life of the asset.

(c) *Other costs.* There are certain other costs of the aircraft program which should be recorded but are not appropriate for inclusion in either the variable or fixed cost categories for the purposes of justifying aircraft use or recovering the cost of aircraft operations. These costs include:

(1) *Accident repair costs.* These costs include all parts, materials, equipment, and maintenance labor related to repairing accidental damage to airframes or aircraft equipment. Also included are all accident investigation costs.

(2) *Aircraft costs.* This is the basic aircraft inventory or asset account used as the basis for determining aircraft depreciation charges. These costs include the cost of acquiring aircraft and accessories, including transportation and initial installation. Also included are all costs required to bring aircraft and capitalized accessories up to fleet standards.

(3) *Cost of capital.* The cost of capital is the cost to the Government of acquiring the funds necessary for capital investments. The agency shall use the borrowing rate announced by the Department of the Treasury for bonds or notes whose maturities correspond to the manufacturer's suggested useful life or the remaining useful life of the asset.

§ 101-37.202 Policy.

Agencies shall maintain cost systems for their aircraft operations which will permit them to justify the use of Government aircraft in lieu of commercially available aircraft, or the use of one Government aircraft in lieu of another; recover the costs of operating Government aircraft when appropriate; determine the cost effectiveness of various aspects of their aircraft program; and conduct the cost comparisons to justify in-house operation of Government aircraft versus procurement of commercially available aircraft services. To accomplish these purposes,