

COAST GUARD OVERSIGHT—PART 1

HEARINGS BEFORE THE SUBCOMMITTEE ON COAST GUARD AND NAVIGATION OF THE COMMITTEE ON MERCHANT MARINE AND FISHERIES HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

ON

ROLES AND MISSIONS

OCTOBER 9, 1985

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PROCUREMENT PLANS AND POLICIES

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ROLES AND MISSIONS

WEDNESDAY, OCTOBER 9, 1985

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COAST GUARD AND NAVIGATION,
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
Washington, DC.

The subcommittee met, pursuant to call, at 10:05 a.m., in room 1334, Longworth House Office Building, Hon. Gerry E. Studds (chairman of the subcommittee) presiding.

Present: Representatives Studds, Hughes, Hutto, Carper, Thomas, Mikulski, Davis, Young, and Hartnett.

Staff present: William Woodward, Gina DeFerrari, Mary Pat Barrett, K.C. Bell, Edmund B. Welch, Duncan C. Smith, Jeanne C. Fling, George D. Pence, and Kurt Oxley.

Mr. STUDDS. The subcommittee will come to order.

We are going to proceed. I understand there are members that are coming, but our schedule is such that we are going to have to go ahead.

OPENING STATEMENT OF HON. GERRY E. STUDDS, A U.S. REPRESENTATIVE FROM THE STATE OF MASSACHUSETTS, AND CHAIRMAN, SUBCOMMITTEE ON COAST GUARD AND NAVIGATION

Mr. STUDDS. The Subcommittee on Coast Guard and Navigation meets this morning to conduct the first of a series of three oversight hearings that we will hold this fall into a variety of issues affecting the missions and performance of the Coast Guard.

These hearings will lay the foundation for consideration early next year of a bill to authorize Coast Guard appropriations through the end of the 1988 fiscal year. We intend to use the oversight process not only to look forward, but also to review the extent to which a series of studies on the Coast Guard performed in 1981 and 1982 still have relevance today. Those studies include the Transportation Department's own Coast Guard roles and missions study, and the oversight report issued by this subcommittee, entitled "Semi-Paratus: The U.S. Coast Guard, 1981."

Our next two hearings, to be held on October 23 and November 20, will deal with the Coast Guard's military readiness and drug interdiction programs, and with its plans for procuring additional cutters and aircraft to meet future needs.

Today, our hearing will focus on the issues of Coast Guard contracting and delegation of authority, matters that have arisen on a regular basis throughout the past 5 years. There are two logical reasons for the Coast Guard to turn a function or duty over to the

private sector: First, if it will save the Government money, without causing a decline in the quality of the service; and second, if it will free up Coast Guard resources for other missions, presumably those with a higher priority.

Obviously, contracting initiatives that meet one or both of these criteria will make Government more efficient, Coast Guard operations more effective, and opportunities for the private sector more plentiful.

Unfortunately, this simple formula is complicated by the difference in perspective between the Coast Guard and the private sector; by the variety of political and economic philosophies that exist within various Federal agencies, the Congress, and the experts—self-appointed and otherwise—who have issued reports on the Coast Guard in recent years; and finally, it is complicated by a budget process that usually causes a dollar saved by the Coast Guard in one area to become a dollar lost, not a dollar that can be devoted to other, higher priority missions.

We intend today to give particular attention to the Coast Guard's contracting plans under OMB Circular A-76; its program of delegating certain vessel inspection responsibilities to the American Bureau of Shipping, and its reluctant experiment with contracting aids to navigation in so-called noncritical waterways.

I hope that we will be able, by the time the authorization bill is considered next year, to develop a consensus about the appropriate guidelines for determining when, where, and what Coast Guard functions can and should be considered for contracting or delegating to the private sector. In reviewing the record of the past 5 years, I think agreement on some sort of guidelines is important to help the Coast Guard and industry plan more efficiently and to avoid the expenditure of time and money on projects that end up going nowhere.

Having said that, I think I should point out to the subcommittee that the witnesses we will hear today will, at the very least, illustrate for the subcommittee why there is not yet any agreement on the appropriate guidelines for Coast Guard contracting. Our witnesses reflect a wide range of interests and perspectives, and I appreciate their willingness to be here this morning to present their views.

I would note that today's hearing was planned on the assumption that the resources available to the Coast Guard would be roughly equal, at the very least, to the amount proposed in the President's budget and approved last month by the House. As members will recall, the House has approved \$1.785 billion in operating expenses for the Coast Guard in 1986, an increase of less than 2 percent over the level appropriated for 1985.

In real terms, this would be less than a freeze budget. It would have led to a reduction of more than 400 military personnel and to a significant reduction in the overall capabilities of the Coast Guard. But, last week, the Senate Committee on Appropriations, in an act of utter recklessness, voted to cut \$200 million off the level approved by the House. If this action were to be sustained by the full Senate and by Congress as a whole, the Coast Guard would become almost overnight a crippled institution.

I would point out that this is the same Senate Appropriations Committee whose members have over and over again declared their interest in halting the importation of drugs into this country and in maintaining a strong, national defense. But if the work of that committee is approved, the ability of the Coast Guard to contribute in either of these areas will immediately and dramatically decline.

What is far worse, however, is that the ability of the Coast Guard to save lives imperiled at sea will diminish proportionately, and many people who would otherwise be saved will surely die.

The Senate committee has sent a message to the men and women of the Coast Guard that says essentially that they think the work you do is relatively unimportant; that we can get by without you. We can't. The Senate committee is speaking only for itself. It does not speak for this committee, or this House, or for the people we represent.

Speaking now only for myself, I can say that I intend to do everything I can to reverse the irresponsible and indefensible action of the Appropriations Committee in the Senate to see that the Coast Guard is provided with at least the level of resources approved earlier this year by the House and requested by the President.

If there are no opening statements—

Mr. HARTNETT. Mr. Chairman, I ask unanimous consent to enter into the record a statement from my colleagues Mr. Davis and Mr. Lent.

Mr. STUDDS. Without objection, they will appear in full in the record; and also a statement by the gentleman from New York, Mr. Biaggi.

[The statements of Mr. Davis, Mr. Lent, and Mr. Biaggi follow:]

STATEMENT OF HON. ROBERT W. DAVIS, A U.S. REPRESENTATIVE FROM THE STATE OF MICHIGAN

Mr. Chairman, I am pleased that we have the opportunity today to begin our look at the Coast Guard's operations in anticipation of next year's reauthorization.

I believe it is especially important for us to explore the methods and results of contracting that the Coast Guard is doing. I think we all agree that, in general, contracting by the federal government to the private sector is a good idea. However, I also think that we have to be very careful as we try to accomplish this goal, especially when it is affecting a military service. We need to be sure that important functions of readiness are not damaged by this process, that the process is not being driven by the budget alone, and that we are actually saving federal dollars.

For these reasons I look forward to hearing the views of those present today and anticipate a good dialogue.

STATEMENT OF HON. NORMAN F. LENT, A U.S. REPRESENTATIVE FROM THE STATE OF NEW YORK

Mr. Chairman, I am glad we are taking the opportunity this fall to investigate some of the issues of concern to this Committee regarding Coast Guard activities. Conducting these hearings in advance will allow us to carefully consider the testimony and information we receive which will be useful when we prepare the 1987 and 1988 Coast Guard authorization legislation. Allowing enough time for rational consideration of the issues is not always possible around here as you know; so you are to be commended for your foresight in this regard. Today, the Subcommittee sets out to look at the delegation and contracting of certain Coast Guard functions to the private sector.

In the past, our Committee has been cautiously supportive of private sector initiatives. We have supported these activities because if they can be performed effectively in the private sector at a lower cost, the Coast Guard should not hesitate to do so. However, we have been cautious because we want the important programs of the Coast Guard to be carried out in a responsible manner with full accountability and without disruption. In addition, we do not want contracting or delegation to be used as an expedient means to achieve budgetary targets in a vacuum to the detriment of activities essential to maritime safety or national defense.

The hearing will concentrate on the OMB A-76 contracting procedures, the pilot programs for private sector aid to navigation maintenance and delegation of commercial vessel safety activities to organizations such as the American Bureau of Shipping. I would like to welcome Admiral Gracey of the Coast Guard and the representatives of the industries and organizations affected directly by these Coast Guard activities. Mr. Chairman, I look forward to working with you and the other Members as we consider these important issues.

STATEMENT OF HON. MARIO BIAGGI, A U.S. REPRESENTATIVE FROM THE STATE OF NEW YORK

I want to thank you for holding these hearings on a subject I believe has to be examined at great length and in an objective manner.

It is easy to say let's require all Federal agencies to contract out all activities that are not "inherently governmental" in nature. It is another thing to ascertain whether or not this is appropriate, cost effective, or equitable.

I believe we must never lose sight of the impact that these new ideas and concepts will have on those who have served and continue to serve the Coast Guard well. We are all for efficiency and productivity, but we must also look at the equities that are involved—the effect on the overall Coast Guard family.

I have heard that we must develop programs that are cost effective. I have also heard that where contracting out has been implemented the annual cost of buying Government services from private sources has gone out of control. I imagine the truth is somewhere in between.

An important issue I would like to see reviewed during these hearings is the impact of contracting out on the multimission concept of the Coast Guard—a concept that we all support. I mention this because by contracting out we could be eroding the foundation of the multimission concept. For example, experience on buoy tenders provides a base for future assignments on the larger vessels. Experience navigating harbors, rivers, and close offshore on the smaller vessels provides immeasurable experience opportunities for many, many other duties.

How far do we want to go before we lose irreplaceable expertise?

How far do we go before we lose the cost effectiveness of one program or the other?

I look forward to the planned hearings because I am sure they will provide answers to those important questions and better prepare us for the authorization process next year.

Mr. STUDDS. We will begin with an old friend of this subcommittee, Admiral Gracey, the Commandant of the Coast Guard.

Admiral Gracey, I hope you are having a better week this week than you did last week.

STATEMENT OF ADM. JAMES S. GRACEY, COMMANDANT, U.S. COAST GUARD, ACCOMPANIED BY REAR ADM. DONALD C. THOMPSON, CHIEF OF STAFF; CAPT. KENT WILLIAMS, CHIEF, BUDGET DIVISION; REAR ADM. WILLIAM P. KOZLOVSKY, COMPTROLLER; REAR ADM. THEODORE J. WOJNAR, CHIEF, OFFICE OF NAVIGATION; AND COMDR. WILLIAM KIME, CHIEF, OFFICE OF MERCHANT MARINE SAFETY

Admiral GRACEY. It is getting worse and worse every day, Mr. Chairman.

Mr. STUDDS. Sorry to hear that. Proceed, and welcome back.

Admiral GRACEY. Thank you, Mr. Chairman. It is a pleasure to be here.

I have a short statement, an abridged statement, that I would like to make, and then I will insert a full statement for the record, if that is agreeable with you, sir.

Mr. STUDDS. Without objection, that is perfectly fine.

Admiral GRACEY. I would like to insert at the beginning, before I start on my previously planned remarks, a note on your statement, sir, if I may. You talked about the complications of the decisions in contracting out and delegating, handing off to others.

You have accurately portrayed the complications. There is one other one that pervades it all, and that is the very complex nature of the Coast Guard, with its multimission purposes. When you look at a given function, a given vessel, it is hard to say that vessel does just one thing, because it doesn't. The same is true of our stations, as well. So we get into a very complex assortment of duties.

When you start deciding you are going to contract out a particular function, you have to worry about what is going to happen to the rest of the functions that station performs.

Mr. STUDDS. Excuse me one second, Admiral.

Let me say we have more people than we have seats. Anyone who is unable to find a seat in the room is perfectly welcome to sit around the lower level of the horseshoe here. Some of you are witnesses; the rest, I assume, are firefighters. Feel free to come in and sit down. You won't be asked to answer questions.

Go ahead, Admiral.

Admiral GRACEY. Mr. Chairman, in terms of Coast Guard efforts to implement the provisions of OMB Circular A-76, I feel we are making good progress. Initially, we created a high-level, hand-picked staff at headquarters to get the project off the ground—to describe basic, or generic type, performance work statements that we could farm out to the field.

We recognized that was going to slow down the process initially, but it would give us uniformity. Once we had that basic work done in Washington, then things would speed up and move along a pace. That is where we essentially are at the moment.

In 1985, we completed A-76 reviews of 19 activities involving 145 military billets or positions. Our focus was on mid-sized food service operations, buoy maintenance, and automated data processing. As a result of the reviews, 16 activities were converted to commercial contract; 3 we retained, because we were the low bidder. Those that went to commercial contract had 115 billets or positions identified for reduction, and a projected average annual A-76 savings of \$1.6 million.

In fiscal year 1986, we plan to complete reviews of 1,470 billets or positions. Our focus will be on national food service, facilities engineering, industrial operations, loran/omega systems, and supply support.

In my congressional notification of June 26, 1985, I announced our intentions to review the operation and maintenance of loran and omega stations under the A-76 program. This initiative is proceeding, with the actual review scheduled for completion in fiscal year 1987. We will develop a specification describing the Coast Guard's criteria for contractor operation and maintenance of these loran and omega systems.

Those stations already operated and maintained under existing contract or agreement with other nations will be excluded from this A-76 review. If the A-76 review determines that contractor performance is more advantageous and less costly to the Government, facility operations and maintenance will be converted to contract on a phased basis.

However, I want to emphasize that responsibilities requiring the exercise of discretion in application of Government authority, or that require value judgments, will continue to be Coast Guard functions. The command and control aspect of Ioran/omega is the statutory responsibility of the Coast Guard and cannot, and will not, be delegated to the private sector. A-76 provides for this separation between responsibility and operations, and I intend to maintain it.

We anticipate having the aids to navigation trial contracts in selected noncritical waterways ready for bidding in early fiscal year 1986. The purpose of the aids to navigation trial contracting program is to determine if the private sector can provide onsite servicing of aids with effectiveness equal to that of the Coast Guard and at lower cost.

Our 13th district in Seattle has completed a statement of work and is prepared to issue a request for bids for portions of the Snake and Willamette Rivers; in the Northeast, the 1st and 3d districts, Boston and New York, are nearing completion of their statements of work for contracting in the Merrimack River/Ipswich Bay areas in Massachusetts and the New Jersey Intracoastal Waterway. More on that later.

The fifth district—Virginia inside passage—and the 12th district—Sacramento/San Joaquin Rivers—are making progress on their packages, and I expect they will be ready on schedule.

However, the House of Representatives has passed H.R. 2466, which would amend 14 U.S.C. 81 to preclude us from going forward with our trial contracting in the New Jersey Intracoastal Waterway. This is the largest waterway in our trial, with more than 400 aids to navigation involved. The exclusion of the New Jersey Waterway will inhibit our contracting experience by reducing the scope of the trial program and limiting the Coast Guard's managerial flexibility.

In question here is whether aids to navigation contracting was to extend to the actual placement of aids, or whether it was to be restricted only to repair and maintenance. Our reading of the congressional direction was that it intended to run a trial on all aspects of our A-to-N work. It was with that perspective that we carefully selected the five waterways. It is also our intention to monitor the trial contract activity closely as we go along, to make sure that nothing gets out of hand.

I would insert at this point that the anticipatory personnel reductions were inserted into our budget on the basis of how many people it was assumed we could reduce through this trial contract. Because of our desire to go slowly and make sure we don't get into projecting too far into something that may not work, we decided to eat those reductions, absorb them, do without for the time being, until we could actually run a test. I think that was the responsible thing to do.

Regarding delegation of commercial vessel safety functions, the current delegations to American Bureau of Shipping, ABS, are functioning in a satisfactory manner. We are in the process of implementing many of our oversight procedures, and we have now gone through the design-to-launch cycle of several vessels with recently expanded areas of delegation.

The results of our oversight and audits indicate that we should continue to explore additional areas of delegation, but should not speed up the process. Obviously, where public safety is concerned we should be prudently cautious. We always have been and we always will be.

However, this does not prevent us from taking a long-range view of the process to examine what further progress we can make while continuing with our implementation and oversight of current delegations.

There are obstacles to further delegations to ABS or any other classification society. A major one involves equity. There are now several reputable classification societies that are interested in pursuing and participating in the same type of arrangements that the Coast Guard has with the American Bureau of Shipping. Their interest is legitimate and they are pressing us to define how you become a "similar U.S. classification society," as the term is used in the law.

As a result of this interest, we have begun a rulemaking procedure to do just that. An advanced notice of proposed rulemaking on this subject was published in the Federal Register on October 3, 1985.

In summary, I can say our experience with both contracting out and delegating functions has been favorable so far. Both offer opportunities for economies, and both are certainly areas we will continue to explore, while at the same time continuing to recognize that there are those activities and functions that are purely governmental in nature and which cannot be contracted or delegated.

There are also selected parameters beyond which we cannot go without damaging our basic military force structure and thus harming our ability to perform our law enforcement, defense readiness and similar operational missions. As we proceed to realize the benefits of A-76 and third party delegations, we are carefully monitoring the impacts of each action to be sure we don't go too far.

Every proposed contract or delegation is analyzed against the nature of our force, the distribution of specialties in our military force, and the kinds of duties performed by the units involved to make sure that we don't go over the brim, if you will.

That concludes my prepared statement, Mr. Chairman. As always, I will be happy to respond to questions you might have.

Mr. STUBBS. Thank you very much, Admiral.

Before we begin on the subject of today's hearing, I wonder if you might explain to the committee, as precisely as you can, what adjustments the Coast Guard would have to make if it were forced to live with the level of operating expenses in 1986 equal to the amount just recommended by the Senate Committee on Appropriations?

Admiral GRACEY. I will do my best, Mr. Chairman.

Obviously, since last Thursday afternoon when the lightning bolt struck, we have been working desperately to see how we could possibly live with such a reduction and not totally destroy the Coast Guard. One of the basic parameters, as we have approached the areas in which we feel we would have to take cuts, has been that we will maintain the basic character of the Coast Guard. On my watch, the U.S. Coast Guard is going to continue to be a military organization, a law enforcement organization, and a maritime safety organization, because I firmly believe in the essential nature of our duties to the welfare of this country.

With that in mind, I will now tell you generically the kinds of things we have concluded we would have to do in orders of magnitude to reach the \$200 million cut. First of all, I should tell you that it is a very complicated business. The fiscal year has already begun, as you well know. That means that any personnel savings to be realized by reductions in force levels will not be full-year savings. They will be at the very best 6 months' savings, probably less.

It is a complicated process to remove military personnel from the service and to have civilian personnel released. There are governmental obligations. There are contractual obligations. There are facts of law that one must follow. There are things that have to be done if one is going to tie up ships, ground airplanes, close stations.

The net effect of all that is that to realize a \$200 million reduction in this fiscal year, in operating expenses alone—and I want to emphasize this: is only in operating expenses, so when you look at the personnel cut, it is not \$200 million out of \$2.5 billion; it is \$200 million out of \$17 billion, which makes it even tougher—and the very personnel-intensive aspect of our work means that we have to focus on those things that will provide personnel.

That having been said, we feel we would have to lay up 1 high-endurance cutter; 12 medium-endurance cutters—that is one-third of our medium-endurance cutter fleet, better than one-third—more like 40 percent; 23 of our patrol boats—that is one-third of our patrol boats; our entire surface effects ship division. We would not operate three new medium-endurance cutters that are to be delivered this year.

We would decommission or lay up three of our five polar icebreakers, keeping only the two of the Polar class. Most of our domestic icebreaking capability would disappear. We would retain enough so that in a desperate emergency we could get something, somewhere, sometime, but we would not be able to keep all traffic flowing; we would only be able to handle emergency situations.

We would lay up eight of our buoy tenders—four of the large ones—one in the western rivers, and three of our construction tenders that do work on the waterways—and two of our aids to navigation teams. We would close two section offices in parts of the world where we desperately need some command presence. We would close 15 of our boat stations. We would close 3 air stations and reduce 12 others in numbers of aircraft and so forth.

We would stop using the two aerostats that we have just leased. We would cancel the Rescue Swimmer Program. And that is not in here solely for your attention, sir, I hasten to add, because I know it is one you believe in strongly—and so do I. But it is just one of those things we couldn't keep going.

We would close 35 marine safety offices, and we would reduce 4 others. We would close six examination centers for merchant seamen. And, if you remember, we consolidated a couple of years ago and it created a great trauma because people had to travel to be examined. We would have to close six of the ones we have left.

We would stop the ad measurement function entirely, and we would have another entry into the trauma of delayed documentation of vessels, one on which we finally got a handle, because we would have to slow that down again.

We have three strike teams to handle major pollution events—one in the Pacific, one in the gulf, and one in the Atlantic. We would shut down two of those.

Obviously we would have to make significant reductions at the Coast Guard Yard and at the Aviation Repair and Supply Center [AR&SC] in Elizabeth City—the former at a time when we are trying to get the mid-life maintenance program moving on a 210-foot cutter; the latter at a time when we are moving into two aircraft types, the helicopter and the medium-range search aircraft, for which we can get no support from the Department of Defense, because they don't fly them, and on which we were relying heavily on AR&SC. We would have to make reductions there.

There would be major cuts in our training capability. We would shut down one Loran-C chain. Of course, all support would be commensurately reduced, and all the operations of everything that was left in commission would be reduced 30 percent.

All that done, we would be cut down about 6,000 people.

Mr. STUDDS. I was going to ask you whether or not our initial staff attempts to estimate the results of the cuts were in the ballpark. I think, if anything, our staff was conservative.

To summarize, if I understand you correctly, over 40 aircraft would be grounded; over 40 cutters and patrol boats would be mothballed; 15 shore stations closed; 3 air stations closed—

Admiral GRACEY. That is 15 boat stations, Mr. Chairman, what is colloquially called a SAR station; but it is multipurpose.

Mr. STUDDS. Its fundamental mission is saving of lives?

Admiral GRACEY. An overall reduction of military personnel of some 6,000 in the Coast Guard.

I should add, with regard to saving lives, we are also talking about closing 3 air stations and reducing 12 more.

Mr. STUDDS. I guess I didn't overstate the case in my opening remarks.

Admiral GRACEY. Not at all.

Mr. STUDDS. To put it mildly, it would seriously diminish all the missions, military, search and rescue, law enforcement of the Coast Guard.

Admiral GRACEY. Yes, sir.

Mr. STUDDS. I didn't think it was going to be necessary or even possible to revise downward my feelings about the other body, but this is an extraordinary suggestion.

Let me, prior to going to questions on the focus of this hearing, see if there are other members here who wish to address themselves to this subject, and to this subject alone; that is to say, the recommendations last Thursday by the Senate Appropriations Committee.

If there are members who wish to address to you questions on that subject, we will take those first. And then I will go back again and resume questions on the announced subject of the hearing.

The gentleman from Michigan, the ranking member.

Mr. DAVIS. Thank you, Mr. Chairman.

Certainly, Admiral Gracey, the information that comes from the Senate Appropriations Committee, needless to say, is much more than I think anybody ever expected; and, obviously, in my opinion, that \$200 million cut isn't going to stand.

Is there somebody over there that doesn't like you?

Admiral GRACEY. No, sir.

This is not a focus on the Coast Guard, Mr. Davis, because going along with it was a \$300 million cut in the Federal Aviation Administration. I will let the FAA speak for themselves, but my understanding is that means about 6,000 people cut out of the FAA, as well.

We are caught in the middle between the budget resolution process and the appropriations process.

Mr. STUDDS. Do you suppose the Senator takes a train to North Dakota; he doesn't fly?

Mr. DAVIS. I am sure, and I know there are a lot of stories that are going to be written about what the effects would be of this \$200 million cut, and I think that is good. The net result will be, I think, to call attention to the Coast Guard, to the fact that you probably need more money instead of certainly suffering from a cut. It will certainly make a lot of us do a lot of work trying to get the money back in the budget.

But, I think as people write stories about this cut, we ought to keep in mind that I don't in any way, shape or form think that that is going to happen. I would hope that that word could be passed out.

I know that you have done what you need to do, and that is take a look at where you can save \$200 million. But as people find out what those cuts mean in the drastic reduction of your ability to be able to function as a Coast Guard, we are going to realize how ridiculous a \$200 million cut is.

I know that the chairman of this committee and the other members of this committee feel the same way, and we intend to do everything we can to get the money restored to the full amount.

Thank you, Mr. Chairman.

Mr. STUDDS. The gentlelady from Maryland.

Ms. MIKULSKI. Thank you, Mr. Chairman, and Admiral Gracey.

Mr. Chairman, I have an opening statement that I ask unanimous consent be placed in the record.

Mr. STUDDS. Without objection.

[The statement of Ms. Mikulski follows:]

STATEMENT OF HON. BARBARA A. MIKULSKI, A U.S. REPRESENTATIVE FROM THE STATE OF MARYLAND

I want to commend the chairman of our subcommittee, my friend and colleague, Congressman Studds, for holding this oversight hearing on the Coast Guard's mission and future role.

I am deeply concerned about maintaining adequate funding for the Coast Guard so they can continue their important work in boating safety, drug enforcement and environmental protection.

The recent action by the Senate Appropriations Committee to cut \$200 million from the Coast Guard in fiscal year 1986 would be an unmitigated disaster.

Of particular concern to me is the effect that this reduction would have on the Coast Guard yard in Curtis Bay, Maryland in my congressional district.

Since 1899, Curtis Bay has provided outstanding and efficient construction for and repair of the Coast Guard's fleet. The yard has received countless numbers of citations for superior craftsmanship, and is recognized throughout the Coast Guard as the leader in keeping the Coast Guard's fleet afloat.

Since 1981, Curtis Bay has lost over 350 civilian positions because of a civilian ceiling hiring imposed by this administration. Legislation to lift this ceiling, which Chairman Studds included in H.R. 2466 at my request, has passed the House, and is awaiting Senate action.

Contracting out would further weaken the infrastructure at Curtis Bay, hurting the Maryland economy and threatening the industrial base which the Coast Guard relies on to maintain its fleet.

The administration has tried to justify contracting out by claiming it reduces both the Federal bureaucracy and Federal spending. Those are both goals all of us would like to achieve.

Unfortunately, when contracting out has been used at Curtis Bay, as it was for maintenance of the yard's cranes, the Coast Guard had to actually spend more money than it would have had this job been done in-house.

Later this morning, Mr. James Talley, president of the Baltimore Area Metal Trades Council, will testify on some of the difficulties which contracting out has caused at the yard and the inefficiencies it has created.

It is tragic when we have a policy that awards superior performance of our Federal employees with the threat of losing their jobs.

If this administration is serious about reducing the Federal deficit, and it wants to involve the Coast Guard in that process, it should begin by considering using Curtis Bay even more than it does now for its Coast Guard ship repair work.

My colleagues ought to know that I intend to join our subcommittee chairman in fighting the recent action of the Senate Appropriations Committee and in saving Curtis Bay from the perils of contracting out.

Ms. MIKULSKI. I am quite concerned about this \$200 million cut and its overall impact on the Coast Guard. I am interested in it from two perspectives, and perhaps you can comment.

First, the Coast Guard yard is in the Third Congressional District. And, as you know, the Curtis Bay Coast Guard yard has already lost over 350 civilian employee positions because of a hiring ceiling imposed by the administration. Contracting out has further weakened the infrastructure at Curtis Bay, hurting both the Maryland economy and, I believe, Coast Guard efficiency and effectiveness.

Could you, Admiral, tell me what the impact of the \$200 million cut would be on the operations at the Coast Guard yard in Curtis Bay, MD?

Admiral GRACEY. I wish I could tell you, Ms. Mikulski. We know that there will be some. That is going to get into the details of execution if, perish forbid, we should ever be faced with having to execute.

Mr. Davis, thank you for those words, and Mr. Chairman.

We know that we would have to reduce it some. We are looking at ways to keep it viable. We do not want to close the Coast Guard yard. We do not intend to close the Coast Guard yard, given any options at all. If you will remember, I said in the beginning to the chairman that we intend to maintain the basic character of the Coast Guard, and we are trying to maintain the basic infrastructure which has proven to be so valuable to us, to be able to perform the kind of service we have to this country over the years.

We are firmly convinced, for a variety of reasons, that the Coast Guard yard is an essential part of that infrastructure, not only be-

cause it does valuable work and high quality work for us, but it is a proving ground, a training ground for our naval architects and engineers who go on to marine safety programs, go on to sail the ships. It is a source of vessel supply, the home of our vessel supply system, all of that sort of thing.

It is hard to put a number on how valuable that is to us, but we all know from years of experience that it is extremely valuable. It is a must to keep.

There would, obviously, be some reductions in overhead. Most of the work force is wage grade, paid on the basis of the work that is there. The problem would come if we were so squeezed on our operating expense funds that we had to reduce the fleet; then there is going to be less work.

We are talking about reducing the fleet. We are trying to protect the maintenance program that is going on there and some other work that we have scheduled at the yard. It depends on the source of the funds.

There is no question that some of the 700 civilian employees that work there would have to be reduced. What number, I can't tell you. What number out of the overhead, I can't say. We just haven't been able to calculate it that fine yet.

Ms. MIKULSKI. I appreciate, first of all, your endorsement that, No. 1, the yard will stay open; and No. 2, how important the yard is to the Coast Guard mission.

As you know, the civilian employees have the same degree of enthusiasm and pride of being in the Coast Guard as does the non-civilian force.

The second question to this: With this \$200 million, do you think you will be forced to contract out further at the yard, or that you will try to keep as much work in the yard?

Admiral GRACEY. I don't know how to answer that one. It would depend on where we could make the best use of the meager funds that we have left. Obviously, the whole purpose of going forward with the A-76 contracting out program is to try to save money; and if a proposed contract doesn't save money, you don't contract out—you keep it. So we would certainly do that kind of an analysis.

I really don't know how to answer the question.

I would like to comment on one of the things you said at first, though, if I might. You are absolutely right about the loyalty of our civilian employees. We talk about the Coast Guard family, and that includes civilian and military and Reserve and auxiliary. And our civilian employees are some of the most gung-ho Coast Guard people you ever see. I refer to them as the Coast Guard men and women who have to make a decision as to what color outfit they are going to put on in the morning. The rest of us—the military—don't have to make that decision; we take the blue one.

Ms. MIKULSKI. The \$200 million cut represents what percentage of your overall budget?

Admiral GRACEY. Well, our overall budget is \$2.5 billion; and \$200 million is less than 10 percent of that. However, I am most reluctant to talk about that percentage because it is a misleading percentage. It is \$200 million out of \$1.7 billion operating expenses. That is the figure to focus on.

Ms. MIKULSKI. Rather than the overall budget, it is the operating funds.

Admiral GRACEY. That is very important, by the way. That figure is important.

Ms. MIKULSKI. Yes, because it goes right then to our personnel issues.

Second, just to followup—and, I think, the chairman would find this last question important—if Gramm-Rudman passes—we are now choking on this \$200 million cut in appropriations—if Gramm-Rudman passes, what will its impact be on the Coast Guard, particularly in the area of operations and maintenance?

Admiral GRACEY. In moments like this, I am given on occasion to say, "Ma'am, I am just a poor sailor trying to sail ships and fly airplanes, and I hope to hell you give me enough money and enough people to do it right . . . the way we are capable of doing it." In terms of the effect of Gramm-Rudman—I really don't know the answer.

Ms. MIKULSKI. But it certainly would not be a boost to either morale or efficiency, would it?

Admiral GRACEY. I would prefer not to comment.

Ms. MIKULSKI. You are a good sailor, Admiral. I just hope your Commander in Chief sticks by you, as this little American Legion type sitting here will.

Thank you very much, Mr. Chairman.

Mr. STUDDS. If it does pass, Senator Rudman will not be able to get back to New Hampshire, to start with. His own allowances will have been reduced too much; or because there will be no longer any aircraft allowed in the Northeast corridor, which is hard enough to get through now. And if he does get back to New Hampshire and discovers the Coast Guard missing, he may wish to stay in Washington.

Ms. MIKULSKI. That is enough incentive to vote for it.

Mr. STUDDS. Mr. Hartnett.

Mr. HARTNETT. Thank you, Mr. Chairman.

Admiral, I appreciate very much your being here. As one who has had a great deal of respect for your service for so many years, I am somewhat saddened to hear the report that you give us this morning. When one listens to a litany of cuts mandated by this \$200 million cut in your operating budget, one is somewhat surprised at the amount the \$200 million can buy versus what the remainder of your \$1.7 billion can buy.

You replied to my colleague from Maryland that this \$200 million was cut from your operating budget of about \$1.7 billion. My calculations tell me that that is about 13 percent, whatever it would be, of your operating budget. Yet, you tell me that 3 out of your 5 icebreakers will be drydocked; 2 out of your 3 strike teams will be eliminated; that 40 of your aircraft will be grounded.

And one is somewhat taken aback by the fact that out of a total operating budget of \$1.7 billion, such significant changes—over 60 percent of your icebreakers, over 60 percent of your strike teams—and I don't know how many aircraft you have but I assume that 40 aircraft is a large percentage of your overall aircraft—it is somewhat almost unbelievable, Admiral, that \$200 million, or 13 percent of your operating budget, is going to cause such disastrous re-

sults in the Coast Guard's ability to operate, when we are talking about a 13-percent reduction in your operating budget.

I might inquire if the Admiral might enlighten me as to how we get so much mileage with the Coast Guard out of \$200 million and can't seem to achieve near that mileage in other areas of Federal appropriation.

Admiral GRACEY. I am glad, sir, that you noted the latter; that you do get a lot of extra mileage out of the Coast Guard that not necessarily everybody else produces.

I think the best way to answer your question is to describe the process we use to analyze the effect. Frankly, when we started into this thing we realized it was a big number—but the question was, how big? We have been struggling with, what does it mean and how can we explain it? We will maintain our fleet of high-endurance cutters. We would not lay up any of the 12, 378-foot high-endurance cutters. We would not lay up our 210-foot cutters class. We would make selective reduction in other areas.

The problem is, if you are going to save money, you have got to reduce people in the Coast Guard. There is no other way to do it. You can tie everything up for a year and not sail or fly anything, and the fuel money that you would save and the maintenance money simply wouldn't even come close to a figure like this.

We are a very personnel-intensive organization in that it takes people to do what we do. One-half of our budget is in people costs. So what we did was set out to see where we could find the number of people that will produce the kind of money we are talking about, and where we could find them in ways which are not going to destroy the basic character of the Coast Guard. That will have us doing what we do in less places at a less level of service, but still doing the basics. And what I described is what we wound up with.

If, perish forbid, we should be forced to go ahead with this, the execution phase would, I guess, perhaps have some different things or different levels as we get down to, is this really practical? We think we have focused on it.

One thing we haven't talked about in here is that there are marching orders in our bill which tell us that we must continue to spend at a given level in drug law enforcement. You may remember I said we are going to take helicopters off the ships; we are not going to use the aerostats. And every one of these ships is involved in the Drug Enforcement Program in one way or another, and every one of those aircraft, too, although some more than others.

There is no possible way to reach this level of cuts without getting into that Drug Interdiction Program, so we have no choice but to violate that Senate direction. Frankly, if we were to hold sacrosanct that guidance not to touch the Drug Enforcement Program at all, I don't know what we would do. I don't even think we can do what we have described.

Mr. HARTNETT. Admiral, you mentioned eliminating three out of your five icebreakers.

Admiral GRACEY. Yes, sir.

Mr. HARTNETT. Would it be better to eliminate two and reduce by 5 or 10 percent the crewmembers on the remaining three—

Admiral GRACEY. No, sir.

Mr. HARTNETT [continuing]. Than to eliminate three icebreakers altogether?

I find it hard to believe that an icebreaker couldn't operate with a 5-percent less crew or a 10-percent less crew; or that your strike teams that deal with oilspills and all, you eliminate two out of three.

Couldn't you eliminate one and reduce, by the number of men on the other two, five or six?

I really think—I don't doubt that the Admiral has a very difficult job in determining what must go and what must stay—but I really think, Admiral, for us to believe \$200 million buys all that Coast Guard effectiveness is somewhat of a scare tactic. It seems to me that for us to believe 60 percent of our strike team, 60 percent of our icebreakers and probably 50 percent of our aircraft are going to be grounded because of a \$200 million cut, I just find that very, very difficult to believe; I really do.

I mean, I just think that we could shuffle our figures with personnel and dollars around a little bit better, and maybe only do half of what you say we have to do here. I don't question the Admiral's ability to do what he is doing, but maybe these people that are advising you just aren't using any common sense, Admiral. That is what bothers me.

Admiral GRACEY. This is the place I usually light my pipe. Sir, you have lit my fuse.

The people I have working for me have busted their blasted humps to give you a realistic picture. We are not generating scare tactics here; I won't try to tell you there is not something in here that may not be exactly the right thing; you can juggle this thing until you are green in the face—but one thing, sir, that is always brought up when we get to phase 1 of these kinds of situations is the suggestion that we just take 10 percent across the board and let the troops there work a little harder.

Doggone it, sir, we are already below strength. The Chairman here has put a floor—the House of Representatives and the Senate, the Congress, has put a floor on the Coast Guard of 39,150. We haven't even been close to it for 3 years. We are under it. And we do not have a great abundance of people out there sailing around. Some of the ships have more people on them than others. It is not because we are fat; it is because they are old ships and the kind of equipment we have got—we don't have automation—it takes that number of people to operate them.

We are trying like a son of a gun to save everyplace we can. We have already been cut something on the order of 2,000 people in the last 2 years—in anticipation of so-called economies in the future.

When we get faced with this kind of reduction, you say you are asking me to go out there and say we will just shut down one icebreaker and then we will tell the other crews you just go down there to the South Pole with 10 percent less people, and it is OK if you just work harder. Well, I won't do it, sir! I flat-out won't do it! That is wrong.

Nobody is over here pulling wool over my eyes, I will guarantee you. I have been in this business a long time. In fact, I used to be in the planning and programming and budgeting business. I have

been the OMB of the Coast Guard. I know what is going on. And the chairman will tell you, and I think the other members will, too, that we are not in the practice of pulling windies. The Coast Guard doesn't do business that way.

We are telling you the facts as best we can see them. We are trying to protect as many things as we can. We have tried to protect the essence of the Coast Guard and do a minimum of damage.

There is no way—I mean, you can say, well, don't lay up 23 patrol boats; lay up 22. OK, they are all estimates. It all hinges on when you release the people anyway, frankly. Those numbers are geared to an assumption of getting rid of the people in time to save 6 months pay. No way! We have had to look at something on the order of \$300 million so we could work our way back to \$200 million, because we are only going to get a part-year benefit. If it is not restored next year, then we will do some more juggling.

You are talking about spending a sizeable chunk of money just to lay these things up and to pay the cost of getting the people out of the service. It is a very complex business. And we do things in a lot of different places in a lot of different ways.

You will remember I said we were going to reduce more marine safety offices. I said the remaining ships are going to be cut down 30 percent in terms of operation, not personnel. We will make savings where we can.

The past year, we cut 250 people out of Coast Guard Headquarters and the district offices. We have cut support people all over the place. I can't remember the number now. Training personnel were cut. We are going to more effective kinds of operations wherever we can, because, Lord knows, that is how we have survived over the years, is by doing that sort of thing.

You get to a point when it is time to cut, and I am not going to do it on the backs of my troops. Doggone it, I won't do it.

Mr. HARTNETT. Admiral, I have trespassed on more of the committee's time than I should, and I do commend you for being quite a great public servant. But I still tell you, this gentleman—and I am sure that many of the people I represent, many of the people that my colleagues represent, are going to find it extremely difficult to believe that the effectiveness of any Federal agency would be as drastically reduced as you have outlined for us here today, with a 12- to 13-percent cut in their operating budget. I am just telling you that is a very difficult thing to understand.

I know you are very people-oriented, intense, and that type of thing. But it is very difficult for us to understand that a 12- to 13-percent cut in operating budget could have such a dramatic effect on your effectiveness as a Federal agency.

Thank you very much.

Thank you, Mr. Chairman.

Admiral GRACEY. Sir, if I may, you are absolutely right. We talked a great deal in the course of the last 3 days as we tried to work out what in the world does this mean.

One of the things we talked about is, it can't be. It is 13 percent, and we can't possibly have that kind of a reduction—we said that to ourselves. We said, how are we going to explain it to the Congress? They are going to want to know. How are we going to ex-

plain it to our own troops? How are we going to explain it to the public we serve? We wrestled with that very question.

We have been struggling to try to put into words exactly what it means and why it means it. You are absolutely correct, but all I can tell you, sir, is that is the best we can come up with.

Mr. HARTNETT. Thank you.

Mr. STUDDS. I am surprised you didn't point out the Secretary of Defense has stated that a 3-percent increase in his budget would be fatal.

Admiral GRACEY. I would accept it if he doesn't want it, sir.

Mr. STUDDS. I understand.

The gentleman from Delaware.

Mr. CARPER. Thank you, Mr. Chairman.

I just wanted to see if I have this straight, Admiral. Thank you for joining us today.

I think you mentioned that about 50 percent of your budget is people costs. Is that 50 percent of \$2.5 billion, or 50 percent of \$1.7 billion?

Admiral GRACEY. No; it is 50 percent of \$1.7 billion. And we do have some in R&D and reserve training. That was 50 percent of our operating expenses.

Mr. CARPER. Fifty percent of \$1.7 billion is about \$850 million. If the \$200 million saving were to come strictly from reductions in people, that would be almost a 25-percent reduction in force.

I presume you are not going to take it solely from people. But let's just say that instead of reducing your civilian force or your workforce by 25 percent, let's say you only do half of that. That is 12 percent.

How do you go about laying off people who are on active-duty in the Coast Guard? What is the process there?

Admiral GRACEY. That is what I mean when I was saying to Mr. Hartnett that I don't know whether we can do it. But what we would have to do would be to turn off recruiting, or turn it way down. We would be very hard on who could reenlist. I don't know how. We would have a military RIF—reduction in force. We would go and get all the military people whose performance level is below a certain level, as we did in 1982, and say, "You have got to go home. We are going to pay you what the Government is obliged to pay you when we break our contract with you, and we are going to send you home."

That means a lot of people who joined in good faith hoping to serve their country and look for a career in the Coast Guard won't be able to continue to serve. That is the only way to do it.

Of course, there are civilian personnel there as well, and there are RIF procedures for civilian personnel, reduction in force procedures, and we would get into that kind of thing, as well. It is not just military people who would have to be released. It is civilian employees, as well.

Mr. CARPER. How do the RIF procedures work for active duty personnel?

Admiral GRACEY. For an active duty person? You mean military? I can't go into detail on the procedures, because I don't know them all. But essentially they are discharged for the convenience of the Government; that is, enlisted personnel. With officers, it is a little

different and you have got to go through a complicated process. And I don't really know all the intricate details.

But the bottom line is, we have done it before and we can do it again if we have to. But it will be horrendous and expensive. A rough estimate is that it will cost us about \$20 million in exit costs that we have to pay people because we are putting them out early.

Mr. CARPER. Separation pay, that sort of thing?

Admiral GRACEY. Yes, sir.

Mr. CARPER. Can you refresh my memory, please, on how the appropriation bill that passed the House, the transportation appropriation bill, how that affects your budget for the current fiscal year, for 1986?

Admiral GRACEY. It was at approximately the level of the President's budget. In operating expenses, it was down \$15 million below the President's budget, and it is the 1.7-and-change-billion-dollar level we are at.

The Senate had been talking about adding some more people and some other kinds of things. So this caught us very much by surprise. Up until now, the Senate has been—and I think the Senate as a whole remains—totally supportive. As I said earlier, I think what we are caught in is a by-play between the budget resolution process and the appropriations process.

Mr. CARPER. Did you mention that the reductions that might result from a \$200 million cut might affect strike teams?

Admiral GRACEY. Strike teams, yes.

Mr. CARPER. And those strike teams do what?

Admiral GRACEY. They are pollution cleanup experts. We have got some of them over in Somalia right now helping with that shipload of hazardous chemicals that sank there. They work all around the world, but they are primarily focused on the United States, of course.

Mr. CARPER. Do you have a strike team or a portion thereof that has been working on the Delaware River?

Admiral GRACEY. Yes; a whole number of personnel. But the Atlantic strike team was called in.

Mr. CARPER. I would just like to express my gratitude and that of the people of Delaware for the work that has been done. We have a terrible mess, and we still have a mess to be cleaned up on the Delaware. But for those people of yours who have contributed toward reducing the dimensions of that problem, I just want to say thanks.

Thank you, Mr. Chairman.

Mr. STUDDS. This might be an appropriate time to be more specific about the cuts you anticipate in South Carolina, but instead of that, I will go to the gentleman from Georgia.

Mr. THOMAS. The gentleman from Georgia is certainly concerned about specific cuts for the coast of Georgia.

Admiral Gracey, it is good to see you again.

Thank you, Mr. Chairman.

Admiral Gracey, as I understand it, you will be required to continue to spend in the area of drug interdiction at the same levels. Did I understand you correctly?

Admiral GRACEY. That is the word, I think, sir, but we are just not going to be able to do it. We cannot do it.

Mr. THOMAS. That was my point. How would you clearly separate out or flesh out what you are spending in areas of drug interdiction? And would you do this geographically? Would you do it on the basis of what kind of interdiction has occurred in certain stations or what the role has been? Is it specific items in your budget that you can identify?

Admiral GRACEY. It is all of the above. The chairman spoke in his opening remarks about the complications of reaching some unanimity on how to go about it, what should be contracted out and what shouldn't and so forth, and I mentioned that one of the things that complicates is our multimission nature.

We have a terrible time explaining, sometimes even to ourselves, what we are talking about, but when you have a multimission ship, you have to decide how you should allocate the costs of the operation of that ship to the different programs, different things that are done. Over the years we have developed a system of cost allocation which is based on the number of hours that are spent doing a particular type of mission or what the primary purpose was for sailing in the first place.

If the ship has sailed on a rescue case but has broken off for drug bust, then we will allocate that time between both. At the end of the year we will say that ship performed x percent of its time on search and rescue, y percent on drug enforcement, another x percent on fishery enforcement, and z percent on defense readiness, for example.

There is no nice, neat, clean way to compute that with a number like you have got to spend so much in a given program, we are just going to have to figure out what kinds of ships and aircraft we can apply to it, and how much of their time is applied to it, and try to make it come out right at the end.

Part of that involves planning, but you know the old saying: "Planning is what you do while you are waiting for circumstances to take effect."

Mr. THOMAS. My question, I guess I was thinking as the gentleman from South Carolina was questioning you, that possibly when he spoke specifically of the disproportionate number of icebreakers and so forth, that would be totally discontinued, and a few of the other things, I wondered maybe if this requirement that you continue to spend the same amount on the drug interdiction effort, if that could throw things out of kilter, and could lead to the loss of service that he seemed to recognize as being an incredible amount of loss of service that would result as a small percentage cut as he put it, which when I look at the Coast Guard, and I have traveled with them, was in Alaska this year, had the chance to go to Kodiak Island, visit the installations in my district and others around the country, I never see any fat. I just don't see it. I don't see it in the way the equipment is installed. I don't see it in the way the personnel is housed. I don't see any fat in the Coast Guard budget.

Admiral GRACEY. There is no fat, sir, I will guarantee you.

Mr. THOMAS. This is my impression. It certainly has been from watching my entire coast of Georgia as dependent as it is on the services provided there, and we haven't seen it, and I know you and I have had some very lengthy conversations with some very

small services that have been rendered that you have worked very well with us on.

Let me just take this one step further. Could you tell me out of those three air stations that would be closed, do you know if specifically the station at Hunter Army Air Field in Savannah is one of the stations that might be closed, or would it be affected?

Admiral GRACEY. That is certainly one that we would look at.

Mr. THOMAS. For closing or for reducing?

Admiral GRACEY. For both or either, sir, but at the moment it is not one of the ones we are focusing on.

Mr. THOMAS. How and when will you? When could we be given a printout of what you have outlined to the committee here that specifically as to where these cuts would occur and how they would have to occur?

Admiral GRACEY. We know today.

Mr. THOMAS. When could that be made available to us?

Admiral GRACEY. I was hoping we wouldn't have to do it, and let me tell you why.

We are not trying to hide anything. I am hopeful that what Mr. Davis said and what the chairman said and what, I think, you all have in your hearts will pertain, and that is that this will never happen.

Mr. THOMAS. I share that sentiment and certainly hope so, but there is no such thing as certainty, absolute certainty up here.

Admiral GRACEY. That is right.

Mr. THOMAS. I don't want to wait on that other shoe to fall.

Admiral GRACEY. No, I understand; but we are trying to avoid having the Coast Guard personnel get all torn apart over this to no avail. There is no way we want to not tell our people what is happening, but we are happy to tell you what we are looking at. We would like to just make sure that the caveat is understood, that this is our best look in 2 days at what this kind of a cut really means.

If the committee asked the information we have today, obviously we will provide it. We always do.

Mr. THOMAS. I don't want to set something in motion that you don't want to do that you feel might be damaging, but I certainly think it would be helpful if I could give a certain Senator from our State a call and point out that the Coast Guard facility there on the island that he lives on was one of those to be closed. I think this might get his attention.

Admiral GRACEY. Frankly, one of the things I have been concerned about was the kind of inference that Mr. Hartnett made, and you will remember I stopped in the course of this and said to the chairman, "We did not single out the Rescue Swimmer Program because it is yours, Mr. Chairman." We don't want to have people feel that we have selected these items solely for congressional impact; not at all.

We haven't done that. We have tried to select them on a realistic basis. We can give you that information. I would hope the Senator you are talking about would not feel disinclined to step up and be counted solely because his island didn't happen to be affected.

Mr. THOMAS. As the Senator wouldn't point that out, I would point that out, Admiral Gracey.

Thank you. I didn't mean to complicate your already complicated job. You have my support.

Mr. STUDDS. We have had nothing but trouble since 1787 when the people in Philadelphia decided that in order to get the concurrence of a small State, it was necessary to have a Senate. Actually, I would be interested in a breakdown in the States of New Hampshire and Texas and South Carolina I think, at this point, the Gramm-Rudman-Hollings crew might be more than a little bit interested. In fact, that probably reminds me a little bit of a group of terrorists sealing the Hall in Philadelphia in 1787 and saying, "OK, you guys, you have got 48 hours to write a constitution."

God knows what would have happened had they had their way at that point.

This committee, as you know, Admiral, is doing its best as it always does to uphold the Office of Management and Budget and the President, who requested only a small real cut in the Coast Guard's budget for this fiscal year. I think it is important to realize, all of us, that the cut recommended by the Senate Appropriations Committee is almost \$200 million below the Reagan-OMB request, which has not been noted characteristically generally for its generosity, to put it politely.

You have done a model job, I think, in restraining yourself. The record will reflect the loosening of your tie and the rhetorical lighting of your pipe. I appreciate both your calmness and the relative lack of saltiness in your remarks.

At sea, I suspect, you could have addressed it in a more appropriate fashion.

Let me suggest that perhaps we could get to the announced purpose of the hearing at this point. Does the gentleman from Florida have a question on this subject?

Mr. HURTO. Yes.

Mr. STUDDS. We do have to get to the subject that we said we were coming together on today.

The gentleman from Florida.

Mr. HURTO. Just briefly. Thank you.

Admiral, can you tell me what percentage of the Coast Guard is contracted out on A-76?

Mr. STUDDS. I will say to the gentleman, we haven't gotten to that subject yet. We started this—the only thing we are addressing so far is the Senate Appropriations Committee's cut of some \$200 million in the Coast Guard budget. We are about to begin the hearing on the subject which you thought we were here to discuss.

I don't blame you for being confused. We will start that right now, unless the gentleman wishes to ask a question on the Senate Appropriations Committee's actions. That is what has been discussed to date.

Mr. HURTO. Let me ask one question.

In the Defense Authorization Conference Report which relates to this, if we ever get it past the House, as you know, we have provided some funding for the Coast Guard on drug interdiction. Are you familiar with what the Defense Authorization provides on that?

Admiral GRACEY. In general, sir.

Mr. HURTO. As I understand it, the Coast Guard has authority to board vessels and make arrests and so on, and our purpose was to

allow the Coast Guard, under the posse comitatus amendments, to assist in drug interdiction.

If you don't have specifics on how you would implement that, I will withhold until another time.

Admiral GRACEY. I would like to comment for the record.

I think you are talking about the amendment which would provide 500 personnel for the Coast Guard.

Mr. HURRO. Yes, sir, that is correct.

Admiral GRACEY. That is not to permit the Coast Guard to work under posse comitatus, because posse comitatus does not apply. That was offered, as I understand it, in lieu of a proposal to have the Navy get directly involved in enforcement at sea.

Mr. HURRO. And the Navy doesn't have the authority that you have.

Admiral GRACEY. That is correct, so this amendment would be to put Coast Guard personnel or Navy ships—we are doing it already by the way. This would give us 500 people to put more Coast Guard law enforcement detachments on more Navy ships, so we could stop more vessels at sea from Navy vessels, but it has to be Coast Guard people that do it. We are the only ones that have the authority.

We have not yet worked out the exact way we would implement it. We will. We do have what we call law enforcement teams now sailing on Navy vessels. They have seized some 20 or so vessels operating off of Navy ships so far.

Mr. HURRO. Good. I think that will be of help.

Mr. Chairman, of course that would be coming from another part, some money from Defense into the Coast Guard budget.

Mr. STUDDS. We are going to have a hearing in 2 weeks on this subject, the Coast Guard and military readiness in relation to the Navy.

Admiral GRACEY. I would submit though, Mr. Chairman, lest we have a mistaken impression on the record, those 500 people are not up for grabs. Those 500 are strictly for law enforcement and to the extent they are available to be put on naval vessels, I would submit it doesn't make an awful lot of sense to cut us \$200 million over here. There is also a provision in that bill that would add \$300 million in AC&I to buy us some hardware. What in the world are we going to sail and fly it with?

Mr. HURRO. I am not advocating a cut in your budget, but this would be additional funding for these. That wouldn't come out of your hide.

Admiral GRACEY. No, you are right. The provision is to have it funded in DOD and to have the personnel transferred to us, and the funding transferred to us, and that is great. I am not shooting that down.

Mr. HURRO. And that would be additional personnel as I understand it. You would have to have—

Admiral GRACEY. Originally it was going to be over the floor. It was going to put us at 39,400. In the face of the \$200 million cut, we are going to be at about 33,200, so there is a big difference, and there is an anomaly there somewhere that we don't understand.

Mr. HURRO. Thank you.

Mr. STUDDS. Admiral, this morning's hearing will now begin. Perhaps if you are bothered by the contracting-out problem, the first people to let go would be those who do contracting-out.

As you know, the Coast Guard Authorization Act of 1984 requires the Secretary to provide to Congress a list of functions or activities which are expected to be subject to A-76 contracting. This would be submitted according to the law prior to the start of the fiscal year during which the consideration of the contracting is to occur.

One of the reasons we chose to conduct this hearing today, on October 9, is that we expected to receive the list of 1986 projects in accordance with the law prior to October 1. Unfortunately, we still do not have the list.

Can you tell us why?

Admiral GRACEY. Well, the list was submitted 2 or 3 days ago, sir. And I can't tell you why, except that it just didn't get done. I don't know what the ramifications are.

I have asked Admiral Kozlovsky, who is our comptroller and who oversees the operation of the A-76 program, to join me at the table.

Admiral KOZLOVSKY. Mr. Chairman, as you will recall, when that provision was enacted it applied to both fiscal years 1985 and 1986, and it was enacted after 1985 had begun, so that submitting the list prior to the fiscal year in 1985 was a moot point.

Regrettably, at that point we put together a list and sent it up here late in the fiscal year; and this year, I suppose relying on last year and not having a budget yet, we fell into the same trap.

It is our mistake. You should have had the list before the beginning of the fiscal year.

Mr. STUDDS. One of the functions intended to consider for contracting is the loran/omega system presently requiring 551 positions. The Coast Guard, in a letter to me on the subject, mentioned the fact that the Canadians operate the loran system with satisfactory results.

Do you know, by any chance, how the average operating costs of the Coast Guard Loran Station compares to the average cost of the Canadian station operated under contract?

Admiral GRACEY. I don't know the answer to that, Mr. Chairman. I would have to provide that for the record. I am sure we could find out.

Some of the stations the Canadians are operating are part of a joint chain that we operate. We are actually contracting stations in a number of parts of the world. Many of the European stations are done on contract or host nation agreements, not just the Canadians.

Mr. STUDDS. How easy and how expensive do you think it will be for a private contractor to provide living accommodations for employees in the loran stations operating in areas either very remote or very expensive to live in, or both, such as Attu Island, Caribou, ME, Nantucket, Iwo Jima? Isn't it easier and cheaper to fund military personnel to accept positions in already available housing than to expect a private contractor to find people to go to those places and to pay their living expenses?

Admiral GRACEY. Over the years it has occurred to me that there is always somebody who is willing to do almost anything for pay,

and enough pay, and I would guess the contracting people will sleep in the same places that Coast Guard people sleep now, until such time as the contractor finds a way to build family quarters. Most of the places where that is possible we have tried to do it.

Mr. STUDDS. You provide Government housing for them?

Admiral GRACEY. For the contractors? They will live in the barracks that are there. They will just be a substitute for our military personnel.

There are a number of different variations on how that goes. In some places we have Coast Guard-owned housing, and the contracting people, I presume, would live in there and pay rent to the Government. In those places where we don't have that, and it is isolated duty, then I assume the personnel would sleep in the same barracks rooms that our people sleep in.

Mr. STUDDS. Until such time as GSA excesses.

The defense authorization bill for 1986 contains a provision which would require each Defense Department armed service or agency to identify what are called core logistics functions, which would then be exempted from cost comparisons under A-76. I gather the theory is that certain functions that may not be inherently governmental in nature are nevertheless so important that the effective functioning of the military service, it would be prudent to exclude them from consideration for contracting.

Do you believe the concept for excluding the core logistics functions of the military service for contracting is a reasonable one; and if so, do you believe our committee at least should consider including similar language in next year's Coast Guard authorization bill?

Admiral GRACEY. We have got some activities that are similar to the kinds of functions they are talking about, Mr. Chairman—Coast Guard yard, the Aviation Repair and Supply Center, for example—and we are taking a look at the activities on that to see if it might require such a provision. We think we could work through the Secretary of Defense; that is, we could be instrumental in having the Secretary of Defense and Secretary of Transportation work together to have those facilities included.

At the moment, as I understand it, that legislation talks about management—management personnel, facilities, and equipment only—and does not exempt workers, but apparently there is a move afoot to add that in.

The bottom line answer is, I am not sure I can give you a definitive answer as to whether it is a good idea. We think they are important assets in the national industrial picture, and certainly they are vital assets in our picture. Whether that fits the core logistics functions guidelines, I am really not prepared to say.

Mr. STUDDS. The gentleman from Florida.

Mr. HUTTO. Let me ask, if I may, Admiral, the question I asked before. At this point, what percentage of your Coast Guard functions are A-76?

Admiral GRACEY. Let me see if I can remember the numbers in my statement. We have done 16 activities. It is less than 1 percent at the moment.

Mr. HUTTO. Do you feel like most of the Coast Guard functions are inherently governmental?

Admiral GRACEY, No.

Let me qualify the "no." Many are, but many are not "inherently governmental," as the term is used in the A-76 process. The end product of most of what we do is inherently governmental, but a lot of the processes of getting there are not. They are the kinds of things that are done routinely in the private sector—providing meals, maintaining grounds, repairing things. But the end product of the boat that goes out on a rescue case, yes. In our Government and in our national philosophy, I think, that is governmental, although we use everybody.

Certainly, law enforcement, certainly defense readiness, and, again, all our boats, aircraft, and ships are involved in those things. And they are clearly inherently governmental.

Mr. HUTTO, Yes.

Well, there is no question that there are some functions that could better be contracted out. But in the military and all of the services, I think, there have been a lot of cases where functions have been contracted out, and I think the base commander essentially loses control.

From what I hear, some of these functions that have been contracted out haven't worked too well, while others have. I think the previous question of the chairman about what has happened in the defense authorization bill regarding core logistics—and the gentleman from Alabama, Mr. Nichols, has been very much interested in identifying core logistics, which should be maintained in-house, and has had a great deal of difficulty getting from the Defense Department a list of these functions that they considered to be core logistics, but has had some success in it. And I would certainly go along with what the chairman mentioned, that in looking at our budget for next year, I think, it would be helpful, it seems to me, to the Coast Guard Subcommittee, to have some input on those functions that you feel should be left in-house, in order to provide you with the capability both in peacetime and in case of an emergency. I think it would be helpful for us to know that.

Admiral GRACEY, I am sure it would.

I would like to pick up on one point you said, if I might, Mr. Hutto. You talked about A-76 and the commanding officer losing control.

Mr. HUTTO, Yes.

Admiral GRACEY, One of the things that we have been criticized for in some quarters has been not going fast enough and far enough in this particular A-76 process. You may remember I said we were starting out slow, and we are now ready to move. We wanted to make very sure that the prototype contracts we were putting together here at headquarters for the field to emulate had built in some very careful safeguards about that factor.

The commanding officer may lose some flexibility; undoubtedly, he does—the flexibility to say, "I want to take my five gardeners or my five whatever and today I want them to do something else." He loses that kind of flexibility.

But in terms of control, no. Contracts properly written won't cause loss of control.

Mr. HURTO. Yes, but, I think, you mentioned a few minutes ago that there are certain things that are inherently governmental, and that you would need to maintain control.

Admiral GRACEY. You will remember I mentioned the loran station. We are keeping the basic command and control, the monitor stations and the command and control. The chain control officer is going to remain military. And we are not talking about A-76 process for any ships, boats, airplanes—operating units of that sort.

The aids to navigation contracting trial we are doing because we were directed to do it. We think there are probably some areas where it may have some benefit, but it does have the risk of eating into our buoy tender fleet. That fleet provides midrange training, excellent training grounds for officers. More than training, getting experience.

They are invaluable assets in our maritime defense zone and coastal defense operations. Many of them have wartime assignments overseas. We just won't let it happen that they get tied up or lost or turned over to somebody else, because, we think, it would make a major dent in the capability in this country.

You can't say nobody in the world knows how to set a buoy but a military person. Obviously, that is not true. But you have to take a look at what else we do with those ships. What else do those military people do? They save lives. If they are out there working a buoy and somebody runs by with no lights on at high speed and checks against our keep-an-eye list, they will seize them, if they are carrying drugs. A private contractor can't do that.

So, you are going to lose all those kinds of things. That is why we are saying we want to go slow and make sure we don't get in too deep before we realize what we have done.

Mr. HURTO. Yes; I would advise that.

Thank you very much, Admiral.

Thank you, Mr. Chairman.

Mr. STUDDS. Admiral, according to the 1986 Coast Guard budget, \$3.7 million will be saved during this year in Coast Guard operating expenses as a result of A-76 contracting. This is based, according to the budget, on an anticipated savings of \$6,000 per position eliminated through the contracting process.

First of all, do you believe this level of savings will be achieved?

Admiral GRACEY. Yes, I think we will. We have now got this thing moving along and we don't have any reason to believe we won't.

Mr. STUDDS. Who developed the assumptions on which—

Admiral GRACEY. I am sorry, Mr. Chairman. We have got a new figure. It has been cut in half. It is \$1.75 million, because there was some \$2 million in the House version of the 1986 appropriations restored because you were kind enough to give us some of those people back.

There is a different figure. We are shooting at \$1¼ million at this point.

Mr. STUDDS. Section 14 of the Coast Guard Authorization Act of 1984 requires the Coast Guard to notify the Congress in advance of plans to contract out functions under the A-76 process.

Does the Coast Guard believe this notification process is working in an acceptable manner, or is it viewed as unnecessarily burdensome or a waste of effort and time?

Admiral GRACEY. It is working just fine, Mr. Chairman.

Mr. STUDDS. You wouldn't have said otherwise, anyway.

Admiral GRACEY. Sometimes I am outspoken.

Mr. STUDDS. It is OK.

Admiral GRACEY. Really, it is fine.

Mr. STUDDS. The Coast Guard Authorization Act of 1982 included a provision authorizing but not requiring the Coast Guard to enter into contracts with the private sector for the establishment and maintenance of aids to navigation. It also required a report that was long delayed evaluating the pros and cons of contracting aids for navigation services.

This provision was based on testimony from private companies exhibiting an interest in carrying out aids to navigation services under contract and on recommendations contained in the Transportation Department's Coast Guard roles and missions study, the Grace Commission Report, the NACOA study of the Coast Guard, and on this committee's own report. As a result, the Coast Guard is now pursuing a small-scale experiment in what it calls noncritical waterways.

This experiment has been criticized by the private sector for being too little and too slow. And the House recently approved a bill reported by this committee that would prohibit most types of contracting with respect to the New Jersey Coastal Waterway, as you well know.

Does the Coast Guard believe it is operating under a clear congressional mandate on this issue, or is the Coast Guard as confused about this as the Congress seems to be?

Admiral GRACEY. We thought we were clear on it, Mr. Chairman, until the Congress passed the bill on the New Jersey waterway, and now we are not sure. We received some letters from a group of Congressmen who said it was not the intent of Congress to do that—I replied that wasn't the way we read it. They came back and clearly said that it was not the intent of Congress. So at that point I said, "Wait a minute, let's find out what the intent is." And then the exception came down, and we thought, well, maybe the intent was clear, and we are really just going to take an exception here. We think it is clear, but, frankly, I am confused about whether it is clear or not, sir.

Mr. STUDDS. Admiral, I am just appalled by your suggestion that this Congress does not always speak clearly. I don't see why you have difficulty understanding.

Admiral GRACEY. I took the total blame on myself for not being able to understand it.

Mr. STUDDS. Just, for example, as you well know, this Congress is committed to no increases in taxes, to increases in spending, and to balancing the budget. This is perfectly clear, it seems to me. I don't know why anybody could be confused about that.

Do you think that all of those studies—NACOA, Roles and Missions, the subcommittee, the Grace Commission, et cetera—were right or wrong to suggest that a serious experiment in aids to navigation contracting would be worthwhile?

Admiral GRACEY. I would certainly be masochistic if I suggested that the Semi-Paratus Report was flawed, sir. You already know that I think parts of it were.

No; I don't know what you mean by a serious experiment, because we think we are doing that. A major trial would be a mistake. I think we ought to feel our way.

I read back through those things. I see a lot of pussyfooting language that nobody was really willing, in any of those things that I could see, to come right out and say, "Damn-it, Mr. Commandant, contract that stuff out." They all said, take a look and see what you think. And that is what we have been doing. And we are going to try it in a couple of areas where the world won't end if there is a mistake made, and we will find out.

Mr. STUDDS. Admiral, you know perfectly well that language out of this subcommittee cannot possibly be characterized as pussyfooting. Constructively ambiguous, possibly.

Admiral GRACEY. I wish I had thought of that, sir.

Mr. STUDDS. Do I detect a certain lack of enthusiasm on the subject?

Admiral GRACEY. I am not enthusiastic, frankly, because of my intuitive sense of the value of our aids to navigation buoy-tending capability—what it means to the service as a whole. It is more than just putting the buoy in the right place and keeping it lit and seeing that it is lit before you leave. It is making sure it stays there.

It is, when you have a hurricane, being able to restore an entire port, so that you can open it up in a matter of a few days. It is providing midgrade command at-sea experience for your officers, for your petty officers.

There is no greater seamanship development than on a buoy tender. I happen to have been a buoy tender skipper, so I am a little biased on the subject. They are a very valuable asset.

I think one of the things that makes me worry is that we have in the United States the largest, by far, aids to navigation system in the world, as far as I know, and you hardly ever hear anything about it. The people go about their work quietly, professionally. That system works. You rarely hear anybody that is in trouble because an aid wasn't in place. My people are so professional and do it so well and so competently that we make it look easy, and everybody thinks they could give it a go.

One suggestion that NACOA made was to contract out for the setting of aids, but then whenever anything goes wrong you guys go out and fix it. That means we are only going to work those aids when the weather is bad. That is like using your best relief pitcher only in the ninth inning of the last game in the World Series. You don't do that. The same with search and rescue.

Intuitively, I think it is a bad idea to go whole hog in contracting out or even to give it to some other agency. There is nobody around who knows how to do it, certainly nobody who can do it as well as we do.

Mr. STUDDS. I would say that was more on the constructive than on the ambiguous side. I certainly have never been able successfully to ascribe any of my groundings to misplaced aids.

We will let you go very quickly.

On another subject, the question of Coast Guard delegation to the American Bureau of Shipping has been, as you know, under review now for a number of years. On a very general level, would you say that the extended delegation at this point is about right? Has it already gone too far? Or do you believe additional duties could safely and appropriately be delegated?

Admiral GRACEY. I think eventually we will want to delegate some more. As of now it is about right. We have had some problems and we are working through some adjustments in relationships. The organizational relationships are very sound, but we are changing them a little bit, and we are trying to work that out. I think we are about right.

Mr. STUDDS. In your response to the recommendations of the Marine Board of Investigation report on the sinking of the *Marine Electric*, you stated that, "The Coast Guard is now conducting an in-depth review of all third-party delegations and the issue of proper oversight. Appropriate guidance implementing systematic oversight will be published in the Marine Safety Manual and incorporated in the Inspector Training Program."

Could you summarize the improvements made in the Coast Guard's oversight of ABS inspections as a result of that review?

Admiral GRACEY. The ABS involvement there was the load line, acting under the load line assigning authority. What we have done is this: We have issued a circular which provides guidance to those who are authorized to assign load lines, which requires that we be immediately notified of load line violations. We think that that would have made us aware of this situation earlier.

We have required that if someone has requested an extension for his load line investigation, the Coast Guard must be notified. We have issued guidelines for oversight of load line assignments, and we have met with ABS and others regarding the detailed requirements.

We are also developing oversight guidance for plan review and for vessel inspections.

Mr. STUDDS. As you know, in the case of the *Marine Electric*, the problem was not that you were not notified of a load line violation, but that the ABS inspector did not catch it, did not find it, see it, report it, didn't know it, wasn't aware of it, didn't look for it, missed it.

Admiral GRACEY. I am going to ask my marine safety expert, Commodore Kime, to respond.

Commodore KIME. Mr. Chairman, the Commandant mentioned that in addition to the Navigation and Vessel Inspection Circular that requires ABS to notify us of load line violations immediately, we have also instituted a program of oversight, and that has three important parts to it.

One is oversight of the issuance of a load line. The second is the periodic inspection, an oversight of the periodic inspections required, and it is during that phase that we would hope to catch the type of problem we had on the *Marine Electric*.

Third, Mr. Chairman, it would provide oversight of the requirement to report immediately. So, we think with this type of oversight, we would hopefully prevent recurrence.

Mr. STUDDS. Would that have made a difference in the situation as we understand it to have been with respect to the *Marine Electric*? How would you have caught it?

Commodore KIME. Mr. Chairman—

Mr. STUDDS. As I recall, everything was certified to be fine. The only problem was that they didn't look.

Commodore KIME. Mr. Chairman, we had delegated the load line assigning authority to ABS a number of years ago. This is not something that was delegated recently as a result of the recent law.

Mr. STUDDS. I understand.

Commodore KIME. There were no oversight provisions developed for that.

I think, in retrospect, that was a mistake. We have tried to correct that, and we do think that the oversight initiatives that we developed so far would have caught that.

As the Commandant has indicated, we met with ABS to discuss this particular issue so it doesn't happen again. And we also note that ABS has issued circular instructions to their surveyors, also.

Admiral GRACEY. I think the bottom line here, Mr. Chairman, is that we all learned some lessons from the *Marine Electric* sinking that one, and through the oversight and through both ABS' and our own efforts to tighten up the process, we think we have, and we are less likely to have a situation wherein an inspector will not see something.

Mr. STUDDS. The Marine Board recommended, among other things, that the captain and the fleet manager of the *Marine Electric* both be turned over to the Justice Department for prosecution in connection with their actions with respect to the operation of that vessel.

Has this been done, and what is the status of those prosecutions?

Admiral GRACEY. The Justice Department has turned the case over to the U.S. attorney in Virginia, and we fully expect that criminal action will be taken. But it hasn't yet.

Mr. STUDDS. I appreciate that.

Obviously, you can understand the concern. Over 30 lives were lost, and the lesson comes too late. We want to learn what we can from that.

Admiral GRACEY. I think just the very fact that we recommended prosecution in the findings has had a very salutary effect on the industry. I am surprised at the very positive reaction that action received. We didn't do it to get applause, but it has gotten a lot.

Mr. STUDDS. I appreciate that.

I thought you were going to have lunch.

The gentleman from New Jersey.

Mr. HUGHES. May I say to the gentleman from Massachusetts, he is still going to have lunch. It may be a little late.

Admiral GRACEY. Which gentleman from Massachusetts did you have in mind, sir?

Mr. HUGHES. They are all gentlemen from Massachusetts, may I tell you.

Mr. STUDDS. Without objection.

Mr. HUGHES. I just want to welcome the panel. I apologize for being late. But, as you know, we had a joint session of Congress and I did want to attend that particular session.

I have just a few areas of concern that I want to address. I don't want to be duplicitous. My staff advises me that many of my concerns have already been addressed, and I won't go over them, but I do have some concerns about the \$200 million cut proposed on the Senate side.

I just reviewed some of the areas where we would have to take the cuts. I am not sure what impact such a \$200 million cut would have on our drug interdiction program.

Can you enlighten me on that score?

Admiral GRACEY. I can.

Mr. HUGHES. Not that I am not impressed by what you would have to cut back in the other areas, because I am.

Admiral GRACEY. The record has a list of what they are, so I won't repeat them.

There is one thing on which I would like to expand, however.

It was in response to a question by Mr. Hartnett—which you didn't hear and didn't have the opportunity to see the histrionics that resulted on the part of the Commandant thereafter. I don't think I explained the facts very well to him, and I would like to explain to you. When you look at percentage cuts and you say \$200 million is only something less than 15 percent of your operating expense, how in the world can you get into the kinds of effects that I am going to describe to you in a minute? The reason that it has such a big effect and requires closing so many things, is that there are certain costs that go on.

There is a large overhead to running a force which is spread literally all over the world, and I use the word "overhead" advisedly. You have structures, you have facilities, and you have to pay the rent; you have got to do all those things. But, mostly, you have people that operate them. When 50 percent of our operating expense budget is people, to realize reductions you have to get rid of people. When you get rid of people, you have got to get rid of what they do.

One of the things I was concerned about when I got done here was our seagoing billets dropped from 24 percent of our personnel to 19, but our support billets went up as a percentage, meaning there are certain things that have to stay in place. If you cut down the things that they are overseeing by a total, you wind up with the relative percentages going up.

Now, to answer your question——

Mr. HUGHES. Before you do, I understand that, because I saw what occurred in 1981 and 1982 in that budget cycle, when we cut the Bureau of Alcohol, Tobacco and Firearms, which my own subcommittee oversees, in the Department of the Treasury, by such an amount that they didn't have enough to cover their fixed expenses. They had to recall agents. They couldn't make new cases. They didn't have money for gas. We were dismissing indictments in some areas because agents didn't have travel funds.

I mean, it was a most ludicrous period of time for that agency, because when the programs were cut and the personnel had to be cut and we had to cut everything except those fixed items—the

rent, the light, the other things that had to be paid—there wasn't much left to the program.

Admiral GRACEY. If you start from the assumption, as we did, that you want to maintain the basic character of your organization, and you are just going to try to make it smaller and reduce the scope, and where it operates—

Mr. HUGHES. It is something we have never recovered from, and people don't talk about it. BATF, as you know, has arson, fire, and explosives missions which are extremely important. We have never recovered from those draconian cuts. There were five RIF notices that went out during that period of time, and we lost dozens of agents who didn't want to put up with that in the Department.

As a result, we have compromised much of our capacity because of those cuts, and I have no doubt but that you would feel the same impact—

Admiral GRACEY. Indeed, we would.

Mr. HUGHES [continuing]. By these cuts:

Admiral GRACEY. Indeed, we would.

Now, on the subject of drugs, which is what you originally asked. The marching orders in the basic background of the Senate action—not this particular action but in the appropriations bill—is that we must continue to spend not below a level of \$328 million in the field of drug enforcement. So, if you take that at its face value, what that means is that you are taking your \$200 million not from \$1.7 billion but now from \$1.4 billion, so it becomes an even higher figure.

We found simply with our multimission ships and airplanes there was no way that we could not impact on the drug enforcement program. Essentially, we found a high dollar item with a low impact on personnel was the aerostats, and we just don't see any way to continue those.

We have earmarked an assortment of vessels and aircraft for potential cuts that would minimize the damage, or make the damage not totally irreparable. Without them we will probably do about 75 less drug cases out of 374—about 20 percent less.

Last year, we seized 221 vessels. On a straight percentage basis, we would lose about 40 seizures. This is really not a valid approach, but it is applying percentage cuts to last year's results. If you must cut your capability down, you have got to assume that the results will go down, as well.

Last year we had 828 arrests. On a percentage basis there would be 166 fewer after the cuts. From 1.120 tons of marijuana about 225 tons less would be seized. Proportionally less cocaine would also be stopped.

The bottom line, we are talking about one high-endurance cutter, which has a large role in drug interdiction. The rest of the high-endurance fleet will stay in operation, but two-thirds of them are on the west coast. We would probably have to move some of them around to the east coast, because that is where the big part of the drug interdiction program is. Such a move would impact on the fisheries and so forth on the west coast.

Thirty-eight percent of our medium-endurance cutters would go. They are all involved in either fisheries enforcement and drug enforcement and, of course, rescue work. About 30 percent of our

patrol boats would go, and they are the real workhorses in this business. We would try to spread it around so the impact would be less in the high-density drug enforcement areas, but there is no way to avoid that.

We just made a bust in the Northeast, a big one, and they are showing up all over the place these days.

We would not double-crew some of the boats we have; therefore, cutting in half their capability. And all the ones that are left are going to run 30 percent less time.

Mr. HUGHES. How are you going to provide the tactical units that are called for in our modification of the posse comitatus law, which I happen to support? I think the conference agreement is far superior to what came out of the House. I think the House provision is flawed. What it calls for is tactical units on those vessels.

How are you going to do that?

Admiral GRACEY. Tactical units on naval vessels?

Mr. HUGHES. Yes, naval vessels.

How are you going to be able to man that with cuts of that magnitude? How are you going to be able to carry out the intent of the Congress for new tactical units on Navy vessels when you don't have enough personnel to man vessels that you should have out patrolling on their own?

Admiral GRACEY. I commented a little earlier that it seems like kind of a bizarre anomaly that we are going to add 500 people who will go to sea on Navy ships at the same time that we are taking out 6,000 that go to sea on Coast Guard ships, fly in Coast Guard airplanes, et cetera.

Mr. HUGHES. It doesn't make sense to me, because you can't chase the average cigarette boat with a destroyer or an aircraft carrier. So what we are doing is a reallocation; we are going to put more tactical units onboard Navy vessels.

I think you would agree that not every vessel is a prime candidate for a tactical unit, and that is not the best way to use resources. In some instances, it is; in some instances, it is not. But those that are trafficking have high-speed vessels. Even Coast Guard vessels have a hard time catching them from time to time because of their speed. So we end up with the worst of all worlds at a time when we are going to have more contraband coming into the country. It is out of control in South America right now, particularly Bolivia.

Instead of reversing course, we should be committing more resources because, as everybody knows, law enforcement is a labor-intensive task. So we are going to commit more resources at a time when we expect an increase in contraband, particularly from South America.

Admiral GRACEY. I think, Mr. Hughes, that the two issues of the 500 people versus the \$200 million reduction were never married in the process. As I understand it, that the \$200 million runs along with \$300 million reduction for the Federal Aviation Administration.

The two of us make up the \$500 million that Function 400 was over the mark. I think we are caught between the budget resolution process and the appropriation process, and I don't think anybody analyzed this. The effect is exactly as you describe.

I would say, however, that the 500 people that would be put on Navy vessels—we are already putting tactical teams on some Navy ships, as you know—with the idea that Navy vessels would then have someone there on scene with authority to do a boarding and to make a seizure—not necessarily that they are going to chase them down.

One of the things that Mr. Hutto asked about was how we were going to apply that. I mentioned that we had to work with the Navy. One of the things we have to do is to talk about different ways of deploying Navy vessels and the willingness to stop. I am sure it will come, but the intent is not to chase down cigarette boats with destroyers.

The cigarette boats and these kinds of things that you are talking about, absolutely you cannot do it with the resources that we are going to put on naval vessels. They are designed to be doing their thing at sea, and see somebody that fits a profile or on which we have intelligence, and stop them. We will board and do our thing at that point.

Mr. HUGHES. I think the impact on interdiction is going to be far more than you have suggested.

Admiral GRACEY. From the cut?

Mr. HUGHES. There is a direct relationship between the risk of being arrested and the trafficking. As the amount of money to be made from trafficking in drugs increases, and the deterrence—that is, the risk from arrest and interdiction decreases—you see an increase in that activity.

Admiral GRACEY. Absolutely.

Mr. HUGHES. So the impact is going to be far greater than just the additional resources you are taking away from that interdiction mission.

Admiral GRACEY. I agree entirely; the deterrent effect of having ships sailing out there, being seen, being known that they are operating in a given area, knowing that the aircraft overfly in a certain number and fly regularly and are seen flying regularly.

Mr. HUGHES. There is always hope that the other body will come to its senses.

Admiral GRACEY. We are keeping our faith up on America, sir.

Mr. HUGHES. Let me ask you, on another area, a little more parochial, on aids to navigation—we are allowed just one question on parochial matters, as I understand it, Mr. Chairman.

Mr. STUDDS. A little less than one.

Mr. HUGHES. I understand you have already covered this area. We have given confusing signals, I think, to the Coast Guard on contracting out aids to navigation, and I just want to make a couple of suggestions.

First of all, I am sure you are aware that the committee did pass, at my request, some language which would take out the intercoastal waterway in New Jersey from one of the five areas. I never understood why that area was selected. That is a very busy artery. It is the host for a billion dollar industry, recreation and commercial fishery. We have major shoaling problems as it is.

We never maintained that waterway to the depths to which the Army Corps is supposed to maintain it, and often we find money that is committed by the Congress to maintain that waterway isn't

spent in a given year. We have serious problems. The shoaling requires the Coast Guard to remark the aids to navigation. I just don't believe that a private contractor is going to be able to site those aids to navigation in a timely fashion.

It is my hope—I know you are working to promulgate regulations—that you will review that area of the intercoastal waterway, which I am hopeful that the Senate will finally agree to take out as one of the test areas. I just don't think it makes sense, to take away that particular function from the Coast Guard.

I can understand the need to try to get contracts in the private sector for maintenance. That makes sense. Let's check it out, see whether we can do it more cheaply. And if we can, that is fine. But, as you well know, the folks that do the siting of aids to navigation are good. They are multimission people. They do all kinds of other functions. It seems sensible to be contracting out, to begin with, but I am prepared to let you go ahead and see if you can find a contractor that is going to do it.

I think I know what the answer is going to be. You are not going to find a contractor who is going to respond in a timely fashion, and it is not going to be cost-effective. But let's go through the exercise. Let's not do it, however, on a waterway as busy as the New Jersey Waterway.

Can I hear from you on that, Admiral?

Admiral GRACEY. I don't know what to say, Mr. Hughes. We selected that waterway very carefully. It is the one on which we were hoping to have the best test.

Mr. HUGHES. I thought maybe you would hear a lot of noise by selecting it.

Admiral GRACEY. No. As I very gently suggested to Mr. Hartnett earlier, we don't do that, sir. No, we picked it because there were a lot of aids. It was centrally located where we could watch it closely from both here and the district in New York.

It is not a difficult area in the sense of storms and bad riptides and that sort of thing. I know there is shoaling in the inlets, but the waterway itself—

Mr. HUGHES. We lose lives. We lose lives with some of this every year. As good as the Coast Guard is in responding to the requests and moving those aids to navigation so that the inlets are not perilous, we still lose lives.

Admiral GRACEY. Yes, sir. The inlets are perilous. There is no question about it.

Mr. HUGHES. Do you think the Coast Guard is going to be subject to litigation if, in fact, we lose some lives, because some contractor doesn't get there for 3 weeks to move the aids to navigation?

Admiral GRACEY. The inlets weren't going to be in the contract. We were going to do just the inland part of the system. And there is a lot of traffic. It is a good assortment.

We picked the five waterways based on as geographics, climate spreads, kinds of traffic, kinds of water conditions, so that we could have a really valid test in different parts of the country. What we have is a lot of fishing; clamming, and recreation vessels.

Mr. HUGHES. The problem is, you have a stretch of waterway that is probably the busiest up and down the east coast. We have people that operate in those waterways that almost pull pilings

over because they don't know how to operate boats. They get stuck up on the shoals, sandbars, and they try to swim back to shore, and they drown.

Admiral GRACEY. What better way to find out whether a contractor knows how to replace buoys that have been run into?

Mr. HUGHES. What you are doing is risking lives in the process.

Admiral GRACEY. We are not taking our rescue service out. You are concerned about the rescue with the buoy tenders.

Mr. HUGHES. Yes, I am concerned in many respects. The buoys, the aids to navigation, even under the best of circumstances, even with the Coast Guard responding in a timely fashion, are not moved as rapidly as we would like at times, and that creates some of the problems, not to mention some of the cuts.

We are going to be cutting back on air and sea rescue work, so that is going to compound the problem.

Admiral GRACEY. Yes, sir.

We are not going to be cutting back. You are going to see to it that we don't get cut back. I think that is what I heard in here this morning.

Most of the problems occur in the inlets. That is one of the reasons we didn't put them in there, because we recognized the hazards.

Admiral Wojnar, the navigation person is here. He is the one that oversaw the selection of the waterways. Perhaps he can add to this.

~~Admiral WOJNAR. We looked at some 17 waterways across the~~
Nation, and we had these conditions that you describe.

Mr. HUGHES. You are responsible. I have been trying to find that for 1 month.

Admiral GRACEY. It is spelled W-o-j-n-a-r, sir.

Admiral WOJNAR. Sir, when I head home to Massachusetts next week, I will be sure I don't go through New Jersey.

Mr. STUDDS. Which part of Massachusetts?

Admiral, before you leave, I can't resist a personal observation that, if you did get inundated with some of these needs to reduce effort, one place you might reduce effort is that bright-eyed, young Coast Guardsman who apprehended me. It seems to me that not hauling lobster pots from 16-foot dories for drug searches might save a lot of your operating expenses.

Admiral GRACEY. I agree.

Mr. STUDDS. I just smiled, and I offered both—thank God, legal-sized—lobsters for inspection.

Admiral GRACEY. Sir, it is to your credit and the credit of the First Coast Guard District, this is the first time I have heard about this.

Mr. STUDDS. I can't believe that. Well, I thought you would get a kick out of that, anyway.

Let me thank you, sir. I know you perhaps didn't anticipate spending this much time. I am sorry. But I think you will be the first to agree that the subject is sufficiently important.

Thank you for your time and for your patience.

Admiral GRACEY. I really appreciate your interest, Mr. Chairman. And if you would please convey my apologies to Mr. Hartnett for the vituperation, I would appreciate it.

Mr. STUDDS. I think the only thing that we should apologize to him for is failing to be more specific about the force reductions in South Carolina. We will do that part.

Thank you.

Admiral GRACEY. Thank you, sir.

Mr. STUDDS. We now go to two panels of witnesses, panel No. 1, Mr. John Borum, American Bureau of Shipping, and Mr. Huff and Mr. Hiscock.

I understand the panelists have been alerted to the necessity of confining their oral remarks to 5 minutes. Clearly the subcommittee is running behind schedule.

The House is about to go into session. We are going to be interrupted by votes. If we are going to be able to afford every witness on the two panels an opportunity even for the 5 minutes of oral presentation, we are going to have to move with some dispatch, so I would ask those of you who are on the panels to comply with that request, and to try to understand the need for it.

We should have before us Mr. Borum and two associates, Mr. Huff and Mr. Hiscock. We will proceed in the order in which you gentlemen appear here.

We will start with Mr. John Borum of the American Bureau of Shipping.

I apologize for the necessity, but your written statements will appear in their entirety in the record. We would ask you to confine your oral remarks to 5 minutes.

STATEMENTS OF JOHN F. BORUM, SENIOR VICE PRESIDENT, AMERICAN BUREAU OF SHIPPING; JOHN R. HUFF, REPRESENTING THE INTERNATIONAL ASSOCIATION OF DRILLING CONTRACTORS; AND RICHARD HISCOCK, REPRESENTING THE U.S. LIFESAVING MANUFACTURERS' ASSOCIATION

Mr. BORUM. Thank you, Mr. Chairman.

I am John F. Borum, senior vice president of American Bureau of Shipping. We are pleased to accept your invitation to testify before the subcommittee regarding delegations of commercial vessel safety functions.

The delegations of responsibility to ABS have a long history dating from the Merchant Marine Act of 1920 and include loan-line inspections and assignments, plan review and inspection on new construction or major modifications of U.S. flag ships, stability reviews on a number of types of vessels and tonnage admeasurement. We believe the delegation of responsibility has been a success. The transition from Coast Guard to ABS has been relatively smooth administratively and there has been no loss of safety or deterioration of standards. In fact, it may be enhanced.

We elaborate on the success of delegation at length in our written statement. To summarize briefly, delegation of plan review to ABS and the centralization of the review in New York and New Orleans has effectively eliminated duplicate reviews by the Coast Guard and ABS and reduced inconsistent interpretations of regulations to a minimum with a savings in time and money to both the Coast Guard and industry.

The worldwide network of ABS offices helps assure U.S. owners of the quality of foreign-built hulls and equipment without undue expense and delay. We remain accountable to the Coast Guard not only through their oversight programs, but also through the Coast Guard staff who sit on our committees, and the Commandant who sits on our Board of Managers. We also believe that the Coast Guard is comfortable delegating responsibility to ABS, as we have heard from Admiral Gracey this morning.

The professional relationship that exists between the Coast Guard and ABS is an evolving one. Experience defines problems; cooperation provides the means to solve them. As institutional and bureaucratic interaction and familiarity become more pronounced, the delegation process improves. The significance of this to the Congress is, that the problems that exist with delegation are remediable through negotiation and the regulatory process. Legislation is not required. Moreover, further delegations should be considered and implemented under the existing statutory framework. This is the primary lesson of the favorable experience the Coast Guard and ABS has enjoyed.

As a not-for-profit corporation, ABS, like the Coast Guard, has no purpose except the mission of promoting the security of life and property on the seas. As a professional organization, ABS has surveyors who will spend all their working lives in vessel inspections.

As an American corporation, ABS is answerable to the same Congress and respects the same values and laws such as affirmative action, equal employment opportunity, Trading With the Enemy Act and the Foreign Corrupt Practices Act. The same cannot be said of some non-U.S. classification societies.

In the interest of serving the marine industry and assisting the Coast Guard with part of their mission, we see the following opportunities for delegations of authority which would maintain safety while reducing the economic burden on the Coast Guard.

First, ABS is willing to undertake inspections of existing vessels on behalf of the Coast Guard. As many of the necessary inspections are duplicative either of classification surveys or of services ABS now performs on behalf of other governments, we believe the transfer of the function would be an efficient use of resources.

Second, ABS and the Coast Guard have discussed delegating the inspection of automated propulsion systems and firefighting systems to ABS. We have agreed that any delegation of that function would be most logical after the Coast Guard has adopted the new regulations required by the amendments to the SOLAS convention.

Third, ABS already performs type approvals for various types of equipment, including life saving equipment. Since in many cases we already audit the manufacturer's plants and ships, we believe delegating the inspection function to ABS could be a savings in the cost of regulation to industry without a diminution of safety. What is more important with such a delegation, potential foreign manufacturers of life saving equipment will then be subject to the same rigorous standards and inspections as those U.S. companies with which they compete.

ABS is not optimistic about the near-term future of the American merchant marine. At the current rate of construction in

United States shipyards, the Coast Guard has fewer and fewer opportunities to train personnel in marine inspection techniques.

ABS has hired few Coast Guard retirees and with the current marine inspectors' decreasing amount of experience, we do not view this as a pool of future employees. Without our overseas network we would not be able to train young surveyors either.

Training, indeed, is one of our top priorities. While at one time varied shipyard experience was a good background for an ABS surveyor, today it does not provide the diversified knowledge required for sophisticated marine installations. In each decade since 1960 the list of college graduate and maritime academy graduate employees has grown. In 1960, roughly 30 percent had bachelor's degrees or the equivalent, in 1970, 40 percent and in 1980, 50 percent. Today we rarely look at an applicant who cannot produce a diploma/degree from an accredited university or maritime academy.

All new surveyors receive 2 weeks of training in New York on our rules and standards and report writing. Thereafter, we encourage our staff to broaden their background by taking one of our in-house courses, such as welding inspection or boiler and pressure vessel inspecting, or by applying for our tuition refund program which can be used to subsidize employment related courses at outside institutions.

Over 100 of our staff have passed the level 2 examination given by the American Welding Society and about 9 per quarter pass the National Board of Boiler and Pressure Vessel Inspectors examination. We are also discussing sending some of our staff to attend the applicable portions of the Coast Guard's inspector's training program in Yorktown.

In recognition of the problems of training and budget trimming, the Coast Guard has naturally, and we believe rightly, turned to delegation. As an historical note, Government action has already come almost full circle on some non-ABS safety inspections.

Over a century ago, when steamboat racing was a fad, the resulting boiler explosions prompted the formation of the Steamboat Inspections Bureau which later became the Bureau of Marine Inspection and Navigation which was absorbed into the Coast Guard.

Boilers have become more rather than less complicated, but under current regulations incorporating the American Society of Mechanical Engineers [ASME] Code, boiler manufacturers once again inspect their own boilers and pressure vessels with minimal Government oversight. ABS believes the recognition of the ASME code procedures is a step backward and that more oversight of this delegation is appropriate.

The loss of the *Marine Electric* resulted in considerable soul searching at ABS. We believe, however, the *Marine Electric* was a tragic aberration in our and the Coast Guard's normally excellent systems. As a result of our own investigation, one of the surveyors of the *Marine Electric* resigned under scrutiny and another was permitted to take early retirement. On the basis of information made known to ABS in the course of litigation resulting from the loss of the vessel, we also are not surprised at the recommendation to prosecute two employees of MTL.

In our audits of older vessels, conducted by experienced senior personnel, we have found no serious survey problems, thus bearing

out our conclusion that the loss of the *Marine Electric* was the result of the efforts of the ship operators to deceive regulatory authorities coupled with an unfortunate inattention to duty by the ABS surveyor, Coast Guard inspector and sea-going personnel.

The surveyor paid for his mistake with his job, ABS is still paying many hundreds of times its fee in ongoing litigation, the Coast Guard has paid through its internal review process but we most heartily regret that so many of our fellow mariners paid with their lives. As a result of this casualty, we have instituted more specifically detailed survey requirements on older ships, hatch covers and for gaugings as well as a survey audit system as an oversight of our surveyors.

In conclusion, ABS believes delegation of functions remains an effective means for the Coast Guard to maintain vessel safety without sacrificing other programs. We are proud to hold our current delegations from the Coast Guard and stand ready to assume any other delegations that may be entrusted to us.

[The prepared statement of Mr. Borum follows:]

PREPARED STATEMENT OF JOHN F. BORUM

I. INTRODUCTION

Throughout its history American Bureau of Shipping ("ABS") has had three major characteristics, integrity, impartiality and service to the entire maritime community: the shipowner, those who ship their goods by sea, the marine insurer, the men who go to sea and the governments which protect them.

The success of any service organization depends on the attention it gives to its clients and the competence and integrity of its employees. Given that ABS provides service to the entire maritime community, on a not-for-profit basis, there exists no incentive of any kind for ABS to deviate from its essential mission: promoting the security of life and property on the seas.

II. DELEGATION

ABS welcomed the delegation of Commercial Vessel Safety functions when the subject was first actively discussed. The willingness and ability of ABS to serve the U.S. Merchant Marine were first recognized by Congress in the Merchant Marine Act of 1920 which directed all departments, boards, bureaus and commissions of the United States Government to recognize ABS as their agency so long as ABS continued to have no capital stock and continued to pay no dividends.

The special attributes of ABS were recently reaffirmed by the Congress in the recodification of parts of the U.S. Maritime

Law. Subparagraph (b) of Title 46, Section 3316 of the U.S. Code provides:

Each department, agency, and instrumentality of the United States Government shall recognize the Bureau as its agent in classifying vessels owned by the Government and in matters related to classification, as long as the Bureau is maintained as an organization having no capital stock and paying no dividends. The Secretary and the Secretary of Transportation each shall appoint one representative (except when the Secretary is the Secretary of Transportation, in which case the Secretary shall appoint both representatives) who shall represent the Government on the executive committee of the Bureau. The Bureau shall agree that the representatives shall be accepted by it as active members of the committee. The representatives shall serve without compensation, except for necessary traveling expenses.

Further Congressional confidence in ABS is demonstrated by the provision authorizing the Secretary of Transportation (Commandant of Coast Guard) to delegate inspection activity of U.S. flag vessels to ABS. Title 46, Section 3316, Sub-paragraph (c) (1) provides:

To the maximum extent practicable, the Secretary may delegate to the Bureau or a similar United States

classification society, or an agent of the Bureau or society, the inspection or examination, in the United States or in a foreign country, of a vessel documented or to be documented as a vessel in the United States. The Bureau, society, or agent may issue the certificate of inspection required by this part (46 USCS Sections 3101 et seq.) and other certificates essential to documentation.

The Secretary is also authorized to rely on the reports and certificates of ABS. Title 46, Section 3316, Sub-paragraph (a) provides:

(a) In carrying out this part (46 USC Section 3101 et seq.), the Secretary may rely on reports, documents, and certificates issued by the American Bureau of Shipping or a similar United States classification society, or an agent of the Bureau or society.

Furthermore, Congress has specifically authorized the Secretary to enter into agreements for cooperation with American Bureau of Shipping. Title 46, Section 3316(d) provides:

The Secretary also may make an agreement with or use the Bureau or a similar United States classification society, or an agent of the Bureau or society, for reviewing and approving plans required for issuing a certificate of inspection.

By delegation from the Coast Guard, and under their oversight, ABS now performs numerous services in addition to its traditional classification function. ABS has been authorized by the Coast Guard to perform a broad range of technical reviews on U.S. flag vessels being classed with ABS and requiring Coast Guard certification. Under Coast Guard surveillance, ABS will conduct authorized reviews and surveys for compliance with Coast Guard regulations concurrently with its review for classification. Plans submitted for such technical reviews are submitted only to ABS. ABS takes all review and approval action for compliance with Coast Guard regulations and ABS Rules. Duplicate submittals to, and review by, the Coast Guard are not required. By eliminating redundant Coast Guard effort, this delegation effectively simplifies, clarifies and expedites the regulatory process.

Similarly, certain surveys and inspections traditionally performed only by Coast Guard personnel, or by both Coast Guard personnel and ABS surveyors may now be carried out solely by ABS Surveyors although the Coast Guard has oversight. Such surveys satisfy both ABS and Coast Guard requirements and duplicate surveys by Coast Guard personnel are not required.

The cooperation between the Coast Guard and ABS has been governed by several Agreements and Formal Memoranda of Understanding. The first Memorandum of Understanding with the Coast Guard, executed on 9 June 1981, was supplemented by a

second Memorandum of Understanding dated 27 April 1982 and governs the technical review of plans and inspection of vessels. A Memorandum of Understanding dated 23 December 1983 governs the admeasurement of vessels.

Another area of fruitful cooperation has been implemented by Navigation and Vessel Inspection Circular No. 3-84, dated 16 April 1984. NVIC 3-84 provides for the gradual delegation to ABS of most stability related reviews for new U.S. vessels. Under the NVIC ABS will be phased in to the work. Currently, ABS can perform stability reviews for barges, tank ships, and general cargo ships over 500 tons, and subchapter H passenger vessels.

III. SUCCESS OF DELEGATION

The Subcommittee has asked ABS to evaluate how well it is doing its delegated tasks. The evaluation is difficult because it cannot be measured simply in statistics or dollars and cents terms. The value lies in the overall quality of the ship and the casualties averted. Recognizing the limitations of the statistical approach, nonetheless, the following statistics and comments on the less tangible aspects of delegation may be helpful in evaluating its success.

As a measure of the frequency with which ABS is asked to exercise its delegated powers, under the first Memorandum of Understanding with the Coast Guard, executed on 9 June 1981, ABS completed the technical review of plans and inspection of 491

vessels. Under the second Memorandum of Understanding with the Coast Guard, executed on 27 April 1982, ABS completed the technical review of plans and inspection of 198 vessels. Another 112 are under construction or under contract.

As specific examples of the benefits of delegation, ABS can point to the following:

A. Prior to delegation, the Coast Guard and ABS conducted largely independent drawing reviews. Action on specific drawings was not coordinated either with respect to scheduling or as to content of the review. Delegation of the plan review function has effectively eliminated this problem and has resulted in improved service to the industry and reduction in costs occasioned by delays in drawing approvals.

B. Drawing review under NVIC 10-82 has been centralized in ABS New York and New Orleans offices and ABS expects shortly to further consolidate all conventional vessel review in New York. For mobile offshore drilling units (MODUs), it is planned to direct drawing review from the New York office, but most of the actual work will be carried out in a new location in Houston, close to the center of the industry. Previous to the delegation, drawing review had been carried out by the Coast Guard Merchant Marine Technical Offices throughout the country each acting largely independently of the others. The present system used by ABS has improved the consistency in the uniform application of the regulations and provides a central locus for Coast Guard

oversight.

C. The Coast Guard has put in place a formal oversight system to sample and examine performance of ABS in the execution of assigned tasks under NVIC 10-82. This oversight program is proving particularly useful in that it brings to light certain inconsistencies and the lack of specificity in the regulations which had not been previously visible and had lead to varying interpretations. The oversight program has forced both the Coast Guard and ABS to take action to rectify such inconsistencies.

D. The majority of new vessels for U.S. owners have been contracted for in foreign shipyards. The worldwide network of ABS field and technical offices has made possible consultation and survey with regard to all items covered by NVIC 10-82 without delay and without the cost of sending Coast Guard inspectors halfway around the world on short notice. In addition such service is available to overseas manufacturers supplying equipment for vessels building in U.S. shipyards. Without the operation of NVIC 10-82 good service would only be available at considerable expense and administrative delay.

E. The technical and survey staff of ABS are recruited from engineering colleges and industry around the world. Of those domiciled in ABS, most hold marine licenses issued by the Coast Guard in addition to degrees in engineering or naval architecture. Foreign nationals hold engineering degrees from recognized universities in their own country or in the U.S. and

again many of them are licensed operating engineers and have served at sea. By far the greatest proportion of ABS technical and survey staffs view this as their lifetime work. The Coast Guard has other missions besides vessel inspection; the uniformed staff will spend a limited time in merchant marine technical before being assigned to other duties. ABS believes that the industry as a whole is more responsive when dealing with individuals who have shared common experiences at sea and with whom they will need to have a continuing relationship over the years.

In ABS's experience the difficulties with delegation arise not from working with the Coast Guard but from the regulations themselves. The following examples illustrate the nature of the difficulties:

1. The CFR gives a general authority to the Coast Guard to grant exceptions to the Regulations in the name of the Commandant based upon an equivalency determination. NVIC 10-82 does not grant this authority to ABS nor does ABS seek it; however, this has given rise to some misunderstandings between ABS and Coast Guard when a client has disputed an interpretation of a regulation and ABS has referred him to the Coast Guard for resolution of the problem. However, ABS is working with the Coast Guard to remedy the inconsistencies.

11. The provisions of the first set of amendments to the Convention of Safety of Life at Sea 1974, an international

instrument to which the U.S. is signatory have not been incorporated into the Regulations of the Coast Guard. In accordance with the provisions of NVIC 10-82 ABS must apply SOLAS 74 and its amendments as a first priority. The first set of amendments contains language which is often not precise and is subject to varying interpretations. The amendments also contain provisions requiring specific guidance by the flag administration; the lack of published regulatory guidance as regards those amendments is a source of some difficulty. Frequently ABS must consult ad hoc with the Coast Guard or possibly act unknowingly at variance with the Coast Guard without mechanisms for reasonably discovering the variance.

In conclusion, ABS believes the agreements executed between the Coast Guard and ABS as expressed in NVIC 10-82 and other NVIC's have greatly facilitated the regulatory procedures for U.S. flag vessels. ABS also believes this is confirmed by the fact that most owners and builders request NVIC 10-82 be used, and from this ABS concludes that there are substantial savings to shipowners even after adding in the fees charged by ABS.

One caveat should be noted. The cost of building and maintaining a vessel to ABS standards or any other standards lies not in the charge for plan approval or a surveyor's services, but in the cost of the extra steel or machinery required to maintain a vessel for its intended purpose. The builders' costs for new construction are usually close to one hundred times the fees for

ABS services and the costs for repair and maintenance are similar multiples of ABS fees. Unfortunately, given the downturn in the shipping industry, many owners have been unable or unwilling to accept the financial burden of maintaining their ships and accordingly ABS has in the last two years cancelled class on 995 self propelled vessels, including 60 of U.S. flag, and 1179 barges, including 431 of U.S. flag.

IV. OPPORTUNITIES FOR MORE DELEGATION

As a result of the Memoranda of Understanding and the tacit agreement of the Coast Guard that ABS would receive additional delegations of responsibility ABS hired numerous skilled employees at great expense. Between 1979 and 1983, and even in the face of declining activity in the worldwide marine industry, ABS hired 88 field surveyors, an increase of 17%, and 115 technical, engineering, metallurgical and materials specialists, an increase of 42%. These hirings were made in anticipation of fulfilling the mission of accepting increasing delegations from the Coast Guard. In addition, ABS instituted training programs to familiarize its staff with all particulars of the Coast Guard regulations.

For whatever reasons, many of the expected delegations from the Coast Guard did not materialize and in the last 18 months ABS has had to trim its staff and tighten its budget to make up for both the absence of delegated work and wasted training. Since

ABS is a not-for-profit corporation, there are few reserves to cushion adjustments. Nevertheless, should additional delegations be requested ABS stands ready to expend whatever sums are necessary for personnel and training to carry out any additional delegations from the Coast Guard. The administrative mechanisms are in place and the talent is at hand.

ABS believes it is capable—of absorbing many more delegations from the Coast Guard. A delegation of the following activities to ABS would result in a savings of valuable Coast Guard funding and manpower while still allowing the Coast Guard to monitor the services performed, both in general, by attending our Committee and Members meetings, and specifically, by auditing individual programs and even individual ships.

a) ABS could undertake the inspection of existing vessels on behalf of the Coast Guard. Delegation to ABS would save both the Coast Guard and the shipping industry time and money, as ABS surveyors are already on site in 142 offices and 34 sub-offices in 96 countries. The necessary investment in training would be insubstantial as many of the necessary inspections are either duplicative of classification surveys and reviews or duplicative of services ABS now performs on behalf of other governments.

b) ABS is willing to undertake inspections of automated propulsion systems and firefighting equipment and has discussed such a delegation with the Coast Guard. ABS and the Coast Guard have also agreed that it would be most efficient if the

delegation to ABS coincided with the new regulations required by amendments to the SOLAS Convention. The Coast Guard's notice of proposed rule making for automated vital systems was published on 23 September 1985. However, the Coast Guard has yet to publish a notice of proposed rule making on firefighting equipment. ABS hopes that this will be remedied shortly.

c) ABS has instituted its own type approval program for equipment and could easily adapt to perform general approvals on behalf of the Coast Guard.

d) As part of its type approval and quality assurance programs ABS reviews the design and manufacturing procedures for a number of factories and products. ABS believes this experience could be usefully applied to the approval of design and manufacture of life saving equipment, and the delegation would force foreign manufacturers to uphold the same high standards as American manufacturers.

e) The Coast Guard might also explore delegating the inspection of new and existing life saving installations since ABS already inspects them on behalf of other governments.

Without question, other opportunities for delegation will arise in the future as the marine industry evolves. ABS prides itself on its own research capacity and also helps administer a number of joint projects both on behalf of private industry and as part of the Ship Structures Committee, a governmental body consisting of the U.S. Coast Guard, the Naval Sea Systems

Command, the Military Sealift Command, the Maritime

Administration, the Minerals Management Service and ABS. This year alone ABS is involved in four projects investigating the reliability and ultimate strength of marine structures which may ultimately result in adjustments to survey intervals and a new understanding of how repeated repairs can affect system reliability.

V. MARINE ELECTRIC

The Subcommittee has also asked for our response to the recommendations in the Coast Guard's Board of Investigation report on the MARINE ELECTRIC. ABS is in complete agreement with the Commandant's action on the report. ABS welcomes more oversight from the Coast Guard and more coordination on the application of the regulations.

The Commandant's report notes that ABS does not have power to enforce loadline regulations by withdrawing certificates and leaves open the question of whether a grant of such authority would be desirable. ABS has never sought such police authority, but it believes an improved reporting system has been instituted with the issuance of NVIC 2-85 which sets guidelines for advising the Coast Guard of certain load line deficiencies so that it can take enforcement action. At the present time, there are 5256 U.S. flag vessels which have load lines assigned by ABS. ABS has found over the last two years that approximately 5% of these

vessels require adjustments or repairs at the time of their Annual Load Line Survey. Of these vessels only 3 vessels have failed to make the recommended repairs and have been reported to the Coast Guard.

Though the Commandant rejected the Marine Board's implied finding that ABS cannot be impartial, ABS would also like to take this opportunity to refute the charge of "influence". The "influences" on the Bureau are many and varied. Shipbuilders, shipowners, marine insurers, naval architects and admiralty attorneys are all represented in ABS membership and its management and for that reason may all be said to have "influence" on surveyors. If any of these interests is ignored ABS will feel the repercussions because it is only the confidence of the entire marine industry in ABS's integrity which gives its standards and surveys any authority. ABS must maintain its impartiality simply because different interests pull in different directions and only a consensus beneficial to marine safety will withstand these pressures. In addition, the honor and reputation of the organization and of its individual members and employees depends on its uncompromising adherence to this standard of impartiality.

There are influences on ABS exceeding those of the shipowners paying the bills. In fact ABS's fees are paid not only by shipowners, but also by steel manufacturers, equipment manufacturers and shipyards. Just as the Coast Guard must answer

to other branches of government and the public, so ABS must answer to all of the different elements that make up its membership, including the Maritime Administrator and the Commandant of the Coast Guard who sit on its governing board, the Board of Managers. To say that ABS cannot be impartial because generally the shipowner pays the fees is equivalent to saying that the Coast Guard would lose its credibility if it introduced user fees.

ABS submits that the creation of a new agency to inspect vessels would not justify the substantial expenditure of money and manpower required for such an initiative. The Bureau of Marine Inspection and Navigation was a civilian government agency separate from the Coast Guard and dedicated to vessel inspection. Apparently its services were not satisfactory, at least not as a separate agency, because it was absorbed into the Coast Guard.

In addition to the recommendations in the U.S. Coast Guard Marine Board of Investigation Report, ABS has received recommendations from the National Transportation Safety Board. In response to their recommendations, ABS now recommends structural gaugings every thirty months (at each drydocking interval) on vessels over twenty years of age, rather than every four years. Surveyors now have instructions to report on the wastage of hatch covers in each Annual Survey report and take gaugings if either general or local wastage is found. As a natural consequence, Surveyors must also see that the wastage and

holing is satisfactorily repaired. A copy of the ABS response to the NTSB is attached as Annex A.

ABS has also commenced more comprehensive auditing of both the written survey reports and the surveys themselves to ensure that these changes will be carried out as intended. Auditing includes a close examination of every report from a particular port over a period of time and unannounced audits of our surveyors on the job. These measures will help identify the weaknesses in older vessels.

In conclusion, ABS submits that it has responded to the concerns raised by the tragedy of the MARINE ELECTRIC, in particular the problems associated with certain older vessels. However, one additional fact extremely important in this regard; final responsibility for a vessel's condition rests with the shipowner. Classification is voluntary, though most underwriters require a vessel to be in class for insurance coverage. When faced with a requirement of extensive repairs and renewals to maintain ABS class, it is entirely possible for a shipowner to shop around for another class society which will require fewer repairs, either from lack of familiarity with the vessel or pure negligence. Consequently more stringent requirements alone cannot avoid all casualties.

VI. WHY ABS?

There are many strong reasons for delegating the functions

to one society and all are related to the nature of classification societies and the services they perform.

A. American Identity

There are nine major classification societies in the world, all full members of the International Association of Classification Societies. All are international in operations but bear a distinct national stamp, to the extent that most are known simply by their nationality, such as the USSR Register of Shipping as well as the American Bureau of Shipping. The Department of State, in fact, views classification societies as "quasi-governmental." (22 CFR81.1(m)) Of the eight non United States societies, only the British society, Lloyd's Register of Shipping, even has an American committee to provide some American viewpoint on its Rules.

B. Competition

There is no reasonable way for a classification society to compete by cutting its fees. To perform its services adequately all societies must have professional personnel stationed around the world and constantly evaluate new methods of shipbuilding and ship design. The classification fee is normally insignificant compared to the cost of the vessel and its equipment. The only way classification societies really cut costs to their clients is through application of the standards for amounts of steel in new construction and the repairs and renewals they require of their clients.

The cheapest class society is the one which holds the shipowner to the lowest standards. Encouraging competition among classification societies will only force the standard for shipbuilding and maintenance towards the lowest common denominator. ABS ships cost more, not because ABS fees are higher, but because ABS requires more steel for its ships.

Indeed, encouraging competition on vessel safety might have the reverse effect by eliminating ABS from the list of potential delegates. In order for American Bureau of Shipping as a not-for-profit, tax-exempt organization to carry out its objective of protection of life and property at sea, it must obey limitations placed on similar tax-exempt organizations by the United States Internal Revenue Code.

The tax exemption of ABS, first granted in 1919, was granted by the Internal Revenue Service pursuant to Section 501(c)(6) as a "business league ... not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual." Regulation Section 1.501(c)(6) - 1 provides:

A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. ... An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league.
(Emphasis supplied)

In order to maintain its tax-exempt status, ABS cannot participate in "a regular business of a kind ordinarily carried on for profit." By including profit making organizations as delegates of Coast Guard functions and other inspection functions, Congress might place ABS and similar tax-exempt organizations in the position of participating alongside a profit making organization which could jeopardize their tax-exempt status under Section 501(c) (6) of the Code.

The very concept of profit is an anathema to the purposes of a standard setting organization; profit by its very definition is the reward for risk-taking by an entrepreneur. The greater the risks successfully undertaken the greater the profit. Yet risk taking in the context of marine safety inspections will almost certainly entail cutting corners in designing and enforcing standards intended to safeguard the lives of seamen. Only an organization which marshalls all of its resources towards the public and benevolent purposes of the development and promulgation of safety standards should be recognized to exercise for and on behalf of the Government of the United States the administration of standards upon whose impartial application depend the very lives of those who go to sea in ships.

C. Uniformity

ABS has worked with the Coast Guard on load line assignments for over fifty years. On other delegations of responsibility ABS works equally closely with the Coast Guard to hammer out

consistent interpretations of the regulations and see that they are applied. The long history of cooperation goes far toward a uniform application of standards. In fact, the only way ~~delegation will work is if the~~ Coast Guard works closely with the delegate to make sure they interpret the regulations consistently with the Coast Guard's interpretation. / In the case of ABS there is already a history of cooperation and a working partnership.) ABS believes that the Coast Guard is comfortable delegating responsibility to ABS. As a not-for-profit corporation, ABS like the Coast Guard, has no interest except the security of life and property on the seas. As an American corporation, ABS is answerable to the same Congress and respects the same values and laws. As a professional organization, ABS has surveyors who will spend all their working lives in vessel inspections. Through the present and former Coast Guard officers who sit on ABS committees, the Coast Guard can make its views known and voice their complaints at all levels of management. This constant dialogue results in uniform interpretation and application of the regulations.

D. Accountability

ABS is answerable to the United States Government in ways that no other classification society and few other private organizations are answerable. The Commandant of the Coast Guard and the Maritime Administrator sit on the Board of Managers. ABS regularly appears before Congress, and this Subcommittee.

ABS as a United States company, is subject to all of the social legislation designed by Congress to improve the quality of life, avoid discrimination or redress past discrimination, set ethical standards for business and prohibit contact with the recognized enemies of the United States. Thus, ABS is strongly committed to Affirmative Action, minority career path encouragement and other social programs not only here but in our offices abroad. We are subject to the Foreign Corrupt Practices Act which has and will continue to cause us to lose projects to other classification societies. We are subject to the Trading with the Enemy Act which prohibits our having an office in Albania, Cuba, Vietnam, North Korea, Kampuchea or other places designated from time to time by the U.S. Government. These restrictions do not apply to foreign classification societies.

E. National Security

Shipping, in all its forms, is a strategic industry. As a classification society, ABS has access to and keeps copies of sensitive plans and classified material on government and quasi-governmental ships. In time of crisis the nation must count on its merchant marine, and the merchant marine itself must be able to rely on the associated organizations such as classification societies, to perform their national security function without the conflicting loyalties of a foreign corporation. In the wars of this century, ABS has performed such functions. Indeed it was at the instance of the United States

War Shipping Administration, and the United States Maritime Commission, which desired technical support for naval vessels, that ABS expanded overseas after the Second World War.

CONCLUSION

ABS has been honored to receive delegations of responsibility in the past and hopes it will continue to merit the confidence of the Coast Guard and the Congress. As the marine industry changes ABS will change with it in the interest of promoting the security of life and property on the seas.

AMERICAN BUREAU OF SHIPPING

14 February 1984

JFB/nt

T-13-5

National Transportation Safety Board
Washington, D.C.

Attention: Mr. Jim Burnett
Chairman

Subject: Safety Recommendations
M-84-9 through -11

Gentlemen:

Your letter dated 24 January 1984 addressed to Mr. W.N. Johnston, Chairman and President, was given to the undersigned for reply.

We have noted the recommendations of the National Transportation Safety Board for action for the American Bureau of Shipping as referred to in the safety recommendations listed above. With regard to these recommendations we wish to comment as follows:

M-84-9: Require that structural gaugings of vessels be conducted at 2-year intervals after a vessel reaches 20 years of age. (Class II, Priority Action)

Comment:

The American Bureau of Shipping feels the requirement for gaugings presently contained in our Rules as sufficient and we therefore proposing to prepare instructions to Surveyors in a form of a Circular recommending that structural gaugings be considered at the drydocking intervals, which is every 30 months in the present ABS Rules, after a vessel reaches 20 years of age. Attached is a copy of the Circular as revised (No. 227, Index 6.2.1, Rev. 14 February 1984). In discussion we should like to point out that in reality gaugings should be considered confirmation of the condition of the vessel and we consider it essential, and so reflect in our instructions to Surveyors that gaugings be taken in areas considered suspect and as desired by the Surveyor to confirm the vessel's condition as sighted by him.

In our experience we have noted that gaugings will not necessarily pick up an area of severe deterioration if it is local in nature. We have observed some cases, where after a vessel passed a gauging examination successfully, cracking and leaking developed in either localities due to extreme local wastage. In each case

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the Surveyor was able to confirm that the original gauging results were indicative of general plating and structure condition. The American Bureau of Shipping would like to be on record as noting that gaugings, per se, should not be considered the solution to the entire problem of localized wastage. We should also like to point out that in the case of reconstructed or jumboized vessels, that there exists in the vessel newer sections that must be less than 20 years of age. These, of course, when being examined would not be subject to as extensive gaugings. This is reflected in the Circular No. 233, Index 6.2.1, Rev. 8 April 1983.

M-84-10: Require that steel weatherdeck hatch covers be gauged at all special surveys. (Class II, Priority Action).

Comment:

The American Bureau of Shipping by a revision of our Circular No. 132, Index 6.2.1, revised 7 September 1983, a copy of which is attached for your reference, indicates the allowable thicknesses for wastage at which hatch covers should be considered for extensive renewal or replacement of sections. In view of the recommendation to be discussed subsequently, we are requesting that Surveyors carry out gaugings of hatch covers at Special Survey whenever there is an indication upon examination of serious general wastage. This Circular emphasizes that local holing and wastage must be satisfactorily dealt with as found. In all cases in dealing with local wastage, Surveyors are cautioned to require cutting back to sound metal when installing insert plates and to be certain that doubler plates, when used, are of adequate size and attached to sound metal.

M-84-11: Require its surveyors to examine hatch covers for wastage during all annual load line surveys. (Class II, Priority Action).

Comment:

The American Bureau of Shipping has issued Circular No. 384, Index 6.2.1, dated 1 February 1984 covering Annual Surveys of hatch covers in order to require the examination the tops and bottoms of hatch covers visually for wastage at all Annual Surveys. We will also request the Surveyors to individually report on this situation in Annual Survey reports.

With reference to foregoing recommendations regarding structural gaugings and hatch cover gaugings it also is indicated that if wastage is evidenced at Annual Survey a confirmation of such wastage should be made by gauging.

In view of the statements contained in your letter regarding weathertightness, the ABS feels that some comment is in order regarding the intention of the weathertightness hose testing. It should be understood that this weathertightness test is in no way intended to test for structural soundness but

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the hose test for weathertightness is to insure that the efficacy of the sealing arrangements at joints between the hatch covers and coainings as well as between hatch cover panels be determined. It is of course obvious that if the hatch covers were holed that this would be disclosed by the hose test, but we believe that unless they were extremely thin that the hose test will not disclose local failure which will disclose wastage. It should be noted that our standing instructions to Surveyors instructs that they be satisfied with tightness of hatch cover at each Annual Survey.

We trust the foregoing satisfactorily deals with the NTSB recommendations arising from the loss of the "MARINE ELECTRIC" ID 4407476.

Very truly yours,

AMERICAN BUREAU OF SHIPPING

LOUIS V. MINETT
Senior Vice President

Encls.:

Circ. 132, Index 6.2.1, Rev. 7 September 1982
- Surveys of Older Vessels.
Circ. 227, Index 6.2.1, Rev. 14 February 1984
- Intermediate Surveys
Circ. 384, Index 6.2.1, date: 14 February 1984
- Annual Surveys

cc w/encls.:

W.N. Johnston
L.J. Bates
J.F. Borum
K.E. Sheehan
T.J. Tucker
bcc: W. O'Brien - KCK
bcc: USCG - Cdr. Randall

Mr. STUDDS. Thank you.

I am going to ask everyone else to confine their remarks.

Mr. Huff.

STATEMENT OF JOHN HUFF

Mr. HUFF. Mr. Chairman, I will promise not to go over 5 minutes.

My name is John Huff, president of Western Oceanic, an international, offshore drilling contractor in Houston, TX. Today I am here on behalf of the International Association of Drilling Contractors, of which I am chairman of the offshore committee.

As we have heard, the concept of using ABS surveyors in lieu of U.S. Coast Guard surveyors is not a new one. The IADC membership heartily endorses this activity. The experience that we have had with regard to the functioning of the latest memorandum of understanding between the Coast Guard and ABS is quite good.

The efficiency of the review and inspection process has improved dramatically. Our workload has been decreased by approximately half. As you can imagine, when two agencies are reviewing virtually the same thing, any small discrepancies would create large administrative problems.

It is generally recognized that U.S. Coast Guard regulations published in December 1978 and IMO regulations in 1978 are largely based on ABS rules that were first promulgated in 1968, and have since been revised in 1973, 1980 and 1985. Clearly ABS is the leader in this type of inspection service, and without any question in my mind would do a diligent, excellent and fine job.

One fact I would like to bring out is that because of the Coast Guard closing offices in Rotterdam and Singapore, it has been a considerable cost expenditure to members of our association to bring inspectors from other areas rather than having USCG Inspectors located overseas.

I applaud the committee in your ability to circumvent the imposition of user fees. I think this is just another example of your innovative responses to our needs.

From the remarks I have heard this morning, it sounds like the United States needs a more novel and innovative approach to the efficiency of inspections.

While there is certainly some question in terms of whether ABS should have an exclusive relationship with the U.S. Coast Guard, our position would be that other internationally recognized classification societies may, in fact, be qualified. We would caution the Coast Guard and this committee to review very carefully those qualifications as most of the U.S. flag MODU fleet is located in the United States. However, I would like to add that the United Kingdom and Norway, both countries known to have stringent offshore rules, use ABS inspectors to effectively discharge the regulatory duties of those countries. This holds true for virtually every major offshore nation.

Additionally, I would like to bring to your attention that the Minerals Management Service (part of the Department of Interior) in their treatment of fixed offshore structures allows the use of third party certifying organizations or employees or the owners of

those facilities to perform the required inspection. In fact, there are 4,000 such structures in the U.S. Gulf of Mexico as compared to less than 275 MODUs, and, the number of lives at risk on those offshore structures would be something in the same magnitude as on MODUs. While the risk to human lives would be approximately the same, the risk to physical facilities obviously would be astronomically greater. This seems a good support for industry safety as well as third party inspection.

The Coast Guard suggested in March 1985 that they consider self-certification of these fixed structures in terms of the the safety appliances necessary. We feel that the Coast Guard should extend the same sort of activity to MODUs.

I would like to point out to you, sir, that 95 percent of the time our bottom bearing support units are jacked up--the same as fixed structures. Approximately three-fourths of MODUs employed on U.S. OCS operate in virtually the same manner as fixed structures.

We feel very strongly the U.S. Coast Guard should retain review status, but for cost efficiency both to the USCG and industry should utilize qualified third party professionals and, in particular, ABS.

Thank you.

[The prepared statement of Mr. Huff follows:]

PREPARED STATEMENT OF JOHN R. HUFF

Mr. Chairman, my name is John Huff. I am President of Western Oceanic Inc., an international offshore drilling company based in Houston, Texas. I am appearing before you today in my capacity as Chairman of the Offshore Committee of the International Association of Drilling Contractors ("IADC"). The IADC is a trade association comprised of over 1,500 member companies engaged in all aspects of onshore and offshore drilling exploration and production, worldwide. I am here to endorse the concept of third-party inspections of mobile offshore drilling units ("MODUs"), both in the initial certification phase and in subsequent periodic inspections required for the maintenance or renewal of a MODU certificate of inspection.

The concept of seeking to achieve efficient implementation of the maritime inspection laws of the United States through the employment of the American Bureau of Shipping ("ABS") and its core of highly qualified surveyors is not a new one. Even before the budget-related problems of today, the Coast Guard and the ABS have jointly studied ways in which to improve the efficiency of plan review and inspections of ABS-classed vessels, including

mobile offshore drilling units. The joint work of the Coast Guard and ABS has manifested itself in Memoranda of Understanding ("MOU") between the two parties. These Memoranda have from time to time been implemented through Navigation and Vessel Inspection Circulars ("NVIC") issued by the Chief of the Coast Guard's Office of Merchant Marine Safety. The latest Navigation and Vessel Inspection Circular in this evolutionary process is NVIC No. 10-82. This latest Circular incorporates the provisions of previous Circulars while broadening the involvement of the ABS in assisting the Coast Guard in carrying out the Coast Guard's legislatively mandated duties.

The Memorandum of Understanding implemented in Circular No. 10-82 concerns itself with plan review and inspection functions for new vessel construction. The Memorandum of Understanding clearly recognizes the statutory authority and final responsibility of the Coast Guard with regard to the regulation of plan review and inspection functions. The ABS is authorized to perform certain plan review and inspection functions in cooperation with and on behalf of the Coast Guard. These inspection and plan review functions are to be performed by full-time employees of the ABS and may be accepted by the Coast Guard as part of the Coast Guard's vessel certification process without review or attendance by U.S. Coast Guard personnel.

In carrying out their inspection and plan review functions, the ABS surveyors are to use the same rules as Coast Guard inspectors would use. If there is an apparent conflict between Coast Guard regulations, federal statutes and international treaties, the Commandant of the Coast Guard must resolve the conflict. The same is true if questions arise with regard to the equivalency of design or equipment of existing vessels to present Coast Guard regulations.

Although Coast Guard inspectors are not expected to normally participate in inspections performed by the ABS under provisions of the Circular, the Coast Guard maintains close liaison with the ABS with regard to these functions and also may, at its discretion, participate in inspections or review the details of submissions made by the ABS.

The experience of IADC members with regard to the functioning of Circular No. 10-82 is quite positive. We feel that the efficiency of the plan review and inspection process of ABS-classed vessels has improved. Our workload and the delays that we suffered have been cut by more than half by the fact that we now have to deal primarily with only one agency where before we had to deal with two. As you can imagine, whenever two agencies deal with virtually the same criteria, disagreement over relatively insignificant issues may cause great administrative problems and sometimes results in shipyard changes and costs similar to what you all have witnessed with U.S. government contracts.

This simplification of the plan review process as resulted in a significant improvement in productivity and reduced costs.

NVIC 10-82 was revised on April 30, 1985. The major point of this revision was that the Coast Guard set forth its intention to conduct its own review of ballast control systems on column stabilized MODUs. This appears to have been largely a reaction to political pressure on the Coast Guard rather than any short-coming on the part of the ABS' surveyors. In connection with this point, it should be noted that the ABS' rule with regard to bilge and ballast system requirements is more advanced than the Coast Guard's regulations.

The American Bureau of Shipping has been involved with the offshore industry virtually from the time it evolved into the modern worldwide business that it is today. The ABS published its first MODU rules in 1968. These rules were the result of several years' work by a special committee made up of ABS and industry personnel. The Coast Guard was kept fully apprised of developments during the development of this first set of rules. The ABS MODU rules have been revised and republished in 1973, in 1980 and most recently, in 1985. A supplement containing further refinements of the 1985 rules will be published in 1986. The major revisions of the rules completed in 1985 are noteworthy, primarily for the significant additions made in the areas of bilge and ballast control systems on column-stabilized MODUs and jacking gear on self-elevating units.

It is generally recognized that the U.S. Coast Guard's MODU regulations (December 1978) and the IMO MODU Code (1978) are largely based on the 1973 edition of the ABS rules. The active role played by the ABS in the development of its own landmark rules and the U.S. national and international MODU regulations, plus the large number of MODUs classified with it, make it clear that the ABS has both the expertise and experience to carry out additional inspection responsibilities under agreement with the U.S. Coast Guard.

In addition to its plan review and inspection expertise, the ABS also conducts research programs of great importance to the offshore industry. A particular study which is presently underway with regard to the stability of column-stabilized, semisubmersible drilling units. This study was begun in September 1983, and is presently in its second phase. Without going into the technical details of the study, I can tell you that it is designed to test the basic assumptions and rules used in calculating the stability of semisubmersible drilling units. It is viewed as being so important that the International Maritime Organization has postponed any work on possible revisions to stability criteria in the IMO MODU Code until the ABS study is completed. Without question, the ABS is the most experienced amongst all classification societies.

The ABS has developed inspection standards for items not part of the structure of a MODU. To meet the specific requirements of certain North Sea countries, the ABS has developed its

own standards for mooring chain specifications, certification of drilling systems and is circulating a possible standard on skid-mounted well test equipment.

The ABS' ability to deal with vessels in the offshore oil industry was enhanced by its recent structural reorganization. A new division of ABS, the Offshore Engineering Division, was created to assume responsibility for all aspects of classification, certification and statutory verification for MODUs and fixed platforms. Research and development personnel were combined with specialists from the Hull, Machinery and Offshore Installation Departments of ABS and given responsibility for plan review, structural analysis and all other matters pertaining to the offshore industry. A new MODU Department was created within this Division to specifically focus on issues involving MODUs. Both the office personnel and field surveyors who do the work of this Department are well-qualified, experienced individuals. Furthermore, the surveyors are located in ports all over the world. In recent years, the Coast Guard has closed down overseas inspection offices in Singapore and Rotterdam, both of which were used by the offshore drilling industry.

Due to the fact that Coast Guard inspection teams must be sent from the United States to remote locations overseas, it is becoming increasingly difficult and costly for MODU owners to coordinate inspection activities. The use of nearby, qualified ABS surveyors could free Coast Guard officers to do other duties while assuring full compliance with the law and regulations.

Budgetary savings would also be realized both by the government and by the owners of the MODU.

I know that this Committee has recently considered the possibility of imposing user fees on various industries and private citizens who utilize Coast Guard services. Just within the past few weeks, the Committee on Merchant Marine and Fisheries found other ways of saving money within the Coast Guard's budget so that it did not have to resort to the drastic step of imposing user fees. In the case of the offshore industry, in particular, the imposition of U.S. Coast Guard user fees would constitute a significant additional cost of doing business not shared by non-U.S. flag competitors. The expansion of the present ABS/USCG MOU should be viewed as another mechanism for controlling the Coast Guard's budget without having to resort to user fees.

However, the simple expansion of the present ABS/USCG MOU may not be enough. The MOU is restricted to vessels certified by the ABS. There are numerous American-flag MODUs which are classed with other internationally recognized classification societies such as Det Norske Veritas or Lloyd's Registry. The IADC feels that the U.S. Coast Guard should accept inspections done by any recognized classification society subject, of course, to the Coast Guard's power to review the results of any particular inspection or to terminate its approval of the use of a particular classification society should the results of that society's work prove to be inadequate. In my opinion, the ABS

would have no trouble in inspecting any type of classed vessel (or non-classed vessel) to determine that each MODU working on U.S. OCS is in compliance with USCG regulations.

Both the United Kingdom and Norway, which are known to have stringent offshore rules, accept the work of the ABS and other recognized classification societies for the purposes of inspecting drilling units working in their waters. For instance, an ABS surveyor in Singapore may inspect a U S -flag MODU wishing to obtain a UK certificate of fitness on behalf of the UK Department of Energy. The inspector would examine all major systems except lifesaving appliances and firefighting systems. Thus, almost all of the work in certifying that a drilling unit is sufficiently in compliance with UK laws to be allowed to work in the UK sector of the North Sea is done by the classification societies, not the government. The same holds true for every major offshore nation in the world.

The treatment of fixed OCS structures in the United States does allow for third-party inspections to be accepted by the federal government. Under this program, the owner of a proposed fixed offshore structure is allowed to select any competent organization to review the design, fabrication and installation of the new structure. When the plans and the verification material are submitted to the Minerals Management Service, the qualifications of the certifying organization and its employees are set forth as part of the transmitted documents. The Minerals Management Service may take steps it deems necessary to verify

the bona fides of the certifying organization or its employees. Several thousand fixed offshore facilities exist on the United States OCS and their design, fabrication and installation were carried out without the necessity of creating and maintaining an army of federal inspectors to oversee the process. In fact, there are about 4 000 such structures in the U S. Gulf of Mexico as compared to less than 275 MODUs.

In its March 7, 1985, Advanced Notice of Proposed Rulemaking in the Federal Register, the Coast Guard proposed the revision of several regulations with regard to OCS oil and gas activities. With regard to fixed offshore facilities, the Coast Guard proposed to establish a program of self-certification covering the annual safety inspection of fixed facilities on the U.S. OCS. Owners of such fixed facilities, including those with a large number of personnel working onboard, would be allowed to hire third parties to conduct annual safety inspections, or the owner could conduct the inspections using his own personnel. The Coast Guard's role in the safety inspection of offshore facilities would then be limited to making unannounced periodic visits to the facilities to insure that the owners were conducting the self-inspections in an adequate manner.

The IADC supports this concept. It recognizes that the fact that the owner of a fixed facility has the final responsibility for the safety of that facility. Similarly, it is the owner of a MODU who bears the prime responsibility for the safety of his unit. Many governments, including the United Kingdom, recognize

this concept and put it into effect to a far greater degree than does the United States. Neither the United Kingdom nor Norway have large contingents of government inspectors to inspect vessels for violation of government regulations.

The IADC's comments in response to the March 7, 1985, ANPR suggested that the Coast Guard consider extending this sort of a self-certification or third-party certification program to MODUS in addition to fixed structures. A large percentage of the accidents, fires, explosions and other accidents on the OCS happen on fixed platforms, especially production platforms where the presence of large amounts of natural gas or crude oil pose problems not found on MODUS. Given the Coast Guard's position with regard to fixed offshore structures, the IADC feels that the Coast Guard should not be reluctant to allow MODU inspections to be carried out under a similar program.

The demand for budgetary efficiency in government and the economically depressed nature of the offshore oil and gas business combine to make it imperative that government and industry cooperate to achieve the most efficient and least costly ways to insure that the laws of the United States are enforced while at the same time, preserving American jobs. I hope that the ideas that I have put forth today on behalf of the IADC will stimulate the search for innovative ways to accommodate all of our needs in today's hard economic times. By holding this hearing, the Subcommittee on Coast Guard and Navigation is doing its part to promote the discussion of these important issues. It seems

unlikely that further legislative activity should be required in light of the fact that the MMS already has a third-party certification program in effect for fixed structures on the OCS and the Coast Guard has proposed a third-party and self-certification program for inspections of safety aspects of such facilities. The IADC stands ready to work with the Coast Guard and this Subcommittee in achieving the ends we all desire--efficiency and safety in the offshore industry.

I have enjoyed the opportunity to appear before the Subcommittee today, and will be happy to attempt to answer any questions that you or the Staff may have with regard to the issues raised in our testimony.

Mr. STUDDS. Thank you.

Mr. Hiscock, you are perfectly rational other than the fact that you left Cape Cod to come here.

STATEMENT OF RICHARD HISCOCK

Mr. Hiscock. Thank you for this opportunity.

I believe the Association's position is clearly set forth in our statement. It disagrees with some previous statements made today. However, we are not specifically addressing ABS delegation.

We are really interested in the whole question of delegation to third parties. I would like to make several short summary observations.

First, over the past 150 years Congress has adopted marine safety statutes because the private sector's attention to safety was either inadequate or not uniform.

Second, the regulations implementing these statutes have been and should be promulgated by an independent Federal agency, one whose purpose is the protection of life, property and the environment. Third, that the regulations should be enforced by knowledgeable, well-trained, dedicated officers of this same Federal agency.

Enforcement of the Nation's safety laws should not be delegated to the private sector.

I think the marine board that investigated the *Marine Electric* disaster put it best. They said in their first observation that:

The examination of U.S. merchant vessels to ensure their compliance with the applicable Federal safety statutes and regulations should be conducted and determined by knowledgeable members of a U.S. Government agency.

The responsibilities for these functions should not be delegated or entrusted to the private sector.

I would add that Congress adopted the marine safety laws for a reason. The Federal Government's role in the enforcement of these laws and regulations should not be reduced to oversight.

We have heard a great deal this morning about Coast Guard oversight, and if you will permit me to look into the future, which I realize is a difficult thing to do sometimes, one has to ask who in the future is going to be overseeing the third party? If the Coast Guard eventually becomes nothing but an oversight agency. If there are no longer any marine inspectors in the field who work their way up into management and bureaucratic positions, who is going to oversee those third parties?

Our thoughts about the present Coast Guard marine safety program are summarized on pages 5 through 7 of our statement, and we make some recommendations on the last couple of pages.

Other than that, I welcome the opportunity for questions.

[The prepared statement of Mr. Hiscock follows.]

PREPARED STATEMENT OF RICHARD C. HISCOCK

The U. S. Lifesaving Manufacturers' Association (USLMA) is a trade association composed of manufacturers of primary lifesaving equipment - lifeboats, lifeboat winches and davits, and inflatable liferafts and associated equipment. The purpose of the Association is to promote the development and implementation of the highest possible U. S. performance, manufacturing, maintenance, service and training standards for all lifesaving, survival and emergency rescue equipment required and/or used on all vessels.

Marine Safety and Third Party Delegation:

The Federal government's involvement with marine safety began almost 150 years ago. We should be constantly reminded "that the responsibilities now handled by the Coast Guard were assumed for a reason. The Coast Guard, in most instances, accepted duties which Congress at some point believed were being performed inadequately or inefficiently either by the private sector or by some other agency of federal or state government." (Semi-Paratus, 1981)

While it may appear to those who read the Marine Safety Statutes (Title 46 USC, SUBTITLE II) today that Congress had divine guidance and wisdom when adopting these statutes, this is hardly the case. These statutes were "written

in blood," and were adopted by a reluctant Congress, as the result of, and as a reaction to major marine casualties involving great loss of life.

In the evolution of marine safety law Congress progressively recognized and incorporated into our marine safety laws several fundamental safety principles. The first is that the safety of passengers and seamen could not be left to the private sector. It must be the responsibility of the Federal government to establish minimum safety standards and requirements for vessels and lifesaving equipment.

Second, and most important, that the enforcement of marine safety laws and regulations must be carried out by independent officers of the federal government - officers who are well trained and experienced, and who have as their primary interest the safety of the passengers and seamen sailing aboard U.S. vessels.

In fact Congress spent much of its time in the early years of this century and right up through the depression adopting statutes to organize or reorganize the Federal agencies responsible for marine safety in an effort to provide Federal officers with the independence, authority, and expertise to enforce marine safety laws and regulations. In 1946 the Coast Guard inherited, from the Bureau of Marine Inspection and Navigation (BMIN), the sum total of this Congressional effort.

Ignoring the lessons of the past, many in and out of government - the Congress, the Executive, the GAO, ship owners and the Coast Guard itself - have in recent years promoted, recommended and delegated to private sector third parties responsibilities that past experience demonstrates should be the Federal government's.

The MARINE ELECTRIC and Third Party Delegation:

A recent marine tragedy that of the MARINE ELECTRIC - has again focused attention on whether the delegation of marine safety responsibility

to private sector third parties is in the best interest of those who go to sea.

The Coast Guard Marine Board investigating this casualty certainly has reservations about third party delegation. Their first recommendation states:

That the examination of U. S. Merchant Vessels to assure their compliance with the applicable Federal safety statutes and regulations be conducted and determined by knowledgeable members of a U.S. government agency. The responsibilities for these functions should not be delegated or entrusted to the private sector.

It comes as no surprise that the Coast Guard Commandant did not concur with the Marine Board's Recommendation. He does see "the need for a more formalized oversight program by the Coast Guard." And further states "the issue of proper oversight of all third party delegation is being studied in depth and appropriate guidance will be published in the Marine Safety Manual."

Oversight raises another important question:

What experience and qualifications will Coast Guard Officers responsible for oversight actually have?

If the present trend - of delegating marine safety responsibilities to third parties - continues unabated, soon there will be few if any Coast Guard personnel with experience in the inspection of vessels or lifesaving equipment. Soon Coast Guard personnel responsible for seeing to it that private sector third parties do their job will have little or no experience with, exposure to, and most importantly understanding of, the importance of the very program they are charged with overseeing. Soon personnel in the Office of Merchant Marine Safety will have never participated in the testing of a new liferaft or lifeboat design, or visited a lifesaving manufacturer's plant, a liferaft service facility, or inspected the shipboard installation of lifesaving equipment, or participate in an annual lifesaving equipment inspection. Yet, these

Individuals will be responsible for overseeing Coast Guard responsibilities delegated to third parties. This is not a reassuring prospect.

If lack of personnel, funding, and other demands are the reasons for continued delegation of Coast Guard marine safety responsibilities to third parties then let's admit that. Admit that we all have serious reservations regarding third party delegation, and work together to demonstrate the importance of Coast Guard involvement in the safety of life and property at sea, and the need for adequate funding and personnel to carry out this vital program.

We must have a strong, adequately funded, Coast Guard Marine Safety Program, with experienced and well trained personnel, who will continue this country's well recognized leadership role in providing the safest possible marine transportation for passengers and cargo.

"Deregulation" is currently fashionable and third party delegation may be to some a way of reducing budget deficits. But when it comes to safety - whether it be marine safety, mine safety, aircraft safety, or highway safety - it is irresponsible to "dismantle a regulatory system which one disaster later --- will have to be re-assembled." (Semi-Paratus, 1981)

Lifesaving Equipment and Third Party Delegation:

USLMA specifically cites NPRM 83-030 (49 FR 189, 38151) which proposes to "substitute independent laboratory inspection of approved inflatable liferafts, lifeboats including disengaging apparatus, hand propelling gear, davits and winches." There are economic reasons - increases in manufacturing costs and foreign competition - for USLMA's opposition to this proposal.

Our primary concern regarding this proposal is best stated as follows:

Is this proposal in the best interest of marine safety in the U.S.? And, more importantly is it in the best interest of the consumers of marine safety - passengers and seamen on U.S. vessels?

USLMA believes it is not.

This proposal is just another example of the unwise trend toward third party delegation. It proposes that the Federal government (Coast Guard) delegate to third party "independent laboratories" responsibility for pre-approval testing and factory inspection of primary lifesaving equipment.

No longer will Coast Guard personnel participate in the testing of new or modified lifeboats, liferafts, davits, winches and the like, nor will Coast Guard personnel visit manufacturing facilities ensuring that lifesaving equipment is manufactured to our traditionally high standards. "U.S. Coast Guard Approved," a mark of excellence for many years, will soon have little meaning.

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To summarize, USLMA believes that two important and interrelated circumstances are damaging the effectiveness of the Coast Guard Marine Safety Program. Unless there is a change in direction, prospects for this important program are not reassuring.

1. **Lack of experienced, well trained and dedicated personnel.** Despite past Coast Guard testimony that Marine Safety training is improving, the MARINE ELECTRIC REPORT provides ample evidence that Coast Guard Marine Safety personnel lack the training, experience, and dedication necessary to carry out adequately their responsibilities.

A) **Retirement:** The Coast Guard Marine Safety Program benefited from the maritime expertise of former civilian employees of the Bureau of Marine Inspection and Navigation, and Merchant Officers commissioned through the Public Law 219 Program. Most of these personnel have now retired.

B) **Reliance on "Systems":** As these qualified personnel retire, the Coast Guard Marine Safety Program is shifting from a "people intensive

organization into a system oriented organization". Good information retrieval systems are useful. But, those using the information in the "system" must be knowledgeable, well trained, experienced, and dedicated Marine Safety personnel.

- C) **Multi-mission staffing:** The Marine Inspection Offices (MIO) were combined with the Captain of the Port (COTP) to become Marine Safety Offices (MSO) in order to "attain the maximum benefits of the Coast Guard's multi-mission capabilities." The result of this consolidation is assignments - including assignments to leadership positions - of personnel lacking necessary experience and dedication to marine safety.
2. **Third party delegation.** The Coast Guard enthusiastically accepted the suggestions and mandates - from Congress (Semi-Paratus, 1981), its own Roles and Missions Report (1982), and the Executive (NACOA Report, 1983) - that it emphasize its at sea missions, reduce Coast Guard personnel intensive responsibilities and delegate regulatory (marine safety) functions to the private sector.

- A) **Effects performance of Coast Guard personnel:** Delegating responsibility sends a clear message to all personnel - from Headquarters program managers to field inspectors - that the Marine Safety Program is not important.
- B) **Returns responsibility to the private sector:** Past experience in the development of the Federal Marine Safety Program demonstrates that an effective Marine Safety Program can not be left to the private sector. It must be independent, impartial, and dedicated to one thing - safety.
- C) **Dilutes and disperses responsibility for marine safety:** No one, the Coast Guard, the third parties, the owners, or officers, can be held ultimately accountable.

- D) **Precipitates less training and experience:** Marine safety personnel responsible for "overseeing" the effectiveness of programs delegated to third parties will have less and less "hands on" training and practical experience.

Future implications. The present direction of the Marine Safety Program has serious implications.

- A) If third party delegation increases, accountability for marine safety becomes more and more dispersed.
- B) Marine safety will be left to the private sector. Past experience indicates that such delegation results in additional casualties and loss of life.
- C) The Coast Guard's Marine Safety role is being reduced and will continue to be reduced to: "Oversight."
- D) Experienced and dedicated Coast Guard Marine Safety personnel will continue leaving the service.
- E) Remaining Coast Guard personnel will have little experience, even less dedication, and almost no "hands on" training.
- F) "Oversight" will be the responsibility of inexperienced, ill-trained personnel, who lack an appreciation for the importance of the program.
- G) The Coast Guard Marine Safety Program will be "performed inadequately or inefficiently," coming full circle on a statement from Semi-Paratus regarding duties performed by organizations and agencies other than the Coast Guard.
- H) The result will be increasing loss of life, property and risk to the environment.

RECOMMENDATIONS

Keeping in mind its own warning that:

"...the transfer or elimination of Coast Guard regulatory duties neither can, nor should, be accomplished without a careful examination of the effect of such action on the public and on the overall efficiency of government service." (Semi-Paratus, 1981)

USLMA RECOMMENDS THAT:

- I. The Subcommittee, the Congress and the Coast Guard put on hold any pending or proposed regulatory or legislative proposals for third party delegation, until such time as the Subcommittee has an opportunity to study the Coast Guard Marine Safety Program and make its recommendations.

Specifically: USLMA urges that CGD 83-030, NPRM to delegate to third parties (independent laboratories) pre-approval testing and factory inspection of primary lifesaving equipment be cancelled.

- II. That - in as much as the Commandant feels that a Marine Safety program review panel (Recommendation 2. MARINE ELECTRIC REPORT) is unnecessary - the Subcommittee should carefully review the implications embodied in the Marine Board's report and consider the advisability of initiating a resolution to impanel such a review committee utilizing impartial marine inspection/safety expertise.

Note: There is precedent for this sort of investigation (see. Senate Res. 7, 74th Congress "requiring the investigation of the adequacy and efficiency of the Steamboat Inspection Service.") and the use of an independent panel (see. Senate Report, No. 184, 75th Congress, 1st Session - for the "Technical Committee on Safety at Sea" established to assist the Senate Committee on Commerce.)

This panel should:

Conduct an indepth review of the entire Coast Guard Marine Safety program, its overall structure, and the Coast Guard's ability to continue such a program. Emphasis placed on:

- A) Present and projected experience levels of the program administrators, program and project managers, Officers in Charge - Marine Inspection, and field inspectors, and the distribution of such expertise in the program. This review should include implications on marine safety of Coast Guard policy practices such as:

- 1) The effect of multi-mission staffing and career paths on training and practical experience.
- 2) The effect of merging Marine Inspection Offices with Captain of the Port Offices on the expertise of personnel.
- 3) The effect of third party delegation on the quality of the Marine Safety program and the experience levels of the personnel.

B) Present and projected procurement and training programs, and identification of the requirements and qualifications needed of a marine inspector. Attention should be directed to the following.

- 1) Marine Safety training curriculum and the lesson plans now being used, with particular attention to whether marine safety trainees get sufficient background regarding: the development, purpose, and importance of our marine safety laws and regulations.
 - 2) Converting at least some of the marine safety billets to civilian positions in order to gain or retain expertise and continuity. It is possible that placing civilians in deputy positions would provide continuity and retain expertise.
- C) Headquarters, District, and field office policies and practices to assure compliance with statute or regulation.
- D) Marine Safety Program Mission Performance Standards to determine the extent the Coast Guard has modified - lowered - the program standards rather than improving the program. The effect of ceilings imposed by non-DOT Federal Offices on mission performance standards should be assessed.
- E) The use of civil penalties and civil penalty collection procedures.

Many past due civil penalties, including those involving environmental pollution, are uncollectable, because the amounts are too small - less than \$600 - to forward to the U.S. Attorney. The Coast Guard has almost no leverage to force compliance. Many of these cases are eventually closed as "uncollectable."

F) Headquarters, District, and field organizational structure, and the effect of Headquarters' structure on Coast Guard missions, particularly Marine Safety.

Marine Safety encompasses: Commercial Vessel Safety, Recreational Vessel Safety, Aids to Navigation, Marine Environment and Search and Rescue. (See hearing on Coast Guard Operations, 98-45, pp: 68-71)

Lack of communication, consistency and coordination between separate Headquarters, District and field Offices effects mission performance.

G) The make-up of Marine Investigation Boards. In many cases the Coast Guard is in effect investigating its own performance. The objectivity of Marine Investigation Boards is often questioned. The MARINE ELECTRIC report is the exception rather than the rule in this regard, yet the Board did not recommended reprimanding any Coast Guard personnel, despite evidence that they failed to carry out their responsibility.

Mr. STUDDS. Thank you very, very much.

Mr. BORUM, do you dispute any of the factual conclusions of the Coast Guard Board? And I underline factual conclusions, concerning the inspections conducted by the ABS of the *Marine Electric*?

Mr. BORUM. Unfortunately, I am not fully cognizant at this moment or recall all of them, but I would say generally no, we do not dispute them.

Mr. STUDDS. The marine board recommended after reviewing the *Marine Electric* case that commercial vessel inspection functions should not be delegated by the Coast Guard to the private sector, including ABS. I assume you do not agree with that conclusion, and if that is the case, what conclusion do you believe Congress should draw from the quality of work done by ABS with respect to the *Marine Electric*?

Mr. BORUM. I would like to state that I feel that we are an agency of the U.S. Government as specified in the laws passed by Congress. While not physically a governmental agency, I would also like to state that I feel we have done an adequate job since 1920, and since time immemorial before that in the 128 years of our existence.

One or two unfortunate instances have occurred but that should not be the criteria to decide that we are not doing our job properly.

Mr. STUDDS. Is that what you wish to have as the answer to the question which was what conclusions do you prefer Congress should draw from the quality of work done by ABS with specific respect to the *Marine Electric*?

Mr. BORUM. I will let that stand, yes.

Mr. STUDDS. How does ABS supervise the work of its surveyors? By that I mean assuming the surveyor knows how to make the paperwork look right, assuming no complaints are received from vessel owners or captains who have served a clean bill of health, how will you know that a surveyor is taking a lackadaisical view of his job?

Mr. BORUM. The first question would be a surveyor of a vessel in a different period of time, the appearance of a problem. We are also conducting audits of our surveyors' work, both directly from the New York office using very experienced surveyors, and from the man's own supervisory personnel. To this date, we have found that that is a satisfactory method, together with the review of the actual reports written.

From time to time we consult with our surveyors and inquire as to the meanings of certain entries they have made in their reports. I can't give you the exact figures now, but I think we have examined over 500 cases in the last year.

Mr. STUDDS. Do you believe that the Coast Guard has delegated any responsibilities in the marine safety area to any other classification society or organization to whom such responsibilities should not be delegated?

Mr. BORUM. I do not understand that the Coast Guard has delegated any such responsibilities?

Mr. STUDDS. Do you fear that such a delegation might occur in the future?

Mr. BORUM. I think there is consideration for it, and I feel that it is important, as I have stated in my oral presentation, that any such organization should be fully responsible under the U.S. laws.

Mr. STUDDS. Mr. Huff, you have testified that the Coast Guard should accept inspections done by any classification of society. The ABS, however, has testified that the Coast Guard should not delegate inspection to classification societies other than the ABS because it would lead to competition, according to their testimony, among classification societies which could, in turn, lead to a lowering of standards.

How do you respond to that assertion on the part of the ABS?

Mr. HUFF. Well, sir; what I suggested was that the Coast Guard look very carefully at non-U.S. classification societies. ABS is clearly the preeminent leader in this field of marine operations, that is the MODU's. Because of just normal equity involved in things, I feel that the Coast Guard should certainly review with an open mind those other classification societies, and each of the societies belongs, I think, to a group, International Association of Classification Societies, which has at least some peer pressure on the groups.

Mr. STUDDS. I don't know to what degree you wish to be specific, but are there any classification societies other than the ABS that are particularly well qualified to receive a delegation of authority from the Coast Guard?

Mr. HUFF. I would suggest Lloyd's Register, which has published its own rules of offshore MODU drilling units and Det Norske Veritas, a Norwegian society.

Mr. STUDDS. Would you respond to the question whether or not there are any that are particularly unqualified?

Mr. HUFF. No, but I would like to add one comment, and that is I would not want to have any confusion. The fact is now the Coast Guard accepts ABS inspections on non-U.S. flag MODU's that operate in the U.S. Outer Continental Shelf.

I think it would be a logical extension of that to extend it to U.S.-flag MODU's.

I think that the Coast Guard would be the most qualified to judge the effectiveness of any classification societies, and we would certainly rely on their expertise in that area.

I am not aware of any that would be blanketly unqualified.

Mr. STUDDS. Thank you.

Mr. Hiscock; would you like an opportunity, although brief, to be sure, to respond generally to the comments by the American Bureau of Shipping? Clearly your two sets of testimony are not altogether consistent on some major points.

Mr. Hiscock. Our concern is not specifically with the American Bureau of Shipping. The U.S. Lifesaving Manufacturers Association is faced with the possibility of the delegation of preapproval inspection and factory inspection of primary lifesaving equipment. That is the last thing you have when everything else fails, either liferafts, lifeboats or the davits to lower them. "Independent" laboratories, which might be ABS, might be Underwriters Laboratories, or could be any third party which meets the qualifications that are set forth in the Federal regulations. There are several problems that we see with this.

One is that you essentially get to pick your enforcer. Any independent laboratory that meets the qualifications a manufacture can chose to use.

Second, it might be pointed out, and the Coast Guard should remember this. The largest user of Coast Guard approved rafts is the Coast Guard itself. They are going to end up paying an additional cost for inspecting their own rafts.

There is also the obvious problems of foreign competition, of laboratories that are overseas, that are supported by federal governments, other federal governments. Foreign manufacturers will be paying considerably less for their inspections overseas than U.S. manufacturers would have to, but the big question, the big philosophical question, is should you turn over to independent laboratories of any size, shape or description the inspection of primary life saving equipment or any other marine safety function?

We have galloped into delegation. I wonder if we are not going full circle back, as the representative from ABS suggested, where we were back in the 1830's.

Mr. STUBBS. In some field that would represent progress, but that is another subject. What is your understanding of the status of the rulemaking to which you refer at this point?

Mr. HISCOCK. My understanding of it is it has a lower priority than it had before. The final rule could be published at any moment.

Mr. STUBBS. Let me pull you back for a moment, if I may, to that part of your testimony which refers to the ABS. The ABS believes that inadequate performance of its surveyors of the *Marine Electric* was not typical of ABS performance. Your testimony indicates you believe it was characteristic of ABS operations.

Do you have any specific evidence to back up that judgment that the handling of the *Marine Electric* was typical rather than an exception?

Mr. HISCOCK. I don't believe I said it was typical. I would appreciate it if you would tell me where you are quoting from. I cited the Coast Guard report on the *Marine Electric* and their reflections on the examination of merchant vessels by third parties.

Mr. STUBBS. If I have mischaracterized that, I apologize both to you and to ABS. Why don't you take this moment to put it into your own words correctly then?

Mr. HISCOCK. My use of the *Marine Electric* is an example of what can happen when we delegate responsibility to their parties, whether they be ABS or anybody else. I think one of the things that happens is that the responsibility is so widely spread that when a disaster occurs, there is a very convenient opportunity for everybody to point the finger at somebody else and say it is not my responsibility, it is his responsibility.

It is my feeling that we should keep the responsibility in the Federal house. You pass the laws. A Federal agency adopts the regulations, and we should enforce the regulations through Federal authority.

It would be very similar to having a city council adopt a regulation or a statute, and having a police department adopt the regulation, implementing the statute, and then hire a private detective agency to go out and enforce them.

Mr. STUDDS. I appreciate that. I would advise you to return to Cape Cod as fast as possible before the Senate cuts in the FAA budget go through.

Mr. Hiscock. I think that is another good example. I think we are seeing what happens when you deregulate a Federal regulatory agency. There is a growing concern about aviation safety. I don't think it makes any difference whether you are talking about aviation safety or marine safety or mine safety or anything else.

An independent oversight by an independent Federal agency is what we have developed over 150 years to try to prevent some of these things from happening.

Mr. STUDDS. I understand. Thank you.

Thank you all very much. I appreciate your patience in waiting.

We go to our second and final panel, Mr. Peter Luciano, Transportation Institute; Fred Schillreff, Federal Firefighters Association; Mr. James Talley, president, Baltimore Area Metal Trades Council.

I know you gentlemen have sat longer than you anticipated. I would ask you to hold your oral comments to no more than 5 minutes. We will begin with Mr. Luciano. Welcome back.

STATEMENTS OF PETER LUCIANO, EXECUTIVE DIRECTOR, TRANSPORTATION INSTITUTE; FRED SCHILLREFF, EXECUTIVE DIRECTOR, FEDERAL FIREFIGHTERS ASSOCIATION; JAMES TALLEY, PRESIDENT, BALTIMORE AREA METAL TRADES COUNCIL

Mr. LUCIANO. Thank you very much, Mr. Chairman.

I would like, first of all, to express our deep appreciation for you allowing me to present the views of the Transportation Institute and of our member companies on a very important area of public policy.

At the outset, I would like to comment that we greatly respect the competence, the dedication, and the professionalism of the U.S. Coast Guard. Our purpose here today is in the hope of expediting the process by which the private sector can assist the Coast Guard in the performance of its missions, and particularly those functions related to aids to navigation.

We believe the U.S. marine industry is fully capable of providing this important function, and we also feel that the industry can readily meet the criteria you articulated this morning as needing to be met before a function should be turned over to the private sector.

In fact, part of the reason why the industry can meet the cost criterion in particular, is regrettably, the depressed economic condition in our industry at this time.

I would emphasize a point made in a different context by Admiral Gracey this morning. That is that the tasks related to aids to navigation are indeed an appropriate function of Government, and this happens to be one of those functions where the private sector can assist the Coast Guard in a competent and cost-effective way, and thereby free scarce Coast Guard resources for missions it is uniquely qualified to perform. Therefore, we would hope that the subcommittee will help to expedite this important process.

Thank you.

Mr. STUBBS. Thank you very much.

[The prepared statement of Mr. Luciano follows:]

PREPARED STATEMENT OF PETER J. LUCIANO

Mr. Chairman and members of the Subcommittee, my name is Peter J. Luciano. I am Executive Director of the Transportation Institute, a nonprofit research and education organization dedicated to the preservation and promotion of a strong American maritime industry. Our 174 member companies operate U.S.-flag vessels in virtually every sector of the U.S. maritime industry, including operators of oceangoing vessels in the nation's foreign trade; coastal and non-contiguous tankers, liners, tugs and barges engaged in domestic commerce; Great Lakes dry bulk vessels and tugboats; and inland river towboats.

We appreciate the opportunity to submit again our views to the Coast Guard and Navigation Subcommittee on the issue of contracting out to the private sector some of the Coast Guard's short range aids to navigation (SRA). The Institute strongly supports the contracting option for certain Coast Guard services, and has stated that position before this Subcommittee and in other forums on several occasions.


Our purpose in appearing before your Subcommittee today is not to criticize the efforts of the Coast Guard in carrying out its broad responsibilities. The Coast Guard provides many important functions and services which the private sector would find difficult if, not impossible to match. We appreciate the longstanding frustration of the Coast Guard that its funding has not increased commensurate with its responsibilities. However,

our concern here today is not the chronic underfunding of the Coast Guard, but rather our belief that the Coast Guard should seriously reevaluate its programs and extend to the private sector those elements of its mission, such as aids to navigation, which private industry is eager to provide and can do in a cost-effective manner.

In 1984, we participated in this Subcommittee's hearing on contracting out of some of the Coast Guard's functions and expressed our strong support for the transfer of some SRA services to the private sector. At that time, we also expressed our frustration regarding the Coast Guard's hesitancy to move forward with a pilot study in light of the public and private sector interest repeatedly expressed in an analysis of the benefits of the contracting out option for SRA services. As this Subcommittee well knows, several comprehensive studies on the Coast Guard's responsibilities, including your own 1981 report, Semi-Paratus: The United States Coast Guard, 1981, concluded that the capability of the private sector to provide and maintain these SRA services should be carefully examined. Since your 1981 report, the record has been building steadily for a thorough examination of this issue. In 1982, the Coast Guard Roles and Missions Study, and in 1983, a report by the National Advisory Committee on Oceans and Atmosphere, also recommended an examination of the use of private sector assets for SRA services. In 1984, the Congress further encouraged the

Coast Guard to "identify those functions and services not inherently governmental in nature, and which may be performed with equal effectiveness and at a lower cost under contract to the private sector." The Coast Guard subsequently submitted a list of such functions to the Congress, which included more than 100 such non-governmental functions involving hundreds of personnel in 19 states which could be turned over to the private sector.

In our statement last year, we also recommended that the SRA pilot study be done in a high-use area, so that the full range of private-sector resources could be analyzed. The NACOA Report also suggested testing in a high-use area. In addition, we recommended not only that the contracting option be studied on the rivers and inland waterways, but that coastal channels and port areas be considered for contracted SRA services as well. The Institute also noted that several of our member companies which operate highly efficient and versatile tugboats and supply vessels in several geographical regions have expressed an interest in contracting to provide these services. Finally, we reiterated our belief that the time had come for the Coast Guard to move forward with a pilot study to examine the benefits of contracting out, the results of which will likely show that the private sector can perform these service as effectively as the Coast Guard and at lesser cost.



Mr. Chairman, we believe the record compiled since 1981 in support of the contracting option for certain Coast Guard services is extensive and compelling. We believe the question is not whether the maintenance of these aids should be transferred to the private sector, but how this process can be achieved most expeditiously, consistent with the safety of life and property on the particular waterway.

Last year, we expressed concern regarding the Coast Guard's seeming reluctance to begin implementation of a pilot SRA program. Therefore, it was reassuring to note the Coast Guard's announcement earlier this year of its plan to contract out on a trial basis five non-critical areas for private sector servicing of short range navigational aids. We also understood that the Coast Guard planned to issue contracts for these five sites before September 30 of this year. The efforts of the Congress and the Coast Guard to test the contracting system for the SRA program is encouraging. However, we consider this experimental program as too small, and the projects too widely scattered, to give an accurate assessment of the private sector's capabilities to provide these services. In fact, we believe the potential savings to the government for such a minor test effort may not be worth the administrative effort involved. The potential for substantial savings to the government cannot be achieved unless the scope of the project is large enough to interest marine operators with major vessels, pile drivers,

heavy lift assets, and certain economies of scale. The best evidence of this is an unsolicited proposal submitted to the Coast Guard by a major Gulf Coast marine operator to service more navigational aids under one contract than the Coast Guard has included under all five of the non-critical area contracts. Unfortunately, despite the fact that this proposal projected a 20% savings over Coast Guard published costs for maintaining this same group of aids, the agency has elected not to accept the proposal, even on a trial basis.

We believe that any pilot program on SRA contracting should include high-density areas in order to assess the full range of capabilities of the private sector. We believe the five areas chosen by the Coast Guard for experimentation will be difficult to service in a cost-effective manner, and are not representative of the type of high-density areas which will achieve substantial savings to the federal government. This is an important consideration. If the pilot program remains limited to these five non-critical waterways, we believe that when the program concludes, the Coast Guard will not have gathered the representative data the Congress will need to make an informed judgment on the appropriate federal and private sector roles in servicing short range navigational aids. This will of course cause further delays in effectively implementing broad-based private sector participation.

We also understand that the bid proposals for these five test areas have not been issued because of some question regarding Congressional intent of the parameters of the Coast Guard services to be contracted on a trial basis. Mr. Chairman, we believe the intent of Congress on non-governmental contracting out has been clear. We believe that further delays in implementing the pilot program are causing scarce Coast Guard resources to be spent needlessly on functions which could easily be performed by the private sector. If there is any question as to the ability of the private sector to service and maintain navigational aids, we suggest that one need look no farther than the 40,000 private aids to navigation already owned and maintained by commercial interests. We respectfully urge this Subcommittee to instruct the Coast Guard to proceed immediately with the proposed pilot program and to encourage it to give serious consideration to expanding the program to high-density areas so that a more accurate picture of private industry's capabilities can be defined.

With respect to this Subcommittee's consideration of the Coast Guard's budgetary requirements for the next fiscal year and beyond, we strongly urge that no additional funds be authorized for the Coast Guard's Ship Life Extension Program (SLEP) for offshore buoy tenders until the pilot program is completed and a Congressional decision has been made regarding the use of commercial assets. We believe a postponement of this

type could be achieved without any adverse impact on the Coast Guard. While the agency has maintained that without the modernization and replacement of its buoy tender fleet, much of its multi-mission capability would be lost, Coast Guard documents do not indicate that buoy tenders are used extensively in other mission areas. We also believe that it would be premature for the Congress to endorse the conclusions of the Coast Guard's in-house Short Range Aids to Navigation Study, which did not include private sector participation; this study recommends in part the SLEP program for 40 year old buoy tenders at a cost of \$9.1 million per unit and a \$31 million per vessel rebuilding program to start in the next decade (both in 1983 dollars). Commercial marine operators have repeatedly indicated that they could retrofit their vessels for a fraction of the Coast Guard's costs to extend service life or construct buoy tenders. No monies for a program of this magnitude should be authorized until the private sector is given the opportunity to prove its capabilities in SRA services, and the Congress has an opportunity to evaluate the industry's performance.

Mr. Chairman, and members of the Subcommittee, our recommendation that funding be withheld for Coast Guard buoy tenders should by no means be construed as critical or to reflect adversely on the Coast Guard's capabilities to perform these services. Rather, it is based on our strong belief that the private sector can and should provide some of

these SRA functions. The Coast Guard would then be free to spend more of its limited resources on its many other mission responsibilities, which are governmental in nature and which it does competently.

Mr. Chairman and members of the Subcommittee, we appreciate the opportunity to present our views on this important issue of contracting to the private sector the maintenance of aids to navigation. We hope that this hearing will serve to clarify any misunderstanding which the Coast Guard perceives regarding its SRA pilot program. Thank you.

Mr. STUDDS. Mr. Schillreff.

STATEMENT OF FRED SCHILLREFF

Mr. SCHILLREFF. Thank you, Mr. Chairman.

First, I would like to take a moment to introduce those accompanying me today, although not at the table. Our national president, Donny Cherry, is an employee in the fire department at National Airport with the FAA, and he couldn't get away today doing his job over there.

However, Lynn Gilroy, our secretary/treasurer, who is also a firefighter there, is with me to my immediate right; Kevin Deleno, president of our union at Governor's Island; Joe Pereira and Richard Deasey are all here and came down for these hearings today.

We are very concerned about the issue of contracting out. I know that you have heard from our organization in the recent past regarding the Department of Defense authorization bill, and much of which was in our testimony was echoed to them over the years, so I won't belabor many of those points.

I would like to say to you that we feel very strongly that contracting out firefighting functions in the Coast Guard, which, by the way, is kind of a new agency for us to be involved with in the fight against contracting out, but from what we heard from Admiral Gracey today, and the \$200 million dollars in cuts in that agency, and now knowing that \$300 million is facing FAA, we are very, very more so concerned than we had been in the past, especially with this particular agency.

Firefighting is in our opinion an inherently governmental function and should not be contracted out. The Office of Management and Budget has stated over the years that it has given to the agency commanders the authority to decide which functions are contracted and which functions are not.

However, they will not define the term "inherently governmental in nature." To use the Admiral's words, they pussyfoot around with the terminology.

We feel that the definition that is incorporated in Webster's Dictionary is adequate, and if it were applied as it is in Webster's Dictionary, and as it is indicated in other Government agencies, Army, Navy, and Air Force, for example, in their regulations dealing with their fire departments, the Coast Guard likewise would not be even contemplating contracting out that function.

I have been coming to this Hill now for almost 13 years on Federal firefighter issues, and one that I keep coming back on is contracting out. It never seems to get solved. I think one of the reasons for that is because OMB Circular A-76 has no foundation in law. It is something that was drafted by that agency on the premise that contracts to private industry is something that should be done, and maybe, in some cases it should, but there are no parameters to regulate it there before oversight hearings such as yours and others, constantly going on trying to deal with the problem.

There are contracted fire departments, just looking from the standpoint of cost, that I am definitely familiar with, because I

have been there and I visited them and I know what the wages are that are being paid.

One of those is an industrial department, it has been an industrial fire department that was contracted out some 20 years ago by the U.S. Air Force at Arnold Engineering Development Center in Tennessee.

Recently in the last 3 or 4 years, they were working what is known as a 56-hour workweek, 24 hours on, 2 off, on that system, and they are covered under the Services Contract Act and the provisions of the Department of Labor's Fair Labor Standards Act as it applies to private sector employees.

The wages prior to the contract that was just negotiated down there were \$26,000 a year for those firefighters, without overtime and without fringe benefits. The Department of the Air Force took the—I am saying this with the other agency because I don't want to see the Coast Guard make the same mistake that I think the Department of Defense has done in contracting out firefighting functions.

The Department of the Air Force has ordered that new contractor that went in there to change the workweek from 56 hours of work per week to 72 hours of work per week.

Therefore, under the FLSA overtime requirements, and under the Services Contract Act, he has boosted—the Air Force has boosted the salary without overtime and without fringe benefits from \$26,000 to \$33,000 a year.

Now, you equate that with the Federal firefighter at the average grade of GS-5, step 5, which most of the Coast Guard firefighters happen to be.

Their annual salary, plus fringe benefits, the 25 or 24 percent, whichever figure you want to use that deals with their retirement and other fringes, is in the neighborhood of \$24,000 a year.

There is no cost savings involved in contracting out firefighting functions in any of the agencies that I can see.

The ability to do the job is another serious, serious problem, Mr. Chairman, and I question the ability of a new contractor coming in to a Government installation being able to perform those functions that are on those Government installations in the same fashion in which your current civil service Federal employees are doing it.

They can't get trained fast enough. They have a startup factor of only 25 percent of the work force being required to do the job, and in a year's time to do some training to get the other 75 percent of the work force in that fire department trained for the job.

What you are getting for your money is an inflated factor that will go up and up and up without any control by the Congress or agencies themselves, because of the collective bargaining picture under the private sector, which I happen to support, but within the Federal Government in this case, it is not the best way to do business.

You have trained professionals. I know in your own State you are familiar with those that are your Federal employees up there, and I know that they have contacted you. Without saying too much more on it, like our secretary-treasurer often says, I sometimes get on a soapbox when it gets on this issue, but it has been 13 years I have been up here trying to get a permanent prohibition of con-

tracting out firefighting functions, and if you could do something in this committee to stop what has happened in the other agencies from happening to the Coast Guard, and in view of the mission of that agency, the Coast Guard's mission, as I heard it today, you would be doing a great service to your country.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Schillreff follows:]

PREPARED STATEMENT OF FRED SCHILLREFF

Mr. Chairman, distinguished members of the Sub-committee on Coast Guard and Navigation, my name is Fred E. Schillreff and I am the Executive Director of the Federal Firefighters Association, which represents federal firefighters throughout the United States. With me today is Mr. Donny M. Cherry, President of the Federal Firefighters Association and Mr. Lynn D. Gilroy, Secretary-Treasurer.

We are please to appear before you today to express our organizations views on OMB Circular A-76, dealing with contracting-out, especially as it pretains to contracting-out of firefighting functions at Coast Guard installations. We thank you Mr. Chairman for scheduling these oversight hearings on the most serious problem arising out of the Governments contracting-out practices.

The Government's Policy On Contracting-out

The Federal Governments policy on contracting-out is entombed in OMB Circular A-76, and is guided by a single theme, and that is money relative to cost factors.

Cost savings, may be an appropriate criteria for the Governments contracting-out of some of its functions, but it should not be the only theme or reason to do so, equal or more weight should be given to what the government is getting for its money in the way of services.

In the case of Coast Guard base firefighting functions, OMB Circular A-76 comes into serious conflict with many other equally, if not more, important factors, such as national security and the viability of Agency missions. It is our belief that contracting-out of this function can seriously interfere with the Base Commanders mission requirements and pose a threat to the security of our nation and its citizens.

OMB Circular A-76 does recognize as a factor, other than cost savings, what we consider a crucial factor, in the governments contracting-out policy, when it states that "certain functions are inherently governmental in nature, being so intimately related to the public interest as to mandate performance by Federal employees". The Federal Firefighters Association maintains that firefighting functions are "inherently governmental in nature", yet we find that the government has in the past contracted out these functions. OMB Circular A-76 ignores this principle, within itself, in spite of references in numerous Agency regulations that fairly make the argument that the firefighting function is inherently governmental in nature. Some examples of these regulations are:

Department of Defense Instruction 6055.6, dated June 10, 1981, paragraph C, titled "Policy" requires DoD components to "establish and maintain an effective fire protection program as an element of the overall DoD mishap prevention program". In paragraph (D) (2) it states that "heads of DoD components shall establish programs to implement the provisions of this instruction".

The Department of the Navy in its implementing instruction OPNAVINST 11320.23B, paragraph 5, sets the Chief of Naval Operations policy, and states, "Fire protection is an inherent function of command, and planning, implementing, and execution of fire protection functions will be accomplished in accordance with normal command responsibility..."

Air Force regulation 92-1 has set forth in paragraph 1-6 of Chapter 1, titled "Major Command", "...the Commander must provide the facilities, equipment and personnel for effective fire protection organization and manage the training and operations of the fire protection organization." The regulation further states in paragraph 1-18 of Chapter 1, titled "The Installation Commander", "...exercises primary responsibility through the Civil Engineer for fire preventions and protection functions." In Section A, titled "Doctrine & Operations", paragraph 1-1 (Fire Protection Programs), ...Preserving life and property from fire is a fundamental duty of all levels of command and supervision. Commanders have been given the fire protection resources to do this job. The most crucial ingredient in an effective fire protection program is the Commander's awareness and involvement. A Command is only as interested in fire protection as the Commander. Without the Commander's involvement and support, the program will fail regardless of the resources applied. Every Air Force Activity will have a fire protection program based on its size, mission and available resources."

Department of the Army regulation 420-90, Chapter 2-4, titled "Installation Commander", states "...the Installation commander is responsible for fire prevention and protection at his installation, and activities served by it, which are owned or leased by the Army." The above citations from DoD Component Agency regulations, either specifically state or strongly imply that fire protection and prevention functions are inherently governmental functions. The Coast Guard as our first line of defense for the shores of the United States, and as the public navigation service organization, is not unlike the DoD Agency's. Its firefighting functions are also inherently governmental functions. The Coast Guards Base Commanders have an equal role in providing fire prevention and protection, and their mission too, is as important, as those of his counterparts in DoD Agency's. Therefore, the Coast Guards firefighting functions should not be contracted out, and should not, under any circumstance, be included in the so called BOSS contracting out studies.

The Federal Firefighters Association has studied and reviewed OMB Circular A-76, and we believe that it sets a policy in contracting out that is really costing the taxpayers more then it is saving, it also allows for the establishment of a shadow government which cannot be accurately tracked, and is outside of normal government oversight reviews. We have been involved, over the years, in meetings with OMB OFPP officials, and OMB tells us that the Agency Head can delete functions from their contracting-out inventory, and that they have the full discretion to do so. Therefore, Mr. Chairman your sub-committee should make it an unmistakable directive in your findings in these hearings that the Coast Guards Agency Head delete the Coast Guard firefighting functions from contracting-out.

Impact of Contracting-out Federal Firefighting Functions

Although Circular A-76 appears to show that Contractors must have contingency plans to continue the performance of their contract in the event of a strike or other job action by the Contractors employees, stating such in the Circular is not going to stop such actions from happening, and they have happened in the past. No matter what a Contractors contingency plan may be there is no way it can get into the minds and hearts of its employees and figure out how it is going to handle a strike. OMB Circular A-76 requirement for a contractor to have a strike plan if awarded a contract is merely another way for them to pass the buck or press its contracting-out policies no matter what the ramifications may be.

The fact of the matter is fire prevention and protection are directly related to the Mission Essential Responsibility of any Activity Commander and a Commander's loss of control over these functions creates for him unacceptable risk factors.

When an in-house Federal Fire Department is replaced by a contractor-operated fire department, the Installation Commander no longer has direct control over his Fire Department, or its employees. Any involvement by the Federal Government with the contractor-operated fire department or its personnel now is in the hands of a Contract Administration Officer, whose job is to check the contractors for performance within the scope of the contract between the Government and the Contractor. The Installation Commander cannot interfere with the Contractor, he cannot supervise the contractor's fire fighting personnel in any way,

he cannot take discipline against those personnel, and he cannot impose any rules or obligations on the contractor which are not expressly provided for in the terms of the contract and its performance work statement (PWS). As a result a Commander finds himself outside of a critical command essential function with no control thus placing him in a position of potential negative effect on his mission responsibilities and requirements.

Contractor operated fire departments come from the private sector and are, therefore, covered under the provisions of the National Labor Relations Act (NLRA), thus, a contractor's employees can organize under a UNION and once they are organized they have full legal rights to engage in collective bargaining for wages, hours and all other conditions of employment, including the right to strike. Federal Government employees are not covered by the NLRA and do not have the legal right to strike.

Experience and history show that contractor-employees at Federal Government Installations have engaged in strikes. True, these strikes were not directed towards the Federal Government, but were taken against the contractor, but the fact still remains that an uncontrollable factor, a strike, affected the Federal Government and could have caused some compromise of the national security. OMB Circular A-76 attempts to play this factor down and in so doing we feel they are condoning in the Circular a potential compromise of national security.

Some examples of strikes by contractor-operated fire departments took place at Hunters Point Naval Shipyard, San Francisco, Ca., in 1978, which shut down the shipyard for two weeks.

Strikes have taken place at the Oakridge Atomic Energy Department Plant in Oakridge, Tenn. Another strike at Oakridge took place in August of 1981 and lasted for seven weeks. The firefighters at Oakridge did not cause the strike but were members of it because they were members of the Metal Trades Council that has exclusive recognition for all the employees. Strikes have taken place at other installations and there is no reason to believe that they would not take place again in the future no matter what the OMB Circular A-76 alludes to the contrary.

Considering all that we have raised so far in our testimony it is clearly an obligation for the Coast Guard to exempt their Federal Fire Protection and Prevention functions from the contracting-out.

The current Federal Firefighter is a highly trained and motivated employee of the Federal Government. In most cases he is a person which has several years of experience as a fire fighter stemming from time spent in the military service to self motivation in attending college-sponsored fire science courses covering the broadest spectrum of the skills of firefighting, fire science, emergency medical services and the like. The Federal Firefighter has a strong sense of duty to the country and a desire to do his job as professionally as he knows how. He knows he is a part of the Base Commander's mission and constantly is training to be able to perform his part in concert with that mission. The range of a Federal Firefighters work knowledge must cover every possible situation dealing with the mission of the base at which he works. Such knowledge can cover any type of military weapons systems, aircraft (experimental or otherwise),

chemical or biological warfare systems, wild land fires, structural and crash firefighting, and firefighting involving hazardous industrial operations plus the sophisticated fire prevention systems to protect industrial, computer systems, missile silos, ships, etc.

The Federal Firefighter is required to meet OPM Classification Standards for the firefighter function and those standards are explicit regarding knowledge requirements and experience with the time for acquiring and the knowledge and experience being specifically set forth.

Contracts awarded for firefighter functions are generally for small numbers of employees, in each case, and these contracts generally come under the Small Business set-aside programs for small business. A requirement of OMB Circular A-76 is that the prospective contractor be able to provide the work force as spelled out in the awarded contract. Experience has shown that potential contractors are often unable to meet the degree of training and experience that are required of Federal Firefighters and which are spelled out in the Performance Work Statement (PWS). The reason being that the contractor must hire employees from off the street and that the Federal Firefighters displaced by the contractor do not opt to go to work for the contractor even if they are offered the chance to do so. The displaced federal employee has too much of an investment in his career in government service to give it up. Furthermore, there is no guarantee in OMB Circular A-76 that the contractor has to hire the displaced federal employee, granted the Circular alludes to an offer of first refusal being given such employees.

but it is very misleading and in fact it means if the contractor has vacancies in his company then those vacancies will be offered to the displaced federal employee. The risks to the federal employee are too many and uncertain to gamble his future and not withstanding all of this he resents the lowering of work standards that will stem from the contractors operation. You get what you pay for and it is our opinion that the governments best buy for the taxpayers dollar is for the government to continue an in-house fire prevention and protection program staffed by federal employees.

Another impact of contracting-out federal firefighting functions is the impact on Community Relations and Mutual Aid. The current government in-house fire prevention and protection program has a direct affect upon the communities in and around a military installation through the practice of mutual-aid agreements. In general these agreements provide for the governments fire departments to provide backup fire suppression to the surrounding communities and likewise for the communities fire departments to provide similar backup to the governments fire departments.

Local communities do not enter into these mutual-aid agreements lightly and neither does the governments fire departments. Before an agreement is made the local community and governments fire department assess each others firefighting capabilities and personnel with each looking for highly trained and experienced professionals knowing that these factors are key items in making an agreement for mutual-aid.

As stated earlier in our testimony, the federal firefighter is a highly trained and experienced professional. With this being the case surrounding communities are normally anxious to enter into mutual-aid agreements with the government.

Community Relations and mutual-aid suffer when a contractor operated fire department takes over an activity's fire fighting responsibilities. Some of the reasons for this change are:

(1) A contractor-operated fire department provides service for profit, and local communities are not interested in sharing their equipment and personnel through mutual-aid agreements for the profit of private business concerns. Firefighting is too dangerous and too costly for a city or town to do so.

(2) Fire Chiefs in communities are not willing to place their firefighters along side of less experienced or professionally trained fire department personnel than are their own. A loss of a man or major equipment could put that community Fire Chief's ability to protect his community in jeopardy, a risk he cannot professionally or morally take.

(3) The political factors of local government dealing with the loss of income by its long established citizens being displaced by an outside business concern cannot be ignored. For example: if the contract were awarded to a firm in Philadelphia for performing a job in New York the profits of that business would not necessarily be reflective in the city or state where the work is performed.

OMB may try to argue that these points are outside consideration for the conduct of the Federal Governments business and from their way of thinking maybe so, but they are not the elected representatives of those affected communities and they do not have to take the heat back home. Mr. Chairman, we know who takes that kind of heat!

Other Flaws to OMB Circular A-76

Circular A-76 attempts to reassure Congress and the nation that the Federal contracting-out policy is being closely monitored, yet if you read the Circular no-where can you find any reference to exactly who is responsible for overseeing the program. The Circular also states that "contracting out will not be used to justify a conversion solely to meet personnel ceilings." On further examination of Circular A-76 the Authority for OMB appears to come from the Budget and Accounting Act of 1921 (31 U.S.C. 1, et, seq.), and the Office of Federal Procurement Policy Act Amendments of 1979 (41 U.S.C. 401, et.seq.). It would be highly advisable to get an up-to-date interpretation of just what those Acts provide for, and to what degree the OMB is in concert with them as related to Circular A-76.

Recommendations

(1) That the Congress legislatively require the Department of Transportation to exempt Federal Firefighting functions from contracting out permanently.

Conclusion.

We thank you Mr. Chairman and Distinguished Members for your time and consideration of the view we have presented today on behalf of the Federal Firefighters Association and our members.

Mr. STUDDS. Thank you, sir.

Mr. Talley.

STATEMENT OF JAMES TALLEY

Mr. TALLEY. Good afternoon, Mr. Chairman, and members of the subcommittee. I am James Talley, president of the Baltimore Area Metal Trades Council, an AFL-CIO affiliate which represents over 490 civilian employees at the Coast Guard yard in Curtis Bay, MD.

I appreciate the opportunity to appear before the subcommittee this morning during your review of the Coast Guard's policy on contracting out services to the private sector.

The Coast Guard has maintained the Curtis Bay Shipyard since 1899. During its 86-year history, the yard has engaged in a host of shipbuilding, repair, and modification activities to help maintain the Coast Guard's fleet in a state of navigable readiness. The yard and the people who have worked there—civilian and military—have always served this country well.

In times of national defense, the yard has always done its share. For example, during World War I, several units of the U.S. Navy were sent to the yard—then still a depot—for repairs and conversion. During World War II the yard began its shipbuilding phase and built many types of vessels from 20-foot boats to 255-foot cutters in addition to repairing many vessels of our Allies including submarines and surface vessels.

During both the Korean war and the Vietnam war the yard responded to whatever the Nation called on it to do. The years between the wars are filled with accomplishments of the yard. You can read about them in the booklet, "U.S. Coast Guard Yard, A History of Service to the Fleet," that is provided for you today.

The productivity, quality of workmanship, and devotion to their jobs for yard employees can best be seen in the number of letters of commendation and thank you's received from ships and Coast Guard districts that have had work done at the yard.

A shining example of their work can be seen in the letter of commendation from Adm. J.B. Hayes, Commandant of the Coast Guard. A unit commendation was given for exceptionally meritorious service from July 1, 1980, to March 20, 1981, in support of fleet readiness and modernization. I have copies of a few of the many letters of jobs well done that I submit, Mr. Chairman, for the record.

Among these letters is the latest example of what the yard can do on a moment's notice—another important function of the yard. It pertains to a 3-day emergency availability of the cutter *Dallas* to get it ready for the NATO exercise Ocean Safair. Yard employees worked around the clock, some of them working three straight shifts voluntarily. One yard enlisted man came in on his day off voluntarily. Such is the quality of personnel—civilian and military—at the yard.

Since 1963 the yard has progressively pursued a policy of eliminating commercial-type activities. Now it is being asked to do more. Yard management, much to their credit, held a meeting earlier this year to explain the A-76 reviews that the yard is facing in the near future to the employees.

In spite of all this, yard employees' production and quality of work has not fallen off. Consider that when yard employees did such an outstanding job from June 1980 to March 1981 and received the Commandant's commendation they were promptly rewarded with a reduction in force.

This lowered the employment ceiling to about 800. Now, even after the RIF, the employees continue to show quality and productivity in their work. They are being rewarded by our Government with the possibility of having their jobs contracted out to the private sector.

Such negativism, if continued by our Government, will ultimately destroy the highly skilled and effective work force in this shipyard and ultimately in our country. It is my opinion that the A-76 reviews the yard now faces are not justifiable.

I feel that A-76 reviews are slanted toward the contractor and do not take into consideration enough of the professionalism and quality of work done by Government installations and the civil service work force.

Problems with contracting out start with the writing of performance work standards and quality assurance standards in detailed enough terms to protect the material interests of both the Government and the vendor. For example, the standards for grounds maintenance at the yard have taken 8 to 9 months to write.

The problems continue in procurement. If a contract does not cover a specific phase of a project or a job a special procurement contract must be written. There are other costs to the Government that don't appear in the contract bid.

Things like the number of Federal employees and the amount of time it takes in the administration of the contract. Let's not forget cost overruns and how about litigation expense because of the occasional uncooperative contractor.

A contract at the yard as an example would be the one on cranes, tow motors, and other vehicles. Experienced yard personnel oversee the work.

Procurement requests are made for additional work. Sometimes resulting in delays. Consultants have been brought in at additional costs. These are just a few examples.

It is my opinion that if in-house maintenance had continued on the vehicles and cranes, the Government would have saved money. To start off with, our employees were already familiar with the equipment. There would have been less paperwork and fewer time and work delays.

In conclusion, it is my opinion that the contracting out of jobs from the Coast Guard yard will not be cost-effective for the Government and is not in the best interest of this country.

Just one more thing, Mr. Chairman. The employees at the yard have asked me to convey their gratitude for the efforts of the House to raise the employment ceiling at the yard.

Mr. STUBBS. Thank you, sir, very much.

Mr. Luciano, you state in your testimony that the five areas the Coast Guard has chosen for its aids to navigation contracting experiment will be difficult to service in a cost-effective manner and are not representative of the type of high density area which will achieve substantial savings to the Federal Government.

Would you give one or two examples of the types of areas that you believe would be more appropriate for contracting and which would also fit the Coast Guard's criteria as noncritical?

Mr. LUCIANO. An example that was alluded to in my testimony, Mr. Chairman, involved what I believe was an unsolicited proposal by a private company to provide services for aids to navigation in the Gulf of Mexico, and I understand that it would be on a larger scale, a higher density of traffic, and a more demanding challenge to the private sector.

Part of our concern here, of course, is that if a particular project is not of sufficient scale or not sufficiently demanding of the kinds of services and the scale of operations that some of the major potential contractors could offer, it is possible that in the first place there would be fewer bidders attracted to the process, thereby giving you a less than representative sampling of the industry's capabilities, and by the same token, the cost savings would, therefore, not be realized that could be realized with a larger scale operation.

Mr. STUDDS. Are we to infer, perhaps, from what you say that you suspect the Coast Guard might have designed their experiment with some intent to seek those that do not further the industry interests?

Mr. LUCIANO. Not necessarily, no. I wouldn't suggest that, Mr. Chairman.

Mr. STUDDS. You certainly may, if you wish.

Mr. LUCIANO. No. I don't have any reason to believe that. I think that in Admiral Gracey's testimony this morning, he indicated perhaps two contributing factors. One is perhaps his intuitive belief that this is not a function which the private sector can perform, and perhaps that might have had something of a dampening effect on this, but second, I think, is the understandable predisposition, perhaps, of the Coast Guard to err on the side of caution rather than in the other direction, and I don't attribute any malice to that.

Mr. STUDDS. I understand. What is your reaction to the Admiral's concern about the multimission concern to aviation vessels? Aren't those things that might not be done by contracting vessels?

Mr. LUCIANO. It is my understanding from the input of the companies we have talked to that this particular function is one that has less of a multimission character than many of the others.

There are many functions on the high seas where, I think, there is more of a multimission character, but it is my understanding that this particular function is one that has much less of that to it, and perhaps to the extent there are multimission dimensions to this function, they could be transferred to others of a more intensive nature.

Mr. STUDDS. Are there any other reactions that you wish to have with respect to statements made by Admiral Gracey, as you heard him?

Mr. LUCIANO. Not other than to say, sir, that we strongly support the Coast Guard, and feel the same concerns that, I think, Admiral Gracey and other people have about the severe budgetary constraints that have been imposed on it, and the impact that that has had on the ability of the Coast Guard to do some very critical missions in the national interest. We certainly hope that those func-

tions that are national-interest in nature, as we believe many of them are, will be able to be carried out with the support of Congress.

Mr. STUDDS. I appreciate that.

Mr. SCHILLREFF. How many Federal firefighters are currently employed by the Coast Guard?

Mr. SCHILLREFF. I am not sure what that number is, Mr. Studds.

I do know that there are installations. The three that we have members at are Governor's Island, NY, Scaggs Island, CA, and Elizabeth City, NC.

Mr. STUDDS. Perhaps you could provide for the record a list of the number and location of firefighters that are now employed.

Mr. SCHILLREFF. I would be glad to do that.

Mr. STUDDS. In your testimony you mentioned the strike held by the contractor-operated fire department at Hunter's Point Naval Shipyard in San Francisco in 1978, which shut down the shipyard for 2 weeks. Do you know if the contractor had a contingency plan to continue the performance of the contract in the event of a strike, and if so, why that plan was unsuccessful?

Mr. SCHILLREFF. At that time when that strike took place, which was several years ago, no, there was not. The requirement under OMB Circular A-76 for a contractor to have a contingency plan was something that was put into the revisions to the circular in the last couple of years. He did not have a contingency plan.

Mr. STUDDS. Do civilian firefighters hired by the Coast Guard have any responsibilities other than firefighting?

Mr. SCHILLREFF. To my knowledge, no.

Mr. STUDDS. They do not. Would it be practical to hire firefighters, either Government employees or contractors, who are, to use the Coast Guard phrase, multimission employees, that could carry out responsibilities at Coast Guard facilities in addition to firefighting?

Mr. SCHILLREFF. I am not sure I understand your question.

Mr. STUDDS. The concern of the Coast Guard, as you have heard expressed, was that they do a lot of things at once. You can't designate a single Coast Guard person or vessel or facility as being solely for one purpose or another.

Mr. SCHILLREFF. No.

Mr. STUDDS. The byword or catchword is multimission.

Mr. SCHILLREFF. In that case, neither is your firefighter on a Coast Guard installation. He does more than just fight fires. He is involved in all of the preventive measures and the prevention measures that are associated with any of the buildings or life-saving equipment and so on.

They are involved in life savings as well as fighting fires, and the whole range of things directly associated with the mission of that installation. They could be put onboard a ship and sent out to do anything at any given time. It is largely related to that.

Mr. STUDDS. Ms. Mikulski.

Ms. MIKULSKI. Thank you, Mr. Chairman.

I want to thank you for having Mr. Talley from my Coast Guard yard at Curtis Bay here to testify.

Mr. Talley, I also want to thank you for your splendid presentation and your emphasis on productivity and efficiency.

We all know how terrific the Curtis Bay Coast Guard is, at least most of us know. One of the questions I want to ask is how has existing contracting out affected the Curtis Bay yard?

Specifically, you mentioned the contracting out of the maintaining the yard's cranes. Could we have perhaps a case example, so we can picture how this example of A-76 hurt the yard? I think you said it caused more paperwork, it ultimately cost more than it saved, and it did not result in increasing efficiency as was expected.

Mr. TALLEY. Recently in a discussion with one of the crane operators, I asked him to compare the down time of cranes on the waterfront, prior to the start of this contract, as compared to what it is now.

Their statements were, his statement, and he feels it would be verified by all of the other crane operators on the waterfront, that the down time now as compared to then is much more, which results in lost productivity.

Any time you have one of the cranes on the waterfront down, you are losing a lot of people who are going to have standby time. Our people, when they go in, when they went in to do the crane maintenance, were very familiar with the cranes. They knew basically where the troubles would lie, when the contractor came in.

Any time you go to work on a piece of equipment that you are not familiar with, you end up spending a lot of time trouble-shooting to find out where those problems will be.

One incident that was related to me was the situation where there was a noise coming out when the crane went into a turn. The contractor came down and they made all kinds of repairs, couldn't get rid of the noise. According to what I understand, it turned out that there were some grease fittings that the contractor had missed, but the damage had been done, and a shaft had to be replaced on the crane.

Ms. MIKULSKI. Pretty expensive.

Mr. TALLEY. Yes.

Ms. MIKULSKI. Mr. Talley, what other functions do you think the Curtis Bay yard would be on a contracting-out hit list?

Mr. TALLEY. Excuse me? Would you say that again?

Ms. MIKULSKI. If they go through with more A-76 at the yard, and we are talking about a possible \$200 million reduction, plus the Gramm-Rudman fiasco if passes, there could be even further reductions at Curtis Bay. So if you think the boys with the green eyeshades are staring at the Coast Guard yard and are thinking about what other things they could contract out, what components of the yard do you think would be on a contracting-out hit list?

Mr. TALLEY. I would say probably the entire waterfront. That would be one of the things that they might go after. I know we have been hearing rumors about that for quite along time.

Of course, we try not to respond to rumors. Contracting out of the industrial area, I think, is already slated for 1987.

Ms. MIKULSKI. The contracting out of the entire yard?

Mr. TALLEY. The entire waterfront facilities, the ship construction and repair, 530 positions, full-time, equivalency positions are slated for 1987 A-76 review.

Ms. MIKULSKI. And they would contract that out to who?

Mr. TALLEY. I would hope that they are not going to contract it out to anybody, but I would assume that they would try to go to a private shipyard. With the \$200-million reduction in the budget for 1986, I don't know how they would be able to do anything. It doesn't sound to me from what the admiral said that they will have any ships left to contract repair work out?

Ms. MIKULSKI. By 1987 when they are planning this A-76 review we may not have any private shipyards in Maryland either. What the administration has done is have tax policies that have favored building overseas forcing firms like Maryland Dry Dock and Bethlehem Steel into trouble. Curtis Bay is a viable and capable facility which will maintain our shipyard base in Maryland.

It is a multidimensional problem from what I have seen, and there won't be anyplace to be contracted out unless we reverse those policies. I appreciate your testimony Mr. Talley.

I would like to go now to Mr. Schillreff.

Mr. Schillreff, on military bases, who does the firefighting?

Mr. SCHILLREFF. Where there are civil service firefighters, it is your Government employees that do the firefighting. There are unfortunately some military installations that have been let to contract, and there is not a very good track record in those as to the contractor's performance or to cost effective savings for the Government.

Ms. MIKULSKI. One of the things about the Coast Guard, of course, is that in the event of a national emergency it moves to the Department of Navy, and becomes an installation with maximum national security protections. How do you think contacting out would impact upon national security concerns in the event of mobilization?

Mr. SCHILLREFF. I think, Ms. Mikulski, that to contribute our firefighting functions to which a private contractor can have control over that one entity, whether that be associated with the so-called boss contract, whether incorporated with other crafts or all by themselves, would compromise national security.

The loyalty of the contractor employee is not to the Government of the United States. It is to the contractor that is paying his salary, and therein is a compromise to what would be the security of the country.

For example, as I have stated in my testimony, there have been strikes at Government installations where contractor-operated fire departments have existed, and in those cases had we—fortunately, there was not a national security issue that came up, but what if it did under the guise of what you have just stated as an example?

Ms. MIKULSKI. One last question to you. I notice that you talk about the relationship between a professional Federal firefighter and a contractor-out is the community-relations aspect. I would like to just follow up on that.

Our own Coast Guard yard is in what we would call chemical valley or chemical row in Baltimore. The yard is right around large numbers of chemical hazardous and toxic waste, toxic manufacturing plants.

They have essentially a voluntary umbrella organization that is a strike force that in the event that anything goes wrong, they act as a total unit along with the Baltimore City fire department, but

then at the individual businesses at Curtis Bay, their firefighters go into action. They pull exercises together and we are ready.

In fact, we had a terrible problem and we handled it over in southwest. Do you feel that where our yards are located, that a contractor-out would not participate in those kinds of endeavors, and it would in effect not only place the yard at risk but could place the community at risk when something happens either in the yard or outside the yard.

Mr. SCHILLREFF. Experience has shown to me through examples of where contracts had been awarded or were in the process of being awarded for fire departments in other parts of the country, thank God, not directly in your district as it is now, but the State, county; and municipal governments that were associated with mutual-aid agreements with those Federal installations sent very strong letters to the post commander and to the agency heads stating that if they entered into such an agreement, there was no guarantee that the continuation of mutual-aid agreements would continue, and in some cases outright saying that we prefer not to respond with your contractor employees.

Ms. MIKULSKI. Thank you. I am opposed to contracting out.

Mr. SCHILLREFF. I know that you are.

Ms. MIKULSKI. I don't think we should hire mercenaries to fight in our military, and I don't think we should hire contractors to do the jobs that need to be done by our fourth arm of defense. We need to be sure in these tough budget times that a dollar's worth of taxes generates a dollar's worth of service, not a dollar's worth of taxes benefiting a the contractor instead of the taxpayer, and I think the professional force is the way to do that.

Mr. SCHILLREFF. Thank you.

Mr. STUDDS. I'm sure you feel precisely as the rest of us do. Thank you, gentlemen, very, very much.

Mr. SCHILLREFF. If I might add, Mr. Studds, one last thing to a question that you had that was handed up to me.

Mr. STUDDS. Real quickly. We have a vote on the floor.

Mr. SCHILLREFF. It will only take a second.

You asked about the firefighting, if that was all that we did at Coast Guard installations. I was handed a note by my colleagues to my right from Governor's Island, they participated in keeping a cutter afloat. That is not directly firefighting and they had a lot to do with being transported by helicopters to lighthouses and so on and so forth.

I just wanted to make sure the record reflected that.

Mr. STUDDS. Thank you, sir.

The committee is adjourned.

[Whereupon, at 1 p.m. the subcommittee adjourned, subject to the call of the Chair.]

[The following was received for the record:]

ADDITIONAL QUESTIONS SUBMITTED BY MR. STUDDS AND ANSWERED BY RICHARD C. HISCOCK

Question 1. In your testimony, you state that civil penalties—including those involving environmental pollution—have been uncollectable because the amounts are too small to forward to the U.S. attorney. Should the civil penalties be increased, and if, which ones, and by what amount?

Answer. From the way the question is phrased I fear that the statement in my testimony has been misconstrued. The problem with civil penalty collection has little to do with the amounts permitted by statute. (There are some exceptions to this which I will discuss below.) Rather, the problem is the apparent lack of effectively assessed civil penalty collection policy and procedures.

The Coast Guard needs to be directed to use all possible means to collect unpaid civil penalties, including all alternative collection methods prescribed in the Federal Claims Collection Act (FCCA).

To illustrate the present situation let me briefly describe the civil penalty process. [Items in brackets indicate program or procedure currently be used in the First District.] See 33 CFR 1.07 for regulatory requirements regarding the civil penalty process.

When a Notice of Violation is received the District Marine Safety Division program manager [Marine Prevention and Enforcement (mpe) Branch Chief—the only such Branch in any District] recommends to the Hearing Officer (dj) an appropriate preliminary amount.

The Hearing Officer then sends a preliminary notification letter to the alleged violator.

The respondent then has three options.

- (1) Pay the preliminary amount. The case is then closed.
- (2) Supply a written response or request an in person hearing.
- (3) Do nothing.

In the case of (2) or (3) the Hearing Officers will, after the required time delay during which a respondent has to answer the preliminary letter, make a determination as to the validity of the allegations. And if the allegations are found to be proved then assess what is considered to be the appropriate civil penalty. The amount of the assessment will depend on factors offered in mitigation and/or aggravation as disclosed in the entire case file. No set amount is specified or required to be assessed by national policy or guidance but rather, the assessment is a figure which reflects all aspects of the case file as interpreted by the Hearing Officer. After the hearing process a final letter of determination is sent detailing the civil penalty process, and advising the respondent of the Hearing Officer's decisions. If the allegations are found proved, the letter advises as to the amount of the civil penalty assessed; if not proved, then the case is dismissed.

If the civil penalty is paid the case is closed.

The penalty may be appealed to the Commandant of the CG.

If there is no response to the final assessment letter the case file is forwarded to District Legal (dl).

District Legal then should send out two demand letters.

If the penalty is paid the case is closed.

If there is no response the case may then be turned over to the U.S. Attorney of collection.

But;

(a) For policy reasons the U.S. Attorney usually will not accept cases, except under special circumstances, in which the amount of the debt is less than \$600.00.

(b) In cases where the amount is over \$600.00 it is hoped that the U.S. attorney will accept the case; however, because of the heavy case load it is more likely than not that the case will not be processed.

In cases where the U.S. Attorney does not accept the case, the matter is usually closed as uncollectable, unless some other method of collecting the unpaid penalty (which has now ripened to a claim by the government) can be utilized.

[Note: For foreign vessels owning civil penalties CGDONE is now entering this information into MSIS. Several foreign vessels have paid outstanding civil penalties. Where the statute allows the CG may request that Customs withhold vessel clearance.]

There are provisions in the FCCA for alternative collection methods which if employed in a coordinated effort by the CG District Finance (f), Legal (dl) and Marine Safety (m) Divisions and could result in a much higher level of collections.

The point is that if civil penalties are not or can not be collected then the 'scoff-laws' are free to continue flaunting statutes which the Congress passed in order to redress a problem—either ones of safety or protection of the environment.

As stated earlier there are a few civil penalties that are probably too low. An example is the civil penalty of \$100 in 46 USC Chapter 41—Uninspected Vessels. The civil penalty should be consistent with those in Chapter 43—Recreational Vessels. See: 46 USC 4314 (a) and (c).

It is entirely understandable that Chapter 41 and possibly other Chapters of Title 46 still provide for low (less than \$1000) civil penalties, for when Title 46 was codi-

fied in 1983 there were supposed to be "no substantive changes" in existing statutes. However, civil penalties of less than \$1000 are not effective to carry out intent of the statutes.

Also, as stated in our comments on "user fees" (see USLMA comments on H.R. 1936—2 July 1985), there is an area where a civil penalty is not available. Currently an inflatable liferaft service facility holding a letter of approval from the CG to service CG approved lifesaving equipment—liferafts—may have that letter of approval suspended or revoked for a violation of CG regulations, 46 CFR 160.051-6(d). However, the regulations do not provide for "due process" for this procedure. As suggested a civil and/or criminal penalty providing all the necessary due process is far preferable and a more effective penalty procedure. We therefore recommend the following amendment to Title 46 USC.

RECOMMENDED AMENDMENT TO TITLE 46 U.S.C.

Amend 46 USC § 3318. Penalties, by adding a new section, as follows:

"(i) A person that violates a regulation for the servicing of equipment subject to this part, or services equipment subject to this part in such a manner that it is insufficient to accomplish the purpose for which it is intended, shall be fined not more than \$10,000, imprisoned for not more than 5 years, or both."

Question 2. In your prepared remarks you state that the combination of Captain of the Port and Marine Safety Office assignments has resulted in a lack of necessary experience and dedication to marine safety on the part of personnel in these positions. What has led you to this conclusion?

Answer. This a more difficult question to answer as our statement is based on subjective personal experience with individual officers, who in our opinion lack the experience and dedication necessary to fulfill a leadership position in marine safety.

The two separate offices, Captain of the Port (COTP) and Marine Inspection Office (MIO) now combined into a Marine Safety Office (MSO) with the Commanding Officer assuming the position of Captain of the Port and Officer in Charge Marine Inspection have distinct origins.

The COTP was originally a military port security function developed during WWII to serve as command and control of ports and harbors for the Navy Department. Port security and defense and safe loading of vessels particularly as regards explosives were the major functions of the COTP.

At the beginning of the marine environmental movement the COTP was assigned responsibility for Marine Environmentally Pollution control and clean-up response.

Now, with the recent creation of the Maritime Defense Zones (MDZ) the COTP is spending increasing time dealing with and developing maritime defense and port security policy and functions both for regular enlisted personnel, and CG reserve personnel who would be assigned to port security during a national emergency.

Thus, the COTP is responsible for both port safety and security and pollution control and response in his Zone.

Marine Inspection Offices (MIO) were until WWII staffed by civilian boiler and deck inspectors who in the latter days of the Bureau of Marine Inspection and Navigation (BMIN) were individuals with past maritime experience and/or naval architecture backgrounds. These personnel were directly commissioned into the CG in 1942, and many stayed in the CG Marine Safety Program after reorganization in 1946. In fact ADM Halert C. Shephard the long time Chief of the Office of Merchant Marine Safety (1945-1956) was the former civilian assistant director and then director of the BMIN. In addition the now defunct Public Law "219" program (direct commission of experienced merchant mariners into the CG Merchant Marine Safety program) provided experienced and dedicated but specialized personnel.

Merchant Marine safety—including vessel inspection, personnel examination, technical plan and equipment review, and casualty investigation—requires personnel with experience in their area of specialization, and does not readily lend itself to multi-mission staffing or leadership. If, as currently occurs, the Commanding Officer of a Marine Safety Office (MSO) lacks experience and background in Merchant Marine Safety then the marine safety program suffers, not from a lack of managerial ability, but from a lack of fervor and excitement about the importance of the CG's marine safety responsibilities. General officer management skills are not sufficient for the highly specialized nature of marine safety.

In short, we are asking too much when senior officers are assigned to billets requiring a specialized depth of knowledge if they lack the benefit of a background in that specialty; e.g. assigning an aviation officer as CO of an MSO.

ADDITIONAL QUESTIONS SUBMITTED BY MR. STUDDS AND ANSWERED BY JOHN L. BORUM

Question 1. Does the ABS currently perform any duties for the Coast Guard other than plan review and site inspection of new vessel construction, loadline inspections, and admeasurement?

What additional areas--if any--are being discussed for future delegations?

Is the ABS interested in delegations in areas in which ABS is not currently involved, such as safety and pollution control?

Are there activities ABS believes it could perform which are not under discussion with the Coast Guard?

Answer. Our principal duties for the Coast Guard consist of plan reviews, loadline inspections, tonnage admeasurement and surveys of new vessel construction. ABS also performs both plan review and inspection of structural fire protection on all new construction, performs plan review and inspection of lifeboat and liferaft davit foundations and performs plan review and inspection of air conditioning and ventilation ducting. In addition, ABS performs stability related reviews for some new U.S. vessels and will take over other stability reviews in the near future in accordance with the following schedule:

1. Inspected Barges:

	Implementation date
a. Bulk barges	May 16 1984
b. Dry bulk cargo (except grain loading)	
c. Cable/pipeline	
d. Crane	

2. Inspected Ships (exceeding 500 gross tons): October 16, 1984:

a. Cargo (except Grain Loading)

b. Tank

c. Passenger

d. Nautical School

e. Oceanographic

3. Inspected Ships (not exceeding 500 gross tons): October 16, 1985:

a. Cargo (except OSV's, Grain Loading and Miscellaneous Service)

b. Tank

c. Passenger (100 gross tons and over)

d. Nautical School

e. Oceanographic

4. Inspected Barges (except Grain Loading): October 16, 1985:

a. Tank (except hazardous chemicals)

b. Liquefied Flammable Gas

5. Remaining Inspected & Uninspected Vessels: April 16, 1986:

a. Offshore Supply Vessels

b. Miscellaneous Service Vessels

c. Tug Boats and Towing Vessels (except I-T-B)

Stability review of the following types of vessels will continue to be conducted solely by the Coast Guard:

a. Small Passenger Vessels (less than 100 gross tons)

b. Grain Carrying Vessels

c. Integrated-Tug-Barges (I-T-B)

d. Hazardous Chemical Barges

e. MODUs

f. Hull Forms with New and Unique Stability Characteristics

As described in our written testimony, ABS and the Coast Guard have discussed a number of possible areas for future delegation. To restate our views briefly, we can serve the industry and the Coast Guard in a number of new areas such as: a) inspections of existing vessels; b) inspections of automated propulsion systems and fire-fighting equipment; c) general type approvals of equipment; d) type approval and quality assurance of life saving equipment; e) inspection of new and existing life saving installations.

Another fit area for additional delegations is interim inspections overseas. ABS has discussed the subject with the Coast Guard but the Coast Guard has postponed any decision for the time being. ABS has offices worldwide, almost anywhere mer-

chant shipping is found. At a time when shrinking appropriations require the Coast Guard to curtail its overseas operations, we would be pleased to assume such duties.

ABS performs safety and pollution inspections for numerous foreign governments and would be honored to perform these inspections on behalf of the United States. In particular, ABS performs inspections under the International Oil Prevention Pollution Convention on behalf of 31 signatory and non-signatory countries and performs safety equipment inspections mandated by the Safety of Life at Sea Conventions on behalf of 27 countries.

Question 2. Is the ABS willing and able to conduct the review of ballast systems on column stabilized MODU's as discussed by the International Association of Drilling Contractors during the October 9 hearing?

Answer. ABS currently reviews ballast system details and arrangements for the column stabilized drilling units it classes and stands ready to review the details and arrangements for compliance with Coast Guard regulations as soon as the Coast Guard asks.

ABS is the pioneer in the development and application of Rules and standards for the classification of mobile offshore drilling units (MODUs), including ship-type, self-elevating, and column-stabilized units. ABS has classed almost three-quarters of the mobile drilling units in the world today. ABS has classed 116 of the existing 235 column-stabilized units, including 62 of the 82 that are of U.S. registry. Of the other twenty units of U.S. registry, 18 were built before there were any Rules for mobile offshore drilling units. ABS maintains a large permanent staff of engineers trained and experienced in the implementation of ABS requirements and those of the regulatory bodies on whose behalf ABS may act. Technical staffs, located in twelve cities around the world, provide local response and guidance to designers and builders that has become vital to avoid delays in construction.

In 1984, the Technical Committee of ABS adopted the first rules to specifically address ballast system and ballast control system requirements. Published in the 1985 edition of the ABS Rules for Building and Classing Mobile Offshore Drilling Units, these requirements apply to all MODUs contracted for after 6 May 1985. The Coast Guard actively participated in the development of these ABS Rules, with representation on both the ABS Special Committee on MODUs and a special task group on ballast systems for column-stabilized units.

On 4 December 1985, the Coast Guard submitted proposed changes to the IMO MODU Code to the IMO Sub-Committee Ship Design and Equipment. The changes proposed are based on the same philosophy and procedure as 1985 ABS MODU Rules. This would seem to indicate that future USCG requirements for ballast and ballast control systems on column-stabilized units will be in substantial agreement with current ABS Rules and practice.

The current close working relationship between ABS and the Coast Guard is governed by two Memoranda of Understanding (NVC-781) and (NVC-10-82). These agreements establish the procedures under which ABS may review drawings and conduct surveys on behalf of the Coast Guard for most systems and equipment on U.S.-flag ships, barges and MODUs.

The technical staff at ABS headquarters acts as liaison with the Coast Guard MMT and assures that local ABS offices acting under the memoranda of understanding provide consistent, uniform implementation of USCG regulations. Final approval action on behalf of the Coast Guard and other Federal agencies, such as MMS and NOAA. Copies of the Federal Register are circulated to staff members in the Offshore Engineering, Ship Engineering and Operations Divisions assigned the task of noting and implementing changes in governmental regulations, and where applicable, incorporating such changes into ABS requirements.

The technical expertise of ABS is recognized by regulatory bodies throughout the world. ABS is authorized to provide Certificates of Fitness for MODUs operating in the territorial waters of the United Kingdom, Newfoundland, and Labrador, under authority granted by the United Kingdom's Department of Energy, the Government of Newfoundland, and Labrador's Petroleum Directorate, respectively. ABS became a Certifying Authority for the U.K. Department of Energy in 1975 and has issued more than 75 Certificates of Fitness to date.

In its capacity as certifying authority on behalf of Liberia and Panama, ABS reviews MODUs for compliance with the International Maritime Organization's (IMO) MODU Code. Such certification is now a requirement for units being built to or registered under these flags. ABS also conducts such reviews on a consultative basis for owners. In addition, ABS has been authorized to act on behalf of the Canadian Coast Guard and the Department of Mines of the Netherlands, in various capacities relating to the certification of offshore oil and gas operations in the territorial waters in their jurisdictions.

ADDITIONAL QUESTIONS SUBMITTED BY MR. STUDDS AND ANSWERED BY PETER LUCIANO

Question 1. Can you identify the geographical areas or the waterways in which your member companies are interested in performing aids to navigation work for the Coast Guard?

Answer. The Institute represents over 80 domestic companies engaged in all aspects of the coastal, inland, and Great Lakes marine trades. As this Subcommittee knows, these firms are struggling to survive the depression that is currently plaguing the U.S. domestic marine trades. As such, our members are actively pursuing all potential opportunities to employ their vessels, be it in the commercial or government service markets.

The Institute has contacted its membership to ascertain the level of commercial sector interest in providing services related to short range aids to navigation. Our conversations have revealed a great deal of interest in those solicitations if the contracts were for a minimum of three to five years to justify the requisite costs of retrofitting vessels to accommodate Coast Guard requirements. In particular, interest was expressed in initiating trial solicitations for the Gulf Coast and Intercoastal Waterway, Chesapeake Bay, San Francisco Bay and tributaries, Columbia River and tributaries, Houston Ship Channel, Mississippi River, Great Lakes, and Puget Sound and Alaska, west of Kodiak.

The Institute is of the position that the Great Lakes and river aids to navigation systems must be included in any trial solicitation program. These two systems comprise some 30 percent of all the federally maintained short range aids to navigation equipment. To exclude such a significant component of the overall short range aids to navigation system would betray the Congressional intent of the trial program in that the capability of commercial operators to provide aids to navigation services would remain unquantified.

Question 2. How should the liability issue be handled in Coast Guard Aids to Navigation contracts?

Answer. We believe a reasonable method to handle liability would be somewhat along the lines of that portion of the discussion of the issues provided by the Chief Counsel of the Coast Guard in the SRAN Study 1983, para IIc, page 16 (copy attached), except that the threshold figure should be set at some higher limit (say) \$10 million (subject to the coverage of insurance available).

Question 3. Are there existing commercial vessels that are capable of servicing the Coast Guard's large offshore navigating aids. What would be the cost to the Coast Guard of procuring these vessels, as compared to the cost to renovate and repair its existing large buoy tender fleet?

Answer. There are numerous commercial vessels in the offshore servicing fleet capable of servicing large offshore navigational buoys, with modest modification. Our member companies estimate those vessel modifications involving a powered crane, two deck capstans and some deck and sideshell stiffening to cost between \$300,000 and \$1 million for each unit. The Coast Guard estimates of those modifications at more than \$4 million each are excessive. A substantial number of those vessels may now be under the control of the Maritime Administration due to owners defaulting on mortgage insurance payments. The procurement cost of these supply vessels, ranging from 180 to 200 feet in length, varies from \$800,000 to \$4 million depending on vessel sophistication and age. Because of excess vessels 170' to 180', supply vessels of 5 years of age are currently available through one gulf coast broker for \$1.5 million each.

Question 4. Would you explain in more detail why you believe the five areas chosen by the Coast Guard for trail contracting will be difficult to service in a cost effective manner?

Answer. At this stage the Coast Guard has not yet released information on the contract terms they are considering, thus our response is predicated only upon the five areas identified for contracting. Unlike the offshore and coastal aids that are currently serviced by offshore Coast Guard buoy tenders with large crews, the five "noncritical" areas identified are largely serviced by the local Coast Guard Aids to Navigation Teams, known as ANT groups. They currently employ small craft and low budget enlisted personnel to perform the work. We believe that concept of small localized teams having mobile servicing units is the most cost effective method of servicing and maintaining those noncritical aids. Therefore, we question whether the Coast Guard effort to prepare, advertise and award small contracts in areas where existing efficiency is comparatively high, will be cost effective as opposed to the offshore coastal areas. We do not think this program will achieve substantial savings to the Government. Instead it appears that this subcontracting effort is a Coast Guard compliance measure to the Congressional mandate in an area of the

Aids to Navigation program where efficiency is already high. Since we do not know whether Coast Guard contracts will be solely in the 8-A category, our primary concern is that there may be insufficient financial incentives in those noncritical areas to attract well managed companies to bid.

Question 5. Aside from the appropriateness of the waterways the Coast Guard has chosen for contracting, are you satisfied with the manner in which the aids to navigation contracting experiment is being conducted?

Answer. As stated before, our member companies have been polled and none of them reports receiving any information on the contracts. We understand that the 13th District in Seattle has awarded an 8-A contract for industrial shoreside maintenance on navigational aids, but, to date there is no concrete evidence that the remaining Coast Guard program is progressing beyond the planning stage. Inquiries to several District Contracting Officers have revealed nothing since those individuals are required to maintain silence regarding impending contracts.

C. INDEMNIFICATION

A second significant tool to shift liability to the contractor is the indemnification clause. The clause would specify that the contractor is responsible for all claims up to a limit (e.g., \$25,000) which arise due to the negligence of the contractor, its employees, or its agent, regardless of whether suit is brought against the Government, the contractor, or both. The limit could be tied to the deductible limits established by the insurance industry. The Government would be responsible, as a self-insurer, for all claims above the agreed upon threshold figure. The threshold would have to be high enough to assure that the contractor would have a sufficient economic interest to conduct an acceptable investigation of a claim. The MSC has used an indemnification clause with some success although the thresholds of \$2000 and \$4000 which are presently written into its long term contracts are too low. The contractor is paying the \$2000 or \$4000 simply to avoid the nuisance of a comprehensive investigation, although the contracts with the \$4000 threshold result in a more timely and more comprehensive investigation. Raising the threshold should help to reduce these problems.

D. DISPUTE, OPTION, AND RETURN OF VESSEL CLAUSES

There are several ways in which the Coast Guard may protect itself under the contract. First, the contract must contain a "dispute" clause which would specify that the contractor would be required to continue to perform in accordance with the Coast Guard's interpretation of the contract. Concurrently, the dispute would be heard in either the Department of Transportation Contract Appeals Board or the Claims Court, at the option of the contractor. This clause would provide protection in many cases, but would be of no value if the contractor is physically unable to perform.

PREPARED STATEMENT OF KENNETH T. BLAYLOCK, NATIONAL PRESIDENT, AMERICAN
FEDERATION OF GOVERNMENT EMPLOYEES (AFL-CIO)

My name is Kenneth T. Blaylock. I am the National President of the American Federation of Government Employees, AFL-CIO. We represent over 700,000 government workers, including many who serve in the Coast Guard. I appreciate the opportunity to express the concerns of our members about the Coast Guard's implementation of OMB Circular A-76.

The American Federation of Government Employees is alarmed by the current Administration emphasis to increase the number of Office of Management and Budget (OMB) Circular A-76 cost studies for contracting-out purposes. Our concerns about the contracting-out escalation centers on a number of major issues, including: (1) the lack of comprehensive legislation on contracting-out; (2) the failure of the Executive Branch to report actual cost data to Congress; and (3) strong indications that contracting-out costs rapidly escalate, thereby wiping out the estimated savings expected from this program. These areas of serious deficiency in the current A-76 program combine to support a position that contracting-out should not be expanded, but rather a spending freeze or reduction is necessary to bring the program under fiscal control.

There has long been a need for comprehensive legislation on contracting-out. The lack of accountability to Congress and to the public, and increased annual costs demand that legislative standards and controls be developed in this area. At a minimum, we call for contracting-out legislation that would: (1)

provide an annual report to Congress on the extent and costs for contracting; (2) stop the annual cost increases based on contract modifications; (3) insure a competitive bid process; and (4) offer a 15% cost savings differential, versus the current 10%. While this legislation is being considered, the rapid growth of contracting-out should be restrained by limiting expenditures at the Fiscal Year 1985 level.

This action would force OMB to put some constraints where there currently are none in its service contracts. It would force the Coast Guard to be more efficient and productive in its contracting practices, thus reducing the cost of operations. Such efficiencies and productivity enhancement could go a long way toward this year's effort to cut the budget by 50 billion dollars.

In reference to rapidly escalating contracting-out costs, there are a number of sources to document these increases even though OMB does not make an annual report to the Congress.

(AFGE conservatively estimates that contracting-out costs will be 45-50 billion dollars in FY '86, roughly comparable to the entire civilian payroll.) Let me review a few of these cost increase cases that are available to the public, mostly from GAO reports. In the first case, GAO audited service contracts at Selfridge Air National Guard Base and the Tank-Automotive Command in Michigan. The dollar facts are that the original contract was let in December, 1980, for a three-year period at

\$6.9 million. Three years later, these contract costs had increased to \$11 million -- a 60% increase over three years. At Richards-Gebaur AFB in Missouri, costs for a support contract grew from \$4.8 million in 1979 to \$9 million in 1981 -- an 85% increase. At Kelly AFB in Texas, GAO reported that costs for an equipment measurement laboratory contract jumped from \$2 million to \$4 million in two years. In the Army Southeast Region, a telephone service contract with RCA escalated 15% in the first year and negated the estimated savings for the entire five-year period of the contract. Time after time, official reports document that contracting-out costs are escalating at a rate of over 20% per year and that the purported savings -- based on "estimate to estimate" economics -- are not being realized when audited on an estimated cost to actual payment basis.

Unfortunately, we do not have any cost data on Coast Guard contracts because none have been made available to the public. But, I would urge the Subcommittee to insist that cost data be brought forward to provide a picture of the original contractor bid for Coast Guard work compared to the amount of actual payments at the end of the contract period. Far too often, government agencies have justified contracting-out on "estimate to estimate" savings that are not substantiated by actual payment costs.

A report submitted to Congress in early 1984 further supports that contracting-out costs escalate rapidly. This data

was in response to the FY 1984 DOD Authorization Act (Public Law 98-174) that requested data on contracting-out between October 1, 1980, and October 1, 1982. The DOD report reviewed their experience with 235 contracts awarded under the provisions of ONB Circular A-76. As shown on the primary chart from this report (Attachment 1), DOD asserts that the cost of contract operation was 24% less than the bids submitted by the in-house work force. It should be noted that the 24% savings (Part A of the chart) is based upon estimate to estimate calculations. Fortunately, this particular law, initiated by Representative Roy Dyson of Maryland, required DOD to report "the actual cost of contractor operation". Since the actual costs of contracting-out are not normally made public, DOD had to do some fast calculating when the numbers came in (Section B, line 6 of Attachment 1) because the actual costs for contracting had increased substantially over the estimates (plus \$89 million or 11.4%) in the first year (Attachment 2).

The basic point made here is that more and more data is surfacing that indicates that contracting-out does not save money when faced with actual cost numbers as opposed to the usual "estimate to estimate" savings rhetoric.

We also want to point out that there is another hidden cost to the A-76 process -- namely, the cost of developing the work statements, conducting the bidding process, and performing the cost calculations and comparisons. These costs should be

included in the cost of the contract for comparison purposes and these costs should be reported on an annual basis in budget requests to insure adequate cost review.

Adding to this information is a recent Army evaluation of their contracting-out program. This report cites a number of deficiencies in the contracting-out program, including a finding that costs associated with contracting-out are escalating rapidly. Further, the report concludes that the Army contracting-out program is inconsistent, inefficient, and floundering. It should be noted that OMB is blindly continuing to push all government agencies to do more contracting-out -- even in view of these reports and cost data.

Our forecast is that the Coast Guard is heading down the same path. Pushed by OMB budget cuts and personnel ceilings, they will hastily do A-76 studies to meet work force reductions and then end up spending more money for less service. It is an old story ... and ... the time has come for Congress to act in this area by freezing, or reducing, spending on contracting-out, bringing forth actual cost data, and developing legislation to insure that this program is implemented in a cost effective and efficient way.

Thank you.

Table 1
Conversions to Contract
Comparison of Original Cost Estimates
with Revised In-House and Actual Costs
(\$ in thousands)

	Army	Navy*	Air Force	DOD Total
A. Original Cost Estimates				
1. In-house performance costs	527,772	25,914	485,347	1,039,033
2. Contract performance costs	450,795	19,134	319,909	789,838
3. Cost advantage (line 1 minus line 2)	76,577	6,780	165,438	249,195
4. Percent of cost advantage to in-house cost (line 3 divided by line 1)	15%	26%	34%	24%
B. Revised in-house cost estimate/actual contract costs				
5. In-house revised estimates ^{1/}	579,590	27,893	524,617	1,128,100
6. Actual contract costs	505,463	21,862	351,265	878,590
7. Cost advantage (line 5 minus line 6)	70,127	6,031	173,352	249,510
8. Percent of cost advantage to in-house cost (line 7 divided by line 5)	12%	22%	33%	22%

* Includes Marine Corps.

^{1/} This revised estimate reflects changes in the scope of work not reflected in the original estimate and wage rate increases that would have occurred had the work been accomplished.

DEPARTMENT OF DEFENSE
 CONTRACTING OUT COSTS
 COMPARISON OF ORIGINAL CONTRACTOR COST ESTIMATES
 WITH ACTUAL CONTRACTOR COSTS
 BETWEEN OCT. 1980 and OCT. 1982 *
 (\$ in Thousands)

A. Original Cost Estimates	ARMY	NAVY	AIR FORCE	DOD TOTAL
1. Contractor Performance Costs	450,795	19,134	319, 909	789,838
B. Actual Payments				
1. Actual Contract Costs	505,463	21,862	351,265	878,590
C. Cost Overruns	54,668	2,728	31,265	88,752
D. % Cost Overrun	12%	16%	10%	11.4%

* Cost data from DOD study submitted in accordance with 1984 DOD Authorization Act (Public Law 98-94); 235 contracts awarded during period; does not include contracts in effect prior to this period.

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES



THE COMMANDANT OF THE UNITED STATES COAST GUARD
WASHINGTON 20593

The Commandant of the Coast Guard takes pleasure in presenting the
COAST GUARD UNIT COMMENDATION to

U.S. COAST GUARD YARD
Baltimore, Maryland

for service as set forth in the following

CITATION:

"For exceptionally meritorious service from 1 July 1980 to 20 March 1981 in support of fleet maintenance and modernization. Epitomizing the motto 'Service to the fleet', Yard personnel distinguished themselves by successfully accomplishing the repair of two Icebreakers, five High Endurance Cutters, three Medium Endurance Cutters, six Buoy Tenders, and one Harbor Tug. In continued support of Law Enforcement and Search and Rescue Missions, Yard personnel constructed the new 41-foot Utility Boats and numerous Motor Surfboats to be used by major cutters; and, in support of the Aids to Navigation Program, by continued construction of the majority of buoys used to mark navigable waters of the United States. Yard personnel enhanced the capabilities and reliability of many cutters through major renovations such as the 85-foot WPA and 180-foot MLC projects. Their multi-phased and uniquely professional renovation of training ship EAGLE resulted in a safer, more dependable training platform. Additionally, personnel of the Yard carried out the administrative and logistical tasks of berthing, messing, and transporting ships' crews during related availabilities. With rapid response, and faced with an abbreviated planning cycle, Yard personnel accomplished the reactivation of former Navy ships UTE and LIPAN. This work, which included outfitting and provisioning, was accomplished during a period of peak workload and reduced staffing levels. Despite the added workload, Yard personnel prepared the designs, drawings, specifications, and contracts for numerous projects and completed their associated equipment staging and stocking. The devotion to duty and outstanding performance of personnel of the Yard reflect great credit upon themselves, their unit and the United States Coast Guard."

All personnel attached to and serving at the U.S. Coast Guard Yard for at least one-half of the above cited period are hereby authorized to wear the Coast Guard Unit Commendation Ribbon Bar.

J. B. HAYES
Admiral, U.S. Coast Guard

BA DE NC

1 Sep 85 17 39z

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FM CCOOTHREE NEW YORK NY
TO RA/COGARD YARD BALTIMORE MD//CO//
INFO COMDT COGARD WASHINGTON, DC
CA/COMLANFANA COGARD NEW YORK NY
USCGC DALLAS

M-YARD

RA

BT

UNCLAS FOUO //N10350//

SUBJ: TTY MODEL-40 INSTALLATION CGC DALLAS

1. I NOTE WITH PLEASURE YOUR SUPERB EFFORT IN COMPLETING THE MODEL-40 INSTALLATION ON DALLAS. YOUR FINISHING THIS INSTALLATION ON TIME ENABLED DALLAS TO PARTICIPATE IN THE MAJOR NATO EXERCISE OCEAN SAFARI 85. YOUR WORKING 24 HOURS A DAY OVER A WEEKEND TO COMPLETE THIS WORK DEMONSTRATES YOUR READINESS TO SUPPORT THE FLEET AND YOUR GREAT VALUE TO OUR MOBILIZATION RESPONSIBILITIES.

2. THANKS FOR YOUR SPLENDID SUPPORT AND TIRELESS EFFORTS.
WELL DONE. VADM YOST SENDS.

BT

NNNN

IRIG. NAME

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FOR OFFICIAL USE ONLY

PUBLIC AVAILABILITY TO BE
DETERMINED UNDER 5 U.S.C. 552

CO	Action is Assigned To:		MSO
FO	If action is improperly indicated the action officer shall promptly notify the proper action OPNS MGR.		
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TO RUEBLJA/COGARO YARD CURTIS BAY MD

INFO ZEN/USCGC EVERGREEN

ZEN/COMLANTAREA COGARO NEW YORK NY

RUEBJGA/COMOT COGARO WASHINGTON DC

CG GRNC

BT

UNCLAS ~~19890807~~

FROM D

TO G-E

SUBJ: EVERGREEN AVAILABILITY

1. I EXPRESS MY APPRECIATION FOR YOUR TIMELY COMPLETION OF EVERGREEN'S AVAILABILITY. ADDITIONALLY, I NOTE WITH PLEASURE THAT EVERGREEN CONSIDERS HER MATERIAL CONDITION MARKEDLY IMPROVED AS A RESULT OF YOUR EFFORTS.

2. PLEASE CONVEY MY SATISFACTION TO ALL INVOLVED.

BT

#9489

MSGR YARD

NR 31

BTZ

22 DEC 80 19 59Z

... A Job Well Done ...



DEPARTMENT OF TRANSPORTATION UNITED STATES COAST GUARD

Commanding Officer
USCGC NORTHWIND (WMEC 282)
(WMEC 282)
General Delivery
Wilmington, NC 28401

9900
17 March 1981

From: Commanding Officer, USCGC NORTHWIND (WMEC 282)
To: Commanding Officer, USCG Yard

Subj: Completion of Yard Availability

1. With the completion of our MSD availability at the Coast Guard Yard please accept our sincere appreciation for a job well done. The work was completed on time and in a highly professional manner.

2. In particular, I would like to thank LCDR Rick GUTMAN for his excellent performance as the ship superintendent. His careful attention and detailed coordination was most commendable and virtually assured successful completion of the availability.

3. I would also like to take this opportunity to thank your highly skilled craftsman who demonstrated commendable pride and expertise in their work. They are:

Shipfitters:	Foreman: Mr. Schreiber	Welders:	Foreman: Mr. Purrel Paul
	Crew: Fitzgerald		Crew: Allen
	Sands		Brandon
	Stallings		Martin
	Youngbar		Smith
	Croghan		Lutz
			Kruger
			Jones
			McClothlin
Pipefitters:	Foreman: Mr. Dick Lutz		
	Leadman: Mr. Joe Ireland		
		Woodworkers:	Foreman: Mr. Pat Conway
	Crew: Sroka		Crew: Mr. Bob Colusa
	Baker		Friedel
	Krasauskas		Girvin
	Belheimer		Thiras
	Scott		Pitt
	Raker		Holston
	Schoolden		Smith
	Prone		Newman
	Hoffman		Acree
	Hetcalft		
	Poolle		
	Nelson		
Riggers:	"Hutch", Mr. Paul Brown	Crane Operator:	"Ray"
	Mr. A. J. Jones		
Painters:	Foreman: Mr. Delavio	Machinists:	Weaver
	Mr. Less Wilden		Hankins
			Reed

4. Our heartfelt thanks to all of you for your cooperation and outstanding efforts on our behalf.

Copy CC005 (1)
COMDT (G E)
COMDT (G O)

W. P. Reed
W. P. Reed



DEPARTMENT OF TRANSPORTATION
UNITED STATES COAST GUARD
RECEIVED

MAY 22 1981

U.S. COAST GUARD YARD

Commanding Officer
USCGC UTE(WMEC 76)
c/o USCG Station
Key West, FL 33040
PH: 305-269-3241

12450
14 May 1981

From: Commanding Officer, USCGC UTE (WMEC 76)
To: Commanding Officer, USCG Yard, Baltimore, MD

Subj: Letter of Appreciation

1. It is a personal pleasure to take this opportunity to formally acknowledge the successful and very productive shipyard availability rendered to CGC UTE during the period 22 December 1980 to 20 March 1981, and to recognize the personnel of your unit whose efforts and professionalism are directly responsible for this fact. We on the UTE are extremely pleased with the quality and breadth of all work performed aboard the vessel. We are impressed by the obvious dedication, conscientiousness and "can do" attitude demonstrated at every turn by your employees. The open and productive cooperation and teamwork which your employees demonstrated in assisting and working with UTE's crew is particularly noteworthy. We have thoroughly enjoyed working with you and the Yard and are deeply appreciative of the high quality work performed aboard and assistance rendered to the UTE. Thank you very much.

2. For brevity's sake only the number of the shops concerned are listed below, but will you please insure that all who worked aboard UTE receive our thanks for a job truly WELL DONE!

SHOP's: 11, 12, 21, 22, 23, 31, 40, 41, 42, and 44

J. R. Hearn, Jr.
J. R. HEARN, JR.

Copy to:
CCGD'7 (ene)(osr)(eee)



COMPTROLLER
UNITED STATES COAST GUARD
WASHINGTON, D.C. 20593
10 September 1984

Captain Donald P. Nachtwey
Commanding Officer
U. S. Coast Guard Yard
Curtis Bay
Baltimore, Maryland 21226

Dear Captain Nachtwey:

I recently received a copy of CO, USCGC NORTHLAND's message on fitting out. It is with great pleasure that I pass to you my appreciation of a job well done.

The preparation and leadership of ICP personnel led to an overall well coordinated and successful operation which was completed in a timely manner. Please convey a special word of thanks to CWO LISKO and MKCS WILSON.

Keep up the good work!

Sincerely,

W. P. KOZLOVSKY
Rear Admiral, U. S. Coast Guard



CHIEF, OFFICE OF NAVIGATION
UNITED STATES COAST GUARD
WASHINGTON, D.C. 20593

29 July 1983

Captain Barry Roberts
U. S. Coast Guard Yard
Curtis Bay
Baltimore, Maryland 21226

Dear Barry,

I had an outstanding visit to GENTIAN, COWSLIP, and CONIFER and was very pleased with the terrific job being done on GENTIAN. Dave Cunningham took very good care of me in your absence and saw to it that all my needs were taken care of. I really appreciated the thorough fill-in on the SLEP project that I got from Rex Snider and LCDR Gupman, it was very informative.

~~I liked what I saw Barry, and wanted to let you know how pleased I was with the GENTIAN!!!~~ Please pass on my congratulations to all the guys in the shops. I'll see you in a couple months.

Sincerely,

T. J. WOJNAR
Rear Admiral, U. S. Coast Guard

U.S. Department
of Transportation

United States
Coast Guard



Commander
First Coast Guard District

150 Causeway Street
Boston, MA 02114
Staff Symbol: (ene)
Phone: (617)223-3664

JAN 12 3 30 PM '83

1600
21 December 1982

PRO

From: Commander, First Coast Guard District
To: Commanding Officer, U.S. Coast Guard YARD

Subject: USCGC CHASE (WHEC-719) YARD Availability

1. At the conclusion of CGC CHASE's August - December 1982 availability, I commend the Coast Guard YARD for outstanding performance.

2. The planned work exceeded \$1M and was one of the largest availabilities performed on a First District Cutter. The Industrial Department's coordination of this comprehensive worklist was excellent as evidenced by the timely completion of these projects at the estimated cost. LTJG BRUCE CHINERY, Mr. Richard Fink, and Mr. Nick Patagno deserve special recognition for their important contributions to this availability.

3. The catastrophic failure of the steering system on CHASE near the end of the availability threatened to delay sailing for many months. The accomplishment of repairs in just six weeks is truly remarkable. Without the ability to rapidly respond to this casualty, CHASE would not have sailed in time to meet critical operational commitments. The Industrial Department's analysis of the failure and recommendations for repair were invaluable. The Outside Machine Shop was particularly vital in these repairs. Under the supervision of Mr. Don Kaiser, Mr. Terry Hafko, Mr. Kenneth Cameron, Mr. Donald Shields and Mr. Melvin Dash are commended for their excellent work. During a telephone conversation with my staff, Jered Brown, Inc. (the steering system contractor), praised these men for their resourcefulness and productivity during the reassembly of the steering system. I seriously doubt that CHASE would have sailed to meet her commitment if the availability had been conducted at a commercial shipyard.

4. Please extend my congratulations for a job well done to all those who participated in CGC CHASE's availability.

[Signature]
L. L. ZUBERMAN

COPY TO:
Commandant (G-2)

United States
Coast Guard

United States Coast Guard

Staff Symbol: (G-ENE-4)
Phone: (202) 426-1301

RECEIVED

JUN 15 10 33 AM '82

1650

11 JUN 1982

From: Commandant
To: Commanding Officer, U.S. Coast Guard Yard

Subj: Letter of Appreciation, USCGC EAGLE 1981-1982 Availability

1. I note with pride and I am pleased to commend you on the excellent performance of duty by Coast Guard Yard personnel during CGC EAGLE's Phase II Availability. Faced with a prodigious workload, your people maintained pride in their work and a positive spirit. The 106,000 man-hours worked within a relatively short 7-month period is commendable.

2. The extraordinary effort put forth during the availability is appreciated. Most noteworthy is your display of professionalism: Shop workers demonstrated pride in their work and true craftsmanship; design engineers worked diligently providing critical guidance to the waterfront; supply personnel worked continuously to minimize material delivery delays; and lastly, the Industrial Staff did an excellent job coordinating and managing the project. A true team effort was evident.

3. The professionalism and enthusiasm displayed by Yard personnel in completing this phase of the project is noted and appreciated.



R. S. LUCAS
Chief, Office of Engineering



U.S. DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration

NOAA Data Buoy Center
NSTL Station, Mississippi 39529

Refer To:
CC 83-0429

F221
W/DBI-CLT

May 17, 1983

Captain Barry C. Roberts
Commanding Officer
Coast Guard Yard
Curtis Bay
Baltimore, Maryland 21226

Dear Captain Roberts:

The subject is Project 45202 "NOMAD" Buoy Construction.

The first value engineered (VE) NOMAD buoy, to be built by the U.S. Coast Guard Yard, was delivered to the NOAA Data Buoy Center (NDBC) on April 15, 1983. Subsequently, I want to take this opportunity to commend you and the Yard personnel for the outstanding work. The buoy is an excellent example of workmanship and quality construction. Even though it was the first buoy of this type built by the Yard personnel, it was completed within 11 days of schedule. The delivered NOMAD buoy is a tribute to the professionalism and dedication of the Yard personnel to produce a quality product, and I am confident that the remaining NOMAD buoys to be constructed will be delivered with the same degree of workmanship.

Very truly yours,

Jerry C. McCall
Jerry C. McCall
Director, NDBC

cc: Commandant (G-E)
Commandant (G-O)

QUESTIONS SUBMITTED BY MR. STUDDS AND ANSWERED BY THE U.S. COAST GUARD

Question. The Commandant's response to the Marine Board report on the *Marine Electric* included a statement that "Action has been taken to revise the marine safety training program." Can you describe the improvements made to that program?

Answer. A new Training and Qualification program for new Marine Inspectors, was implemented in October 1984 which provides job directed training, allows more in-depth training, and promotes greater experience gain in specific areas. Some key elements of this new approach are:

1. Various program disciplines such as vessel inspection, licensing and certification of seamen, and casualty investigations have been separated.
2. Qualification by specific task within the various disciplines such as the inspection of the full hull structure, lifesaving equipment, firefighting equipment, and machinery.
3. Qualification by classroom training, professional reading, on-the-job training, and examination. Approximately half of entry level course material has been replaced to focus more intently on the immediate inspection duties of the student and the rest has been revised.

4. The inspector may now qualify to perform less intricate inspections, and, while serving in this capacity, continue to qualify in all other areas.

The establishment of training ports in New York, NY, New Orleans, LA, and Seattle, WA, provides higher quality training, better control over training programs, and more intensive training. This has considerably eased the problem of ensuring uniform quality training as well as providing a varied exposure to many facets of marine safety. Also, new training material is being provided which is more concise, coordinated, better organized and current. Trainees must complete an on-the-job training manual as well as being reviewed by a training board to determine qualifications. Neither the manual nor the board existed under the old system. Finally, an assessment of inspector competency at specified career stages assures training quality control, feedback to program managers and maintenance of defined performance standards.

With the summer, 1985 transfers complete, the three training ports are operating at overall design capacity. Therefore, by summer, 1987 and certainly not later than 1988, no other Marine Safety Office should receive an untrained inspector.

Though the number of resident courses are about the same as before, there now exists over 140 titles for the trainee to choose from for professional development utilizing video tapes and correspondence courses. A number of these titles are required of the trainee to complete the training manually thereby placing a greater responsibility on the individual. Additionally, a comprehensive training guide was published in June 1985, delineating the goals and progressive training steps of the new training method. Updated on-the-job training manuals are waiting to be printed which contain all of the elements necessary to be considered qualified in a skill area.

Overall, the new program is a systematic approach to training efficiently utilizing personnel and money in teaching individuals what is necessary to perform a specific task and making them better qualified in less time than in the past. It also provides the field unit with more complete data on what information and experience is required to produce a qualified inspector.

Question. The Coast Guard's fiscal year 1986 budget proposes a reduction of \$2.3 million and 150 people in the commercial vessel safety program and a reduction of \$10.5 million and 130 people in training. How will the Coast Guard be able to implement the planned improvements in its marine safety training program under the constraint of these budget reductions?

Answer. These figures differ from the Coast Guard figures. The Coast Guard FY 1986 budget proposes reduction of \$2.3 million and 70 people in the Commercial Vessel Safety program and a training reduction of \$1.625 million and 130 people Coast Guard-wide. The training budget reductions were taken in areas other than the Commercial Safety training programs. The cuts have not significantly impacted on the planned Commercial Vessel Safety training improvements.

Question. The Commandant's response to the Marine Board report (conclusion #17) included the following statement with regard to load line certificates: "There is no statutory or regulatory grant of cancellation authority to the American Bureau of Shipping or other classification societies. The Coast Guard will review this matter to determine if a regulatory project should be initiated to grant the American Bureau of Shipping and other classification societies this authority."

What would be the benefits associated with granting such authority to the American Bureau of Shipping? Is legislation required, or can the Coast Guard delegate this authority by regulation? Has the Coast Guard decided to grant this authority to the American Bureau of Shipping? If not, why not?

Answer. There are no plans to delegate cancellation authority to any of the load line issuing authorities, since cancellation authority is enforcement related rather than compliance related.

No significant benefits would be realized if the Coast Guard granted cancellation authority to recognized load line issuing authorities. It is not labor intensive and would not result in personnel savings to Coast Guard nor provide for earlier correction of deficiencies.

Additionally, legislation would be required to permit delegation of such cancellation authority.

Current procedures (Navigation and Vessel Inspection Circular 2-85) provide desirable direct feedback on vessel deficiencies.

Question. Does the Coast Guard have the authority to penalize the American Bureau of Shipping for inadequate performance of commercial vessel safety duties delegated to it? Has the Coast Guard taken any action against the American Bureau of Shipping for the inadequate load line inspections performed on the *Marine Electric*?

Answer. The Coast Guard has no authority to penalize the American Bureau of Shipping for inadequate performance of delegated commercial vessel safety functions. However, authorization to perform commercial vessel safety activities on behalf of Coast Guard could be withdrawn.

No formal action has been taken against the American Bureau of Shipping for the load line survey of the *Marine Electric*. The action that has been taken includes the following:

1. The Coast Guard published Navigation and Vessel Inspection Circular 2-85 which established procedures for the American Bureau of Shipping to notify Coast Guard of any conditions that would invalidate the load line.

2. The Coast Guard published an internal instruction which formalized oversight procedures of head line assignments and surveys performed by the American Bureau of Shipping and other recognized assigning authorities.

3. Discussions with the American Bureau of Shipping have been held concerning performance of load line functions.

4. The American Bureau of Shipping has provided its surveyors with the Navigation and Vessel Inspection Circular giving guidance for surveying older vessels.

Question. Please list the actions that have been taken by the Coast Guard to improve marine safety as a direct or indirect result of the sinking of the *Marine Electric*, the loss of the *Poet*, and the capsizing of the *Ocean Ranger* and the *Glomar Java Sea*. (Continued.)

Answer. The following actions have been taken as a result of the sinking of the *Marine Electric*:

1. On 3/11/85 the Coast Guard issued Navigation and Vessel Inspection Circular (NVIC) 2-85 which clarified the Coast Guard's oversight of the American Bureau of Shipping-delegated Functions.

2. On 5/4/84 an Advance Notice of Proposed Rulemaking was published in the Federal Register which solicited comments on vessel drydocking intervals. The Notice of Proposed Rulemaking on this subject is now nearing completion.

3. Specific inspection guidance for Coast Guard inspections concerning cargo hold hatchcovers has been incorporated in the latest revision to the Marine Safety Manual published on 7/22/85.

4. On 12/31/84 an Advance Notice of Proposed Rulemaking was published in the Federal Register which solicited comments on a broad range of lifesaving equipment requirements. Final rules are scheduled for publication in July 1986.

5. On 3/30/85 all evidence of criminal violations by Marine Transport Lines, Inc., employees was forwarded to the Department of Justice for evaluation and appropriate action.

6. On 3/25/85 an Advance Notice of Proposed Rulemaking was published in the Federal Register which solicited comments on requirements for installing flooding alarms in normally unmanned spaces aboard Mobile Offshore Drilling Units. That aspect of the regulatory project has been expanded to include vessels as well as Mobile Offshore Drilling Units.

7. In July 1983 the Coast Guard established an inspection program to determine the effectiveness of field inspections with regard to vessels 20 years of age or older and 4,000 gross tons or more in the U.S. fleet. In addition, the inspection records for all vessels of this age and tonnage are now forwarded to Headquarters for review.

Since the program's initiation, senior inspectors have made 83 visits to 76 vessels. Severe problems were discovered on 6 vessels. Four of these vessels were scrapped, 1 awaits corporate decision on repairs, and special legislation allows continued operation of the remaining one.

8. Although a project to revise the marine safety training program had been initiated prior to the sinking of the *Marine Electric*, the casualty investigation emphasized that project's importance. The revised training program is now in place.

9. In July 1984 the Coast Guard instituted a 24 hour toll free telephone hotline over which merchant seamen can report safety discrepancies. The identity of persons reporting is kept confidential.

Question. Please list the actions that have been taken by the Coast Guard to improve marine safety as a direct or indirect result of the sinking of the *Marine Electric*, the loss of the *Poet*, and the capsizing of the *Ocean Ranger* and the *Glomar Java Sea*. (Continued.)

Answer. The following actions have been taken as a result of the loss of the *Poet*:

1. In 1982 the Coast Guard and the Maritime Administration combined the separate vessel reporting systems maintained by the two agencies, the Automated Mutual Assistance Vessel Rescue System (AMVER) and the U.S. Merchant Vessel Locator Filing System (USMER). As a result, U.S. flag vessels on foreign voyages are now required to regularly report their position to MARAD through AMVER.

2. Merchant vessel owners have been continuously reminded and encouraged through published articles to equip their vessels with emergency position-indicating radio beacons (EPIRB's) in excess of requirements. In addition, the Coast Guard recently published a final rule which raises the number of required EPIRB's on Great Lakes vessels to two. A similar requirement for oceangoing vessels based on 1983 SOLAS Amendments is to be included in a final rule scheduled for publication in July 1986.

3. Specific guidance for examining double bottom tanks and cofferdams, and a requirement for identifying and recording internal compartments not entered during various vessel inspections have been incorporated in the latest revision to the Marine Safety Manual published on 7/22/85.

4. An updated Marine Safety Information System (MSIS) has been placed on line in progressive stages since 1983. The system now provides much more detailed and current information concerning a vessel's inspection, casualty, and violation histories.

Question. Please list the actions that have been taken by the Coast Guard to improve marine safety as a direct or indirect result of the sinking of the *Marine Electric*, the loss of the *Poet*, and the capsizing of the *Ocean Ranger* and the *Glomar Java Sea*. (Continued.)

Answer. The following actions have been taken as a result of the capsizing of *Ocean Ranger*:

1. On 3/25/85 an Advance Notice of Proposed Rulemaking (ANPRM) was published in the Federal Register soliciting comments on requirements for installing pumping systems aboard mobile offshore drilling units which would be capable of operating at excessive heel or trim angles.

2. On 3/7/85 an Advance Notice of Proposed Rulemaking was published in the Federal Register soliciting comments regarding lifesaving equipment requirements for fixed facilities, and concerning the use of standby vessels in an overall evacuation plan for mobile offshore drilling units and fixed platforms. An ANPRM on lifesaving equipment requirements published in the Federal Register of 12/31/84 also addressed this subject.

3. On 5/29/85 a Notice of Proposed Rulemaking was published in the Federal Register to establish the type and number of devices and equipment which should be required aboard mobile offshore drilling unit standby vessels to properly effect a rescue.

4. On 12/31/84 final rules concerning the required carriage of exposure suits on vessels operating in cold water latitudes were published in the Federal Register. The proposed exemption from these rules for vessels carrying totally enclosed lifeboats was reconsidered and eliminated from the final rules. The subject of eliminating a similar exemption from Safety of Life at Sea (SOLAS) standards will be reintroduced at the next International Maritime Organization (IMO) Maritime Safety Committee meeting scheduled for 1986.

5. The Advance Notice of Proposed Rulemaking published in the Federal Register on 3/25/85 solicited comments on flooding alarm requirements in normally unmanned spaces aboard mobile offshore drilling units such as bilges, chain lockers, etc. A Notice of Proposed Rulemaking published on 9/23/85 also solicited comments

on flooding alarm requirements for normally unmanned spaces aboard mobile offshore drilling units such as bilges, chain locker, etc.

6. Specific inspection guidance concerning watertight and weathertight closures aboard vessels and mobile offshore drilling units has been incorporated in the latest revision to the Marine Safety Manual published on 7/22/85.

7. The Notice of Proposed Rulemaking published on 9/23/85 also addressed vital systems automation aboard mobile offshore drilling units and vessels as well as provisions for alternative methods of operation of such systems in the event of failure.

Question. Please list the actions that have been taken by the Coast Guard to improve marine safety as a direct or indirect result of the sinking of the *Marine Electric*, the loss of the *Poet*, and the capsizing of the *Ocean Ranger*, and the *Glomar Java Sea*. (Continued.)

8. On 9/30/85 a Notice of Proposed Rulemaking was published in the Federal Register soliciting comments on mobile offshore drilling unit operating manual requirements. Such manuals would contain, among other things, emergency operating procedures, evacuation plans, vital system schematics and operating guides, etc.

9. A Notice of Proposed Rulemaking is currently being drafted which will propose requirements for sound-powered telephone systems to be installed aboard mobile offshore drilling units between the ballast control room and the spaces containing the ballast valves and pumps. This NPRM is scheduled for publication in mid-1986.

10. On 10/24/85 a Supplemental Notice of Proposed Rulemaking was published in the Federal Register which solicited comments on revised requirements for licensed officers and operators aboard mobile offshore drilling units.

Question. Please list the actions that have been taken by the Coast Guard to improve marine safety as a direct or indirect result of the sinking of the *Marine Electric*, the loss of the *Poet*, and the capsizing of the *Ocean Ranger* and the *Glomar Java Sea*. (Continued.)

Answer. The following actions have been taken as a result of the capsizing of the *Glomar Java Sea*:

1. On 10/24/85 a Supplemental Notice of Proposed Rulemaking was published in the Federal Register containing proposed manning scales which, on drillships, would require at least one additional mate with appropriate training to be on board at all times while underway or on station. This mate would have the capability to assist the master in all marine evolutions and could assume the deck watch if the vessel had to get underway in an emergency.

2. On 12/31/84 an Advance Notice of Proposed Rulemaking was published in the Federal Register which solicited comments on a broad range of lifesaving equipment requirements for major inspected vessels, including mobile offshore drilling units. The publication of final rules is scheduled for July 1986.

3. On 5/29/85 The Coast Guard issued Navigation and Vessel Inspection Circular (NVIC) 4-85, which covers recalls and other corrective measures for lifesaving equipment.

4. On 9/30/85 a Notice of Proposed Rulemaking was published in the Federal Register which solicited comments on mobile offshore drilling units operating manual requirements. Such operating manuals would contain, among other things, emergency operating procedures, evacuation plans, vital system schematics and operating guides, etc.

5. On 3/25/85 an Advance Notice of Proposed Rulemaking was published in the Federal Register which addressed the issue of clarifying which single individual on a mobile offshore drilling unit has the sole responsibility for marine safety and for personnel evacuation.

Question. Does the Coast Guard presently delegate to the American Bureau of Shipping any duties other than plan review and site inspection of new vessel construction, assignment of load lines, and measurement of vessels?

Answer. The Coast Guard also delegates the following additional duties to the American Bureau of Shipping:

1. Approval of container design and construction to determine compliance with the International Convention for Safe Containers.

2. Stability reviews on vessels with an American Bureau of Shipping issued load line.

3. Review of oil outflow calculations on tank vessels whose stability the American Bureau of Shipping evaluates.

4. Plan review and inspection of new inert gas and crude oil washing systems on existing tank vessel.

5. Plan review and inspection of pollution prevention systems on existing oil tankers between 20,000 and 40,000 dwt.

6. Approval and testing of cargo gear.

7. Issuance of Safety of Life at Sea (SOLAS) Safety Construction Certificates.

Due to the fact that the American Bureau of Shipping charges fees for its services and the Coast Guard does not, the American Bureau of Shipping is performing only minimal admeasurement and stability work on behalf of the Coast Guard.

Question. In 1981, shortly after the Coast Guard and the American Bureau of Shipping signed a memorandum of understanding regarding delegations to the American Bureau of Shipping in the area of new vessel construction, Admiral Hayes testified before the Subcommittee that the Coast Guard intended to look with the American Bureau of Shipping at other areas that currently are of primary concern to the Coast Guard in the law, such as safety equipment, to see whether the American Bureau of Shipping surveyors could contract for additional activities. Has the Coast Guard reached any agreements with the American Bureau of Shipping with regard to delegations in these areas?

Answer. Change 1 to Navigation and Vessel Inspection Circular 10-82 added the American Bureau of Shipping plan review of structural fire protection, controls for heating boiler and thermal fluid heaters, pollution prevention installations, and electrical equipment in hazardous areas.

We intended to authorize the American Bureau of Shipping to be an independent laboratory for supervising production tests on lifeboats, liferafts and associated equipment. A District Court case by U.S. Lifesaving Equipment Manufacturers Association declared that this third party inspection without a formal regulatory process is illegal. This regulatory process is now underway.

We will continue to explore additional areas of delegation. However, our oversight and audits indicate that the process should not speedup until the problem areas encountered with the current delegations are resolved.

Question. Can you quantify the savings the Coast Guard has realized annually as a result of delegations of Commercial Vessel Safety responsibility to the American Bureau of Shipping?

Answer. The savings cannot be quantified because implementation continues to evolve and at same time the industry is going through a severe recession.

Seventy personnel were cut from the Commercial Vessel Safety program in FY 1986 due to workload reductions that involved both the American Bureau of Shipping delegations and the recession.

Twenty-three of twenty-seven responses to our Federal Register inquiry concerning the success of the Memorandums of Understanding indicate more efficient plan review and vessel inspection has resulted. This indicates a savings to industry, certainly in terms of time. However, what, if any, dollar savings have accrued as a result is unknown.

Question. Mr. Hiscock states, in his prepared testimony, that we are delegating so much commercial vessel safety work to the private sector that the Coast Guard personnel responsible for overseeing the commercial vessel safety activities will not have enough experience with the exposure to the commercial vessel safety program? Do you share this concern?

Answer. Yes, we share his concern, but we have taken actions in conjunction with our current level of delegation to mitigate this concern. These issues were considered in the formulation of our delegations and we have instituted program changes to minimize the loss of expertise. Two of these changes, the Training and Qualification program implemented in October 1984 and the establishment of training ports, have resulted in more qualified personnel.

Additionally, the local oversight programs associated with these delegations to the American Bureau of Shipping have provisions allowing Coast Guard personnel to accompany the American Bureau of Shipping surveyor for training purposes. This training serves to compensate for any reduction in direct exposure to the tests and inspections peculiar to new construction.

Question. Mr. Hiscock, in his prepared testimony, states that "The Marine Inspection Offices were combined with the Captain of the Port to become Marine Safety Offices in order to 'attain the maximum benefits of the Coast Guard's multi-mission capabilities.' The result of this consolidation is assignments—including assignments to leadership positions—of personnel lacking necessary experience and dedication to marine safety." Do you agree?

Answer. I do not agree with the interpretation. The structure of Marine Safety Offices is based on the various missions it must perform which are unique to the area in which it is located. The assignment process takes into consideration the needs of the units as well as the billets being filled. Service records are thoroughly researched and Program input considered to assure that the best resource is utilized in filling vacancies. The end result is units that are staffed with dedicated personnel

whose level of experience and training complement each other and the multi-mission requirements of the Marine Safety Office.

Question. Why has the Coast Guard declined to delegate to the American Bureau of Shipping the responsibility for the review of ballast control systems on column stabilized Mobile Offshore Drilling Units?

Answer. As a result of the *Ocean Ranger* casualty, the Coast Guard is re-evaluating its requirements for the ballasting of column stabilized mobile offshore drilling units. On September 27, 1985, the Coast Guard published a Notice of Proposed Rule-making on general safety criteria for automated systems including ballast control systems. Also in September 1985, the Coast Guard awarded a research project contract to analyze safe ballasting modes and sequences on mobile offshore drilling units. Completion is expected in 1987. Until these projects are completed and the revised standards established, it is not appropriate to consider delegation of these systems to the American Bureau of Shipping.

Question. In its prepared testimony, the American Bureau of Shipping states that the Coast Guard should not delegate inspections to classification societies other than the American Bureau of Shipping because it will lead to competition among classification societies, which would in turn lead to lowering of standards. How do you respond to this assertion?

Answer. While it is true that competition between classification societies could lead to liberal interpretation of regulations and the subsequent lowering of standards, it could also provide positive results. The competition could result in lower costs to industry for work performed on behalf of the Coast Guard and may also cause an improved quality of the work being performed. It would also eliminate a perceived government sanctioned monopoly and give the owner a choice of classification societies. Any lowering of standards due to competition can be eliminated by oversight of the work being performed and withdrawing recognition of societies that fail to perform at an acceptable level.

Question. Please provide a summary list of the status of A-76 contracting initiatives in Massachusetts, Michigan, and North Carolina.

Answer. During fiscal year 1985, activities were reviewed with the following results:

	Massachusetts	Michigan	North Carolina
Contracted	Data entry and computer operations	Buoy maintenance at Detroit	Security at Elizabeth City.
Retained		Boat maintenance at Detroit.	
Reviews begun in fiscal year 1985 and to be completed in fiscal year 1986 include:			
Electronics maintenance		Detroit	
Facilities maintenance		Detroit	Do.
Warehousing		do.	Do.
Food service	Woods Hole	Sault St. Marie	Fort Macon.
	Boston		Elizabeth City.
Security	do.	do.	Do.
Buoy maintenance	South Weymouth	do.	Do.
Fire protection			Do.
Grounds maintenance			Do.
ADP			Do.
Reviews planned to start in fiscal year 1986 include:	Facilities and industrial maintenance at Boston		Warehousing, shipping and receiving, and cataloging at Elizabeth City.
	facilities maintenance at Cape Cod		
Total billets/positions to be reviewed in fiscal year 1986 are:	200	32	188

Question. What effect—if any—will the A-76 induced reductions in personnel levels have on the overall strength of the Coast Guard, especially with regard to military readiness?

Answer. Activities which are inherently Governmental such as those involving Coast Guard operations and readiness, including our cutters and aircraft, are excluded from the A-76 process.

The Coast Guard has established three governing parameters to preclude going too far with this process of contracting out:

(1) We will maintain enough billets in each military specialty to insure proper rotation capability: From sea duty to duty ashore; from isolated duty to non-isolated; from overseas duty (including Alaska and Hawaii) to duty in Continental U.S.

(2) We will maintain enough billets in each military specialty to insure a proper and reasonable career progression and opportunity for Service members in the various specialties.

(3) We will maintain a force structure which includes the proper mix of military specialties to meet our mission requirements and an overall military force size which will enable us to meet our immediate mobilization assignments.

Question. Although A-76 saves the Government money in the long run, it often tends to increase the Coast Guard's operating expenses in the short run, since many of the savings will be made in future years. What increased operating costs does the Coast Guard anticipated in fiscal year 1986 as a result of A-76 contracting?

Answer. Coast Guard experience in fiscal year 1985 shows that A-76 has cost a small amount of short-term dollars, from our budget base, to realize long-term avoidances. It is difficult to project accurately fiscal year 1986 increased operating costs or savings until the scheduled reviews are completed and contracts awarded.

Question. The Commandant was questioned at the February 20, 1985, hearing regarding the effect of A-76 contracting on the Coast Guard's civilian workforce. He responded that the Coast Guard would aid civilians in finding alternate employment as follows: "If we contract out a program—one of the provisions is that the existing Government employees must be given priority consideration for hiring by the contracting firm. To the extent that doesn't work, the employees are offered job opportunities elsewhere in the Coast Guard and, if they don't choose to accept that, they're given a certain time to find other employment within the Federal Government." The Coast Guard issued two A-76 contracts in the third quarter of 1985, in which civilian employees were involved. How many civilians were fired as a result of those contracts? What assistance was given them in finding alternate employment?

Answer. Six civilian positions were reduced by the two contracts awarded in the third quarter. No civilians were fired. Three positions were vacant. Three employees were affected—two retired and one was reassigned at the same unit following normal Reduction-In-Force procedures.

Question. I have received correspondence from a civilian employee of the Coast Guard regarding the Coast Guard's implementation of the A-76 directive.

She has written that she and 3 other employees received Reduction-In-Force notices on September 24, 1985, which will be effective as of October 25, 1985. According to her letter, the Coast Guard has informed them that it can find no suitable jobs for which they are eligible. Do you believe this is in line with the Coast Guard's stated policy of aiding civilians in finding alternative employment?

She also believes the Coast Guard's cost estimate on this contract has been understated, and that the Coast Guard's costs of performing this activity are actually lower than the contractor's costs. What avenue do Coast Guard employees have in providing information to Coast Guard managers with respect to cost comparisons for contracts that are being set aside for minority businesses?

Answer. Three of the affected employees have exercised their rights to comparable employment on the data entry/computer operations contract for the district office in Boston. Following stated policies, the Coast Guard will complete prescribed Reduction-In-Force procedures.

The cost of Government operation was carefully prepared by a professional accountant and independently reviewed by another. Coast Guard costs are based on the Performance Work Statement, as are the contractor's. Employee input to the Performance Work Statement is routinely sought. Costs of operation were collected from the Coast Guard staff in Boston. Affected employees have the right to examine all costs in the analysis during the appeal process. Final determination on appeals is made by an official a level above the person who makes the initial decision to contract out or retain the activity.

Question. Please outline your plans for contracting Loran and Omega.

How many Coast Guard personnel will be affected?

How many Coast Guard personnel will remain in supervisory positions?

Does the Coast Guard believe it will be possible to issue a single contract for these functions?

What will be the effect of contracting out the operation of the Loran stations on Coast Guard military readiness?

Has the Coast Guard considered the liability issues related to this type of contracting?

Has the Coast Guard solicited the views of Loran users with regard to the planned contracting of the operation of the Loran stations?

How do the average operating costs of the Coast Guard Loran stations compare to the average costs of the Canadian stations under contract?

Answer. We have just begun the A-76 review of Loran and Omega. Approximately 550 Coast Guard billets and positions have been initially identified. The exact number will be determined as we review the system operating, maintenance, and support activities.

There are about 50 Coast Guard personnel at monitor stations and those responsible for chain control who will be retained.

A single contract is possible but we are not far enough along in our review to make a firm decision on that.

There will be no adverse effect on Coast Guard military readiness.

The liability issue has been examined. The Government will retain control and responsibility.

We have not solicited users' views on this issue because the same level of service will continue whether performed by the Coast Guard or contractor.

A comparison of available fiscal year 1985 operating costs at similar Canadian and American stations shows the Canadian station \$21,000 (6%) less costly. The Canadian station is operated under contract.

Question. What effect will contracting have on major Coast Guard facilities such as the Curtis Bay Shipyard, Elizabeth City Air Station, and Governors Island? What contracting plans—if any—does the Coast Guard have at these facilities for fiscal year 1986? What functions at these facilities will be considered for contracting in subsequent years?

Answer. The effect of contracting at the Coast Guard Yard and Aircraft Repair and Supply Center will depend on fiscal year 1986 Department of Defense legislation concerning Core Logistics and the results of our individual reviews.

The Air Station at Elizabeth City is an operating unit. Only support services that are clearly commercial activities will be considered for review.

We will start reviews of support services and industrial functions at Governors Island in fiscal year 1986. Other reviews started in fiscal year 1985 that will end in fiscal year 1986 include:

Yard: Security, fire protection, grounds maintenance, food service.

Support Center, New York: Food service.

Aircraft Repair and Supply Center, Elizabeth City: ADP.

Support Center, Elizabeth City: Fire protection, grounds maintenance, food service.

If major industrial activities at the Yard and Aircraft Repair and Supply Center are not exempt as Core Logistics they will be scheduled for review in fiscal year 1987. The reviews will probably be based on a Government owned, but contractor operated facility.

Question. Please respond to the following assertions made by the Federal Firefighters Association.

"If firefighting is contracted out, the Base Commander will lose control over firefighting at his base, since the contractor will become the sole supervisor for his contract employees and the Base Commander is not permitted in any way to interfere with the Contractor or his operation except through a Government contract administration officer, and then only within the scope of the contract between the contractor and the Government."

"Contract employees have the legal right to strike, which could lead to a serious disruption of the mission of the Coast Guard Base."

"Firefighting functions are "inherently Governmental in nature" and should not be contracted out."

Answer. Firefighting is a clearly defined task. Performance Work Statements have been written that describe requirements. The Commanding Officer cannot directly supervise contract personnel, but can retain control and can act by providing specific direction for the Government in emergencies (like oil pollution cleanup).

Contracts will be written with strike contingency clauses. One factor in choosing a responsible contractor is the contractor's ability to mobilize personnel and equipment to assure satisfactory performance in any contingency. Prior to a contract award, the contractor must submit, for Coast Guard approval, a plan showing how they would continue to provide services in the event of a work slowdown or strike. Usually these plans identify relief personnel available from other contractor sites or from back-up rosters that are developed for the local contract area.

In the event this plan fails, and the contractor does not bring in the needed personnel, the Coast Guard can call in another contractor for the duration of the labor dispute, and charge the cost to the incumbent contractor. There are many private companies providing fire protection services.

Most Coast Guard units also have mutual aid agreements with local fire departments who can provide assistance.

The Coast Guard does not believe firefighting on Coast Guard units is so "intimately related to public interest to mandate performance by Government employees" (the definition of Governmental function). Training Center Petaluma uses volunteer firefighters to augment Coast Guard employees and several other units have reciprocal agreements that depend on civilian firefighters for primary protection. The Federal Aviation Administration has been very successful in contracting out firefighting.

Question. Are you confident that security at Coast Guard facilities will not be jeopardized by contracting security functions out to the private sector?

Answer. Yes. Many Coast Guard units and the Department of Defense already have successfully contracted for security services.

Question. Will the continued reduction of shoreside positions in the Coast Guard through A-76 contracting ultimately result in longer tours at sea, and thereby creating retention problems for the Coast Guard?

Answer. No. Before any review involving large numbers of personnel in a single rating (such as electronics technicians) is started, the Coast Guard Office of Personnel examines the potential impact of military billet reductions on sea-shore rotation. The extent of the review is then determined either in terms of the whole rating or by grade level (E-6, etc.) within the rating.

None of the reviews conducted to date or in-process have created a sea-shore problem. In fact, the Loran and Omega system review will, if contracted, result in a reduction of sea/restricted duty billets and improve the ratio.

Question. What is the status of the Coast Guard's ATON contracting experiment? Have private contracts expressed an interest in performing the ATON work in each of the trial areas? Has interest been expressed in other waterways of geographical areas? If so, where?

Answer. We anticipate having the trial contracts ready for bidding early in FY 1986. One district is ready to issue a request for proposal, two others are nearing completion of their statements of work, and two are making progress on their packages.

H.R. 2466, an enrolled bill, however, excludes the New Jersey Intracoastal Waterway (NJICW) from trial contracting by prohibiting the determination of location or placement of aids to maritime navigation by contractor in the waterway. The NJICW is the largest and most diverse of the trial waterways; exclusion of this area reduces the scope of the trial and limits Coast Guard managerial flexibility. All of the trial areas were chosen because we felt that there would be a good chance of contractor interest and would be a fair test of contractor performance.

Contractors have expressed interest in each of the trial areas as a result of Coast Guard news releases, Commerce Business Daily inserts, and newspaper and magazine coverage. Interest in contracting has been directed primarily at the designated trial areas, although the intracoastal waterway between Norfolk, VA and Florida has received some attention.

Question. What is the status of the Coast Guard's proposed rulemaking to delegate to third party "independent laboratories" the responsibility for pre-approval testing and factory inspection of primary lifesaving equipment?

Answer. A Notice of Proposed Rulemaking was issued 27 September 1984. In response to comments from the U.S. Lifesaving Equipment Manufacturers Association, a public hearing was held 19 February 1985 and the comment period was extended to 21 March 1985. Public comments are presently being evaluated to prepare the final rules.

Question. What is the status of the Coast Guard's evaluation of each of the U.S. navigable waterways in order to designate them as either critical or non-critical?

Answer. All navigable waterways have been designated as either critical or non-critical. These classifications are continually reviewed and validated through Waterways Analysis and Management System (WAMS) studies.

Question. If this (third party) rulemaking were approved, how would the Coast Guard be able to ensure that tests conducted by foreign laboratories would be adequate to guarantee compliance with U.S. safety standards?

Answer. The performance of foreign independent laboratories would be monitored in the same way as domestic independent laboratories. For initial approval of a life-

saving device, a complete report would have to be submitted as described under 46 CFR 159.005-11. This is a detailed report that demonstrates the laboratory's understanding of the Coast Guard regulations, fully describes the way the Coast Guard required tests were performed, and provides the test results. The laboratory does not make the decision to approve or not approve the device. Coast Guard approval is granted only by the Commandant after reviewing all the information contained in the report.

For continuing production inspections and tests, the manufacturer is required to submit an annual report of the inspections and tests conducted under 46 CFR 159.007-11. This procedure is the same for both foreign and domestic manufacturers.

Finally, each new lifesaving installation on an inspected vessel is examined by a Coast Guard inspector. If the lifesaving device is found not to comply with the regulations, it may be an indication that the laboratory is not properly carrying out its duties. If this is found to be the case, the laboratory's acceptance could be terminated under 46 CFR 159.010.19. Again, the procedures for foreign and domestic laboratories are the same.

Question. One of the functions intended to consider for contracting is the Loran/Omega system, presently requiring 551 positions. The Coast Guard, in a letter to me on the subject, mentioned the fact that the Canadians operate the Loran system with "satisfactory results". Do you know, by any chance, how the operating costs of the Coast Guard Loran station compares with the average cost of the Canadian station operated under contract?

Answer. A comparison of two similarly operated Canadian and U.S. Loran stations follows. The data includes only personnel costs since that is the only information available in the Williams Lake contract. The data is based on fiscal year (FY) 1984 costs.

	Williams Lake ¹		Middletown, CA ²
	(Canadian dollars)	(U.S. dollars)	(U.S. dollars)
Fiscal year 1984			337,000
Fiscal year 1985	400,000	333,000	* 354,000
Fiscal year 1986	488,000	370,000	* 370,000

¹ 1 station manager, 3 technicians, 5 watchstanders and 1 handyman. Equipment: Transmitter 44A 400KW and antenna 625 feet

² 1 chief warrant officer and 15 enlisted. Equipment: Transmitter 44A 400KW antenna 625 feet

* 4.9 percent cost of living factor

* 8.4 percent cost of living factor

Note - Williams Lake includes a Control Monitor function. Therefore it is compared with a similar USCG station even though we will retain that aspect of the Loran-system

DRUG INTERDICTION AND MILITARY READINESS

WEDNESDAY, OCTOBER 23, 1985

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COAST GUARD AND NAVIGATION,
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:20 a.m., in room 1334, Longworth House Office Building, Hon. Gerry E. Studds (chairman of the subcommittee) presiding.

Present: Representatives Studds, Hughes, Carper, Davis, and Calahan.

Staff present: Bill Woodward, Gina DeFerrari, Mary Pat Barrett, K.C. Bell, Duncan Smith, Jeanne Fling, Kurt Oxley, and George Pence.

STATEMENT OF HON. GERRY E. STUDDS, A U.S. REPRESENTATIVE FROM THE COMMONWEALTH OF MASSACHUSETTS, AND CHAIRMAN, SUBCOMMITTEE ON COAST GUARD AND NAVIGATION

Mr. STUDDS. The subcommittee meets today for the second of a series of oversight hearings planned to prepare for consideration of Coast Guard authorization legislation next year. Our focus today will be on two of the many important missions of the Coast Guard—military readiness and drug law enforcement. We have combined these two subjects for purposes of oversight because both missions require close cooperation between the Coast Guard and the U.S. Navy, and we are pleased to have representatives from both Services here today.

Far less pleasure, however, may be derived from recent events in the U.S. Senate. The Senate has presented itself this week with the choice of cutting about \$120 million from the Coast Guard budget, or else cutting \$200 million, as recommended by the Senate Committee on Appropriations. The Senate has already determined, therefore, that more people should die at sea next year than this year; they have now only to decide how many more.

Let us remember, after all, what the proposed Senate cuts are cutting from. President Reagan's budget proposal for the Coast Guard was essentially a freeze budget; the House approved bill, that is, the appropriations bill, appropriated \$37 million below the President's request. Under the House bill, the Coast Guard would still lose almost 500 military positions, and it would have a budget for procurement of new equipment that will be lower than that approved in any year since 1978. In real dollars, the bill approved by

the House will probably provide fewer funds for the Coast Guard than in any year since I have been a Member of Congress. This means—as difficult as this is for me to say—that OMB has developed a more realistic budget for the Coast Guard than either the House, whose budget for the Coast Guard is inadequate, or the Senate, whose budget will be a disaster.

Only in the Senate might it be possible to believe that crippling the Coast Guard is an appropriate—or practical—way to reduce the budget deficit. We should not kid ourselves; the Coast Guard is not the reason we have a deficit of \$172 billion or whatever more it may be. The entire Coast Guard—all 45,000 people, 240 cutters, 220 aircraft, 11,000 reserves, and even the retirement program—will cost this country less money this year than what we will spend for research on star wars.

The Coast Guard is not a drain on the Federal Treasury. It provides economic benefits to our country that far outweigh its cost. It is essential to the safety of commerce, to the protection of the environment, and to the public health. It is available for service in time of war or national emergency. It is made up of men and women, every one of whom joined or enlisted with the knowledge that they might be called upon to risk their own lives in order to save others, and every one of whom deserves better treatment than they will receive this week from the Senate of the United States.

Today's hearing will, I believe, further demonstrate the folly of the Senate's action. The Coast Guard is on the front lines of the battle against those who smuggle drugs into the United States by sea, and it has the major responsibility for protecting America's harbors and ports from the risks of terrorism and sabotage. Last year, Coast Guard officers were designated officially as the commanders of the Atlantic and Pacific Maritime Defense Zones, responsible for coordinating the coastal defense of our country in the event of war.

We hope today to examine the relationship between the Coast Guard and the Navy in performing these tasks and to gain an understanding of the progress that has been made in each area since the subcommittee's last comprehensive set of oversight hearings 4 years ago. It is my hope and my determination to see that the progress that has been made will not be wiped out in the weeks ahead by the irresponsible actions and the misplaced priorities of the Senate of the United States.

Are there any statements on this side? Do you have an opening statement you wish to make?

Without objection, the ranking member's statement will appear at this point in the record, and also that of Congressman Lent.

[Statements of Messrs. Davis and Lent follow.]

STATEMENT OF HON. ROBERT W. DAVIS, A U.S. REPRESENTATIVE FROM THE STATE OF MICHIGAN

Mr. Chairman, we have very distinguished witnesses today, and I look forward to discussing two very important missions of the Coast Guard, one which is well known, and one which sometimes I think is forgotten.

Those two missions are law enforcement, specifically, the drug interdiction program, a highly publicized effort to fight the war on drugs; and the second is national security, specifically the Maritime Defense Zones which are designed to ensure the security of our ports and coasts in times of national emergency. The national security

ty and military readiness missions of the Coast Guard are often lost in the day-to-day operations of this agency, and I am glad to be able to take the time today to explore and emphasize the extremely important role the Coast Guard can and will play in a wartime situation. I know that the men and women of the Coast Guard are always prepared to carry out this mission, but I will be interested to know if these dedicated service people will have the equipment and the training to do everything that we expect of them in national emergencies.

I look forward to hearing the testimony on these subjects. Thank you.

STATEMENT OF HON. NORMAN F. LENT, A U.S. REPRESENTATIVE FROM THE STATE OF NEW YORK

Mr. Chairman, I am glad that we are continuing this series of hearings designed to investigate some of the issues of concern to the committee regarding Coast Guard activities. This process of conducting hearings in advance will permit us to carefully consider the testimony and information we receive when we prepare the 1987 and 1988 Coast Guard authorization legislation. Today, the subcommittee will examine two of the most fundamental programs of the Coast Guard: Law enforcement and military readiness.

By law, under title 14, the Coast Guard has been given, as primary duties, (1) enforcing or assisting in the enforcement of all Federal laws on the high seas and waters subject to the jurisdiction of the United States and (2) maintaining a state of readiness to function as a specialized service in the Navy in time of war. Congress has called for increased involvement of the Department of Defense in law enforcement in recent years. However, questions have been raised about the appropriateness of the use of our armed services for law enforcement because of the limitations placed on them by the Posse Comitatus Act. Obviously, the Coast Guard does not have any of these limitations and is therefore a unique national resource.

Our hearing today will concentrate on the drug law enforcement program of the Coast Guard. Although drug law enforcement is an important effort and should be pursued so that drug smuggling can be deterred, this should not be done at the expense of the other important Coast Guard missions, such as search and rescue and merchant marine safety. We must be sure that the Coast Guard has adequate resources to carry out all of its functions. In addition, we will look at the military readiness program of the Coast Guard. In particular, we will be looking at the newly developed Maritime Defense Zone command concepts and the resources needed to carry this out and integrate the Coast Guard into the defense establishment. Further, we should examine the Coast Guard Reserve program and see if it is maintained at the same level that other Reserve components are maintained.

I would like to welcome Admiral Gracey of the Coast Guard and Vice Admirals Costello and Yost, the two MDZ Commanders. In addition, we have from the Department of Defense, Commodore Clextan to give the Navy's perspective on these issues. Finally, we also have representatives of the Reserve Officers Association and the Navy League who should be able to shed considerable light on both of these programs and the resource needs of the Coast Guard.

Mr. Chairman, I look forward to working with you and the other members of the committee as we examine these issues.

Mr. STUDDS: We will begin with Admiral Gracey, accompanied by a number of vice admirals—Admiral Costello and Admiral Yost, and Commodore Edward Clextan from the Office of the Chief of Naval Operations, Department of the Navy.

Commodore, welcome to this committee.

Commodore CLEXTAN: Thank you, sir.

Mr. STUDDS: Admiral, welcome back, and please proceed as you wish.

STATEMENT OF ADM. JAMES S. GRACEY, COMMANDANT, U.S. COAST GUARD, ACCOMPANIED BY VICE ADM. PAUL A. YOST, COMMANDER, ATLANTIC AREA, AND VICE ADM. JOHN D. COSTELLO, COMMANDER, PACIFIC AREA

Admiral GRACEY: Thank you, sir.

I have a prepared statement, Mr. Chairman, which I would like to summarize briefly, if I may.

Mr. STUDDS. Please.

Admiral GRACEY. And you've already introduced the people with me, so I won't do that.

I would like to touch on the current trends that are being noted in the maritime drug trafficking first, and then I'll go on to a description of the maritime defense zone responsibilities of the Coast Guard and the status of that.

The Coast Guard has devoted substantial time and resources to maritime narcotics law enforcement, and the drug smugglers are reacting accordingly. As law enforcement pressure in the maritime region is increased, there has been some shift by drug smugglers to other modes and methods of transportation. There has been an increase in air drop activity, the use of hidden compartments, the use of tug and barge combinations—one of which we brought in just within the last 10 days that had over 80 tons of marijuana—and we see attempts by smugglers to circumnavigate our interdiction resources through counterintelligence and the use of their own surveillance aircraft. These tactics confirm the fact that we are having a noticeable effect on maritime smuggling and we are causing smuggling to become more difficult and more expensive.

In view of the more varied and complex tactics used by the smugglers, the operational efforts to stem the overall flow of drugs have become increasingly dependent on the coordination of all law enforcement agencies' interdiction and intelligence-gathering activities.

No phase of maritime law enforcement is more important to the success of the Drug Interdiction Program than boarding vessels at sea. Analysis shows that while we must keep pressure on all facets of the maritime drug scenario, interdiction of "motherships"—which deliver contraband to smaller boats well off our coast or fast contact boats near shore—has the greatest potential for disrupting the maritime flow of drugs. In addition to removing other contraband, one mothership seizure may remove as much marijuana from the market as would 10 to 20 contact boat seizures. So the Coast Guard drug interdiction operations have continued to concentrate on these large motherships. Obviously, if we're going to continue to do that, we must continue to have platforms from which to do that boarding at sea; and as you have already noted, that capability is significantly threatened under the present Senate action.

In addition to large quantities of marijuana, large quantities of other drugs—primarily cocaine—are being found, which indicates a distinct shift in trafficking trends. Previously, we were rarely able to seize these higher-value, low-volume drugs because they were usually disposed of "over the side" before we boarded at sea. However, this year we have seized over 6,000 pounds of cocaine, up from about 1,900 in 1984 and well above the high of 46 pounds in previous years.

The Coast Guard's past drug interdiction strategy had been mainly directed toward intercepting motherships as they transit the major passes of the Caribbean. Cutters also patrolled elsewhere as available. During November and December of last year, however, a new strategy was employed. The Coast Guard's Operation Wag-

onwheel was the key element of a larger national and international operation called Operation Hat Trick, which was coordinated by the National Narcotics Border Interdiction System. The latter involved other U.S. law enforcement agencies, other U.S. Armed Forces, and foreign governments. In Wagonwheel, substantial forces were massed in the Southeast United States for extensive operations in the Caribbean. Those forces employed a maximum degree of flexibility and deception, complementing the antidrug operations being carried out by Colombian forces ashore and afloat.

When the smugglers became aware of the fact that a sizable interdiction force was operating in the southern Caribbean, a deliberate effort was made to delay trafficking until the operation ended. Stockpiles ashore then suffered severe losses due to shelf life and coordinated Colombian in-country seizure efforts.

The successes of Wagonwheel and other subsequent joint operations point out the advantage of carefully timed offensive tactics against trafficking organizations.

In 1981, Congress passed legislation clarifying statutory restrictions on the use of Department of Defense resources for law enforcement purposes. As a result, DOD resources have been playing an important role in the Federal Drug Interdiction Program by providing surveillance and support services, such as using aircraft to search for smugglers and Navy ships to tow or escort vessels seized by the Coast Guard to the nearest U.S. port.

In addition, Navy ships have been deploying with Coast Guard law enforcement teams aboard. These personnel conduct boardings of suspect vessels from their Navy hosts in the same manner as they do from Coast Guard vessels. The Coast Guard has also been routinely deploying people on Navy *Pegasus*-class hydrofoil patrol boats operating out of Key West. These hydrofoils are being used for short notice, fast response situations such as interdicting fast drug smuggling contact boats.

Other areas of DOD and Navy assistance have also been noteworthy, such as participation in our high interest vessel sighting program, which helps us keep track of potential smugglers in both the Atlantic and the Pacific. As of September 1985, the Navy has been involved in 37 vessel seizures and their assistance was invaluable during Operations Wagonwheel and Blue Lightning.

Now I'd like to comment on another program in which the Coast Guard is currently involved, and working very closely with the Navy, and that is preparing for the coastal defense of the United States.

The Maritime Defense Zone, or MDZ, concept grew out of a review of Coast Guard roles and missions which Congress mandated to identify those areas where the Coast Guard could enhance defense capabilities within statutory limitations. The primary recommendations of a study completed by a Navy and Coast Guard board, which we call the NAVGARD Board, in 1981 concerned the formal linking of existing Coast Guard command and control structure for U.S. coastal areas to the Navy Fleet Commanders-in-Chief on each coast, and planning for the coastal defense mission. By a memorandum of agreement between the Secretary of Transportation and the Secretary of the Navy in March 1984, the Coast Guard Atlantic and Pacific Area Commanders were given collateral duties

as the Commanders, Maritime Defense Zones Atlantic and Pacific, respectively. In performing their MDZ duties they report to the Navy Atlantic and Pacific Fleet Commanders-in-Chief, even in peacetime. Thus those officers are double-hatted as Coast Guard Area Commanders and as Maritime Defense Zone Commanders.

The Maritime Defense Zones are Navy Commands, even though the MDZ commanders are Coast Guard officers. Their primary mission is to carry out the coastal defense of the United States. Currently, the MDZ Commands are engaged in developing contingency plans and conducting training exercises relating to that mission. In wartime or in times of heightened tension, the MDZ Commanders will perform those tasks relating to the coastal defense of the United States as assigned by the appropriate Navy Fleet Commander-in-Chief, and they'll use Coast Guard, Navy, and other DOD forces as assigned. The normal relationship between the Commandant and the Area Commanders for the performance of Coast Guard statutory missions would not change.

The primary missions currently assigned to the MDZ Commanders include planning for and exercises of command and control of assigned assets; coastal and harbor defense; port security and safety, and maritime surveillance. Other missions which the MDZ Commanders may perform jointly with other commands include planning for and exercises of antisubmarine warfare; mine countermeasures; harbor breakout, and naval control of shipping. In addition, the following Coast Guard statutory responsibilities will be carried out concurrently with the MDZ mission: Search and Rescue, Short Range Aids to Navigation, Domestic Icebreaking, and Commercial Vessel Safety.

Until such time as the planning efforts are concluded and exercises are held in greater detail, it's not possible to say exactly what, if any, additional Coast Guard resources may be needed. Basic funding will be such that the Navy will fund Navy mission-related costs; the Coast Guard will fund those costs which are Coast Guard statutory mission-related, and each Service will fund for its own personnel.

That concludes my statement, Mr. Chairman, and as always, I'll be happy to answer your questions.

[Prepared statement of Admiral Gracey follows:]

PREPARED STATEMENT OF ADM. JAMES S. GRACEY

Mr. Chairman and members of the Committee, I am pleased to have the opportunity to meet with you today to provide and update on the Coast Guard's drug law enforcement and our Maritime Defense Zone (MDZ) programs. With me today are VADM Paul A. Yost and VADM John D. Costello, Commanders of the Coast Guard's Atlantic and Pacific Areas, respectively.

I would like to briefly touch on the nature of maritime drug trafficking, and at the same time present current trends that are being noted. I will follow that with a description of the Coast Guard's Maritime Defense Zone responsibilities and status.

MARITIME DRUG LAW ENFORCEMENT

The history of the Coast Guard maritime law enforcement program is recorded as one of the first and primary responsibilities of the Revenue Cutter Service established in 1790. These responsibilities are still extremely important today to stem the flow of drugs into the United States. The Coast Guard has devoted substantial time and resources to this effort, and drug smugglers are reacting accordingly. As law enforcement pressure in the maritime region has increased, there has been some

shift by drug smugglers to other modes and methods of transportation. There has been an increase in airdrop activity, the use of hidden compartments (compartments incorporated into the design of a boat or ship for the express purpose of hiding contraband), the use of tug and barge combinations, and attempts by smugglers to circumnavigate our interdiction resources through counterintelligence and the use of their own surveillance aircraft. These tactics confirm the fact that we are having a noticeable effect on maritime smuggling and we are causing smuggling to become more difficult and expensive. In view of the more varied and complex tactics used by smugglers, the operational efforts to stem the overall flow of drugs have become increasingly dependent on the coordination of all law enforcement agencies' interdiction and intelligence gathering activities.

No phase of maritime law enforcement is more important to the success of the drug interdiction program than boarding vessels at sea. Analysis shows that while we must keep pressure on all facets of the maritime drug scenario, interdiction of "motherships", which deliver contraband to smaller boats well off our coast or fast boats near shore, has the greatest potential for disrupting the maritime flow of drugs. In addition to removing other contraband, one mothership seizure may remove as much marijuana from the market as would 10-20 contact boat seizures. Therefore, Coast Guard drug interdiction operations have continued to concentrate on these large motherships. In addition to large quantities of marijuana, large quantities of other drugs (primary cocaine) are being found, indicating a distinct shift in trafficking trends. Previously, we were rarely able to seize these higher value, low volume, drugs because they were usually disposed of "over the side" prior to the at-sea boarding of the vessel. However, this year we have seized over 6,000 pounds of cocaine, up from the 1,967 pounds seized in 1984, and well above the high of 46 pounds in previous years.

Most maritime drug traffic destined for Florida, the Atlantic, Pacific and Gulf Coast regions of the United States departs from South American or Caribbean staging areas, such as the Guajira Peninsula on the north coast of Colombia. As seaborne smugglers proceed north, they normally pass through one of the four inter-island channels we call "choke points" enroute the Bahamas, Florida, or the Gulf Coast. Some vessels attempt to avoid the increased law enforcement pressure of Florida by transiting the Eastern Caribbean and offloading further north along the Mid-Atlantic or the New England seacoasts. There has also been a substantial increase in drug smuggling on the West Coast, which could be a further reaction to increased enforcement pressure in the Caribbean.

The Coast Guard's past drug interdiction strategy had been mainly directed toward intercepting motherships as they transit the Caribbean choke points. To effect this "choke point" strategy, the Coast Guard conducted continuous surface patrols and frequent surveillance flights over the waters of interest, and an intense program of boarding and inspecting vessels at sea. Major resources were concentrated in the choke points with emphasis on the Yucatan Channel between Mexico and Cuba and the Windward Passage between Cuba and Haiti. Cutters also patrolled elsewhere as available, such as the Bahamas, Eastern Passes of the Caribbean, and the Gulf, Atlantic and Pacific coastal areas. However, despite our stepped up efforts and increased vessel seizures, the amount of contraband seized remained fairly constant.

During November-December 1984, a new strategy was employed. The Coast Guard's Operation Wagonwheel was the key element of a larger national and international operation called Operation Hat Trick, coordinated by the National Narcotics Border Interdiction System (NNBIS). The latter involved other U.S. law enforcement agencies, other U.S. armed forces, and foreign governments. In Wagonwheel, substantial forces were massed in the southeast U.S. for extensive operations in the Caribbean. The major choke points (Yucatan and Windward) were covered by a reduced number of cutters. As the operation progressed, ships and aircraft were deployed close to the territorial sea of Colombia. Those forces employed a maximum degree of flexibility and deception, complementing the anti-drug operations being carried out by Colombian forces ashore and afloat.

During the first month of the operation (November, 1984), a higher than usual quantity of marijuana was seized compared with previous November seizures. When the smugglers became aware of the fact that a sizable interdiction force was operating in the southern Caribbean, a deliberate effort was made to delay trafficking until the operation ended. Seizures dropped to a very low level last winter in December and January. Given the thorough coverage off the Guajira Peninsula, it is considered unlikely the low seizures meant an increased amount of marijuana was getting through, but rather that the operation effectively shut down maritime trafficking from the north coast of South America. Stockpiles ashore, therefore, suffered

severe losses due to shelf-life problems and coordinated Colombian in-country seizure efforts.

Operation Blue Lightning was another major offensive action against the trafficking organizations coordinated by NNBIS. During two weeks this past April, the Coast Guard participated in Operation Blue Lightning, a joint law enforcement effort between the Government of the Bahamas and the U.S. Its goals were to disrupt the primary maritime smuggling routes through the Bahamas, destroy cached contraband and facilities on various islands throughout the Bahamas, and intercept those smugglers approaching the Florida coast who had been "flushed out" by the pressure in the Bahamas.

The successes of Wagonwheel and Blue Lightning point out the advantage of occasional offensive tactics against trafficking organizations. However, regardless of the pressure applied, the smuggler will take the action necessary to maintain future profitability; thus it would not be prudent to repeat the same strategy option very often. Instead, options must be varied and applied in a manner which will keep the trafficker "off balance" by being concerned about what the Coast Guard will do next. Strategies must be employed which will force the trafficker into a position or mode which increases his vulnerability.

In 1981 Congress passed legislation clarifying statutory restrictions on the use of Department of Defense resources for law enforcement purposes. As a result, the Department of Defense now has greater freedom to support federal law enforcement agencies. DOD resources have been playing an important role in the federal drug interdiction program by providing surveillance and support services, such as using aircraft to search for smugglers and Navy ships to tow or escort vessels seized by the Coast Guard to the nearest U.S. port. Additionally, Navy ships have been deploying with Coast Guard law enforcement teams aboard. These personnel conduct boardings of suspect vessels from their Navy hosts in the same manner as they do from Coast Guard vessels. To increase further the number of surface assets available for interdiction, the Coast Guard has been routinely deploying personnel on Navy Pegasus-class Hydrofoil Patrol Boats operating out of Key West. These hydrofoils are being used for short notice, fast response situations such as interdicting fast drug smuggling contact boats.

Other areas of DOD/Navy assistance have also been noteworthy, such as participation in our high interest vessel sighting program, which helps us keep track of potential smugglers in both the Atlantic and the Pacific. Most Navy ships and aircraft squadrons on both U.S. coasts have received specialized training provided by Coast Guard law enforcement teams on how to recognize drug profile vessels.

As of September 1985, the Navy has been involved in 37 vessel seizures and their assistance was invaluable during operations Wagonwheel and Blue Lightning.

I would like to now comment on another program in which the Coast Guard is currently involved, that of preparing for the coastal defense of the United States.

MARITIME DEFENSE ZONE RESPONSIBILITIES

The Maritime Defense Zone or MDZ concept grew out of a review of Coast Guard roles and missions which Congress mandated to identify those areas where the Coast Guard could enhance defense capabilities within statutory limitations. The Navy and Coast Guard (NAVGARD) Board, on March 19, 1981, forwarded the "Review of Coast Guard Wartime Tasking" study to the Chief of Naval Operations and the Commandant. The primary recommendations of the study concerned the formal linking of the existing Coast Guard command and control structure for U.S. coastal areas to the Navy Fleet Commanders-in-Chief on each coast and planning for the coastal defense mission. By a memorandum of agreement between the Secretary of Transportation and the Secretary of the Navy on March 7, 1984, the Coast Guard Atlantic and Pacific Area Commanders were given collateral duties as the Commanders, Maritime Defense Zones Atlantic and Pacific, respectively. In performing their MDZ duties, they report to the Navy Atlantic and Pacific Fleet CINCs, even in peacetime.

The Maritime Defense Zones are Navy commands, even though the MDZ Commanders are Coast Guard officers. Their primary mission is to carry out the coastal defense of the United States. Currently, the MDZ commands are engaged in developing contingency plans and conducting training exercises relating to that mission. In wartime or in times of heightened tension, the MDZ Commanders will perform those tasks relating to the coastal defense of the United States assigned by the appropriate Navy Fleet Commander-in-Chief utilizing USCG, USN, and other DOD forces as assigned. The normal relationship between the Commandant and the Area

Commanders for the performance of Coast Guard statutory missions would be unaltered.

The two Maritime Defense Zones are each divided into Sectors. These Sectors generally follow the Coast Guard District boundaries. Most Sectors are commanded by the local Coast Guard District Commander, with a senior Navy officer serving as the Deputy Sector Commander. However, there are four Sectors (two on each coast) where the situation is reversed; they are commanded by Navy officers and senior Coast Guard officers serve as the Deputies.

The primary missions currently assigned to the DMZ Commanders include planning for and exercises of (1) command and control of assigned assets, (2) coastal and harbor defense, (3) port security and safety, and (4) maritime surveillance. Other missions which the DMZ Commanders may perform jointly with other commands include planning for and exercises of (1) antisubmarine warfare, (2) mine countermeasures, (3) harbor breakout, and (4) naval control of shipping. In addition, the following Coast Guard statutory responsibilities will be carried out concurrently with the DMZ mission: (1) Search and Rescue, (2) Short Range Aids to Navigation, (3) Domestic Icebreaking, and (4) Commercial Vessel Safety.

Today, small joint Coast Guard/Navy elements exist on the staffs of Admirals Yost and Costello. The planning staffs were formed a year ago and have produced plans that are under review by the appropriate Navy Fleet Commanders-in-Chief. Following approval, subordinate plans will be prepared and exercise held to test them and determine the adequacy of resources assigned to this mission.

Upon implementation of the DMZ contingency plans, Coast Guard and Navy regular and reserve personnel, ships, boats, and aircraft will be assigned to the DMZ commands. Assignment of about 75 percent of Coast Guard regular and reserve personnel to MDZ in a National emergency is anticipated. Until such time as the planning efforts are concluded and exercises held, it is not possible to state exactly what, if any, additional resources the Coast Guard may need. Basic funding will be such that the Navy will fund Navy mission related costs, the Coast Guard only those costs which are Coast Guard statutory mission related and each service will fund for its own personnel on joint staffs.

This concludes my statement, Mr. Chairman. I will be happy to answer any questions you or the members of the committee may have.

Mr. STUBBS. Thank you, Admiral. I, it will come as no surprise to you, have a number of questions; I'm sure that Mr. Davis does, as well. I will begin, and when he tugs at my left sleeve that will mean that I've gone far enough, and we'll go back and forth here.

Oh—I'm sorry, Commodore Clextan. Unused as we are to having the Navy here, you have a statement, and it is your turn, not mine.

We welcome you, sir.

STATEMENT OF COMMODORE EDWARD W. CLEXTON, JR., U.S. NAVY, DIRECTOR, TOTAL FORCE, FLEET OPERATIONS AND READINESS DIVISION, OFFICE, CHIEF OF NAVAL OPERATIONS

Commodore CLEXTON. Thank you, Mr. Chairman. I will read just pieces of a prepared statement that I am prepared to put into the record.

Mr. STUBBS. It's difficult from up here to recognize a suit as dark as yours. That's the problem from up here. Hard to see. Go right ahead. [Laughter.]

Commodore CLEXTON. I am Director of the Total Force and Fleet Operations Division on the staff of the Chief of Naval Operations.

Under my Fleet Operations hat, I am the flag officer responsible for coordinating the Navy's response to tasking from the Secretary of Defense, as requested from the Vice President's Office for National Narcotics Border Interdiction. In this role, I promote Navy doing whatever we can to help the Coast Guard and Customs meet national drug interdiction objectives. I am responsible as well, however, for ensuring that those same efforts do not adversely affect fleet readiness.

I am also the Navy's Total Force Advocate, overseeing proper integration of regular and reserve force missions across the Navy, and promoting greater readiness of our reserve components to be able to meet wartime needs. As the Navy's Total Force Advocate, I have become knowledgeable of Maritime Defense Zone matters because the Navy Reserve will significantly fill in these commands upon mobilization.

The U.S. Navy and the U.S. Coast Guard have enjoyed a long and beneficial relationship for two centuries; however, this relationship did not encompass ties with regard to the U.S. Coast Guard drug interdiction mission until 1978. Based on a favorable decision by the Department of Justice, the Chief of Naval Operations approved Navy cooperation with Federal law enforcement agencies in support of the Nation's drug interdiction program. Since that time, and in recognition of the 1981 congressional amendments to the Posse Comitatus Act, it has been the Navy's policy to provide the fullest cooperation and assistance to the appropriate Federal law enforcement agencies, consistent with our national defense readiness requirements and applicable public laws.

I will not cover segments of my statement that would be repetitive of Admiral Gracey's comments on specific applications.

Coordination of Navy support to Coast Guard drug interdiction is accomplished through the National Narcotics Border Interdiction System. For predictable requirements, the System makes a request through the Secretary of Defense to the Services. The Navy solicits Fleet Commander inputs on those requirements which can be supported, and so reports back to the Vice President's office through Defense. This system works well; it allows Navy to consider interdiction requirements in consonance with other Navy operational and training requirements at the Fleet Commanders' quarterly scheduling conferences.

I will not address in detail the numerous areas in which the Navy supports our law enforcement agencies, but we have provided and are providing Coast Guard law enforcement teams with responsive interdiction platforms.

Before I shift to the Maritime Defense Zone, I assure you that the U.S. Navy remains firmly committed to supporting our law enforcement agencies at every opportunity within the law and within our operating budget when military readiness is not adversely affected.

As an overview for the Maritime Defense Zones, the Navy Sea Frontiers were established in 1942 to provide a coordinated coastal and harbor defense in response to the wartime threat to the United States. Following the conclusion of World War II, Sea Frontier assets gradually diminished over time and they were themselves disestablished in 1975. Responsibility for coastal defense was then assumed by the Naval Districts until their disestablishment in 1980. The harbor defense mission at that time was passed to local Naval Base commanders, but no additional resources were assigned. This arrangement provided for limited harbor defense but did not encompass an integrated coastal defense plan for the United States.

The free and open use of U.S. ports, harbors, and waterways to support the Navy's maritime strategy and the reinforcement and resupply of our allies requires an integrated harbor defense network, ergo, the mission of the Maritime Defense Zones.

The NAVGARD Board in 1982 approved the concept of MDZ for coastal and harbor defense of the United States, and a memorandum of agreement was signed designating the Coast Guard Area Commanders as Maritime Defense Zone Commanders, responsible to the Navy Fleet Commanders-in-Chief for the performance of peacetime planning and training for coastal defense.

To provide Coast Guard area commanders with the capability of performing their peacetime mission as Maritime Defense Zone Commanders, small joint planning staffs of U.S. Navy and U.S. Coast Guard officers were established at the two headquarters. These modest staffs are the only full-time assets assigned to the Maritime Defense Zones during peacetime. As plans are developed for coastal defense, they will be exercised to test command and control, interoperability, readiness of forces, and executability of the plans.

The vast majority of the forces available to the Maritime Defense Zone Commanders in wartime will come from the U.S. Naval Reserve, U.S. Coast Guard, and U.S. Coast Guard Reserve. Maritime Defense Zone Commanders will exercise naval command authority for coastal and harbor defense for the Fleet Commanders-in-Chief, and will exercise Coast Guard statutory authority for the U.S. Coast Guard Area Commanders.

In summary, Mr. Chairman, I can speak to both the subjects of Navy assistance to the Coast Guard in drug interdiction under the National Narcotics Border Interdiction System and to Navy/Coast Guard coordination under the Maritime Defense Zone organization; but there is no link by design or intention between them except that both the Navy and the Coast Guard are participants in each effort. In fact, the naval forces dedicated to assistance in the drug interdiction business are primarily full-time active duty Navy forces, yet the Navy forces intended to fill out the Maritime Defense Zone forces during wartime are primarily part-time naval reserve forces in peacetime.

Thank you for this opportunity.

[Prepared statement of Commodore Clextion follows:]

PREPARED STATEMENT OF COMMODORE EDWARD W. CLEXTON, JR., USN

Mr. Chairman, I am Commodore Ed Clextion, Director of Total Force and Fleet Operations Division on the staff of the Chief of Naval Operations.

Under my Fleet Operations hat, I am the flag officer responsible for coordinating the Navy's response to tasking from the Secretary of Defense, as requested from the Vice President's office for National Narcotics Border Interdiction.

In this role, I promote Navy doing whatever we can do to help the Coast Guard and Customs meet national drug interdiction objectives I am responsible, as well, for ensuring those same efforts do not adversely affect fleet readiness.

I am also the Navy's Total Force Advocate, overseeing proper integration of regular and reserve force missions across the Navy, and promoting greater readiness of our reserve components to be able to meet wartime needs. As the Navy's Total Force Advocate, I have become knowledgeable of maritime defense zone (MDZ) matters because the Navy Reserve will significantly fill in these commands upon mobilization.

The U.S. Navy and the U.S. Coast Guard have enjoyed a long and beneficial relationship for two centuries; however, this relationship did not encompass ties with

regard to the U.S. Coast Guard drug interdiction mission until 1978. Based on a favorable decision by the Department of Justice, the Chief of Naval Operations approved Navy cooperation with federal law enforcement agencies in support of the nation's drug interdiction program. Since that time, and in recognition of 1981 Congressional amendments to the Posse Comitatus Act, it has been the Navy's policy to provide the fullest cooperation and assistance to appropriate federal law enforcement agencies, consistent with our national defense readiness requirements and applicable public laws.

Early during this new relationship, both Services established a high interest vessel sighting program, wherein U.S. Navy ships and aircraft were provided with lists of suspect vessels promulgated by the Coast Guard. Upon sighting by naval forces, the Coast Guard was notified and a Coast Guard cutter or aircraft was dispatched to intercept and perform follow-on law enforcement action as appropriate. While this effort was productive, it suffered from the disadvantage that the smuggler often had significant time to evade between sighting and the arrival of the Coast Guard. This deficiency was partially resolved in 1982, when U.S. Coast Guard Tactical Law Enforcement Detachments (LEDETS) began embarking in U.S. Navy ships. I use the term "Partially resolved" because, the Coast Guard simply does not have the manpower to place a detachment on every naval ship of opportunity. For example, in 1984 we had 114 ships operating in the Caribbean performing operations that could have accommodated a detachment in anticipation of drug interdiction operations. During these operations, Coast Guard was only able to provide 24 law enforcement teams. In 1985, there have been 13 detachments to date embarked on the 75 ships available.

Coordination of Navy support to Coast Guard drug interdiction is accomplished through the National Narcotics Border Interdiction System.

For predictable requirements, the National Narcotics Border Interdiction System makes a request through the Secretary of Defense to the Services. The Navy solicits Fleet Commander inputs on those requirements which can be supported, and so reports back to the Vice President's office through Defense. This system works well; it allows Navy to consider interdiction requirements in consonance with other Navy operational and training requirements at fleet commanders' quarterly scheduling conferences. The adequacy of the system is perhaps best reflected in the scheduling of Navy Maritime Patrol Aircraft (P-3) operations in 1984, of which the Navy flew nearly 3200 hours in direct support of Coast Guard.

Additionally, National Narcotic Border Interdiction System is the vehicle by which "short fuz" requests for support from Navy are handled. The best example I can offer here is the use of Hydrofoil patrol craft with law enforcement detachments embarked. Patrol craft in Key West is usually maintained in a "ready alert" status. Correspondingly, U.S. Coast Guard in Key West maintains a "ready alert" detachment. This joint team can be underway in a matter of less than an hour, en route to a known or suspected smuggler. The success of this Navy-Coast Guard team can be measured by the fact that in 1984 these teams seized over 117,000 pounds of marijuana.

In effect, the present method of coordination provides the Navy the flexibility to tailor support to Coast Guard and other law enforcement agencies both in the long range and in quick reaction situations, while being highly responsive to their needs.

I have not addressed in detail the numerous other areas in which the Navy supports our law enforcement agencies but have focused on our providing their teams responsive interdiction platforms. Before I shift to the maritime defense zones, I assure you again that the U.S. Navy remains firmly committed to supporting our law enforcement agencies at every opportunity, within the law, and within our operating budget when military readiness is not adversely affected.

Now I will briefly discuss maritime defense zone. An overview of the development of this concept might be helpful.

Navy Sea Frontiers were established in 1942 to provide a coordinated coastal and harbor defense, in response to the wartime threat to the United States. Following the conclusion of World War II, Sea Frontier assets gradually diminished over time and the Sea Frontier commands themselves were disestablished in 1975. Responsibility for coastal defense was then assumed by the Naval Districts, until their own disestablishment in 1980. The harbor defense mission at that time was passed to local naval base commanders, but no additional resources were assigned. This arrangement provided for limited harbor defense, but did not encompass an integrated coastal defense plan for the United States.

The free and open use of U.S. ports, harbors, and waterways to support the Navy's maritime strategy and the reinforcement and resupply of our allies requires an integrated harbor defense network, the mission of maritime defense zones.

In 1982 the Navy/Coast Guard Board approved the concept of maritime defense zones for coastal and harbor defense of the United States. In March, 1984 the Secretary of Transportation and the Secretary of the Navy executed a memorandum of agreement designating the U.S. Coast Guard area commanders as maritime defense zone commanders, responsible to the Navy fleet commanders-in-chief for the performance of peacetime planning and training of coastal defense. In wartime, or when directed by the President, maritime defense zone commanders will perform those tasks, assigned by their respective Fleet commanders-in-chief relating to coastal and harbor defense of the United States.

To provide Coast Guard area commanders with the capability of performing their peacetime mission as maritime defense zone commanders, small joint planning staffs of three U.S. Navy and three U.S. Coast Guard officers were established for each maritime defense zone at Governors Island, N.Y. and Government Island, Alameda, Calif. These modest planning staffs are the only full-time assets assigned to the maritime defense zones during peacetime. As plans are developed for coastal defense, they will be exercised to test command and control, interoperability, readiness of forces, and executability of the plans.

The vast majority of the forces available to the maritime defense zone commanders in wartime will come from the U.S. Naval Reserve, U.S. Coast Guard and U.S. Coast Guard Reserve. Maritime defense zone commanders will exercise naval command authority for coastal and harbor defense for the Fleet commanders-in-chief, and will exercise Coast Guard statutory authority for the U.S. Coast Guard Area Commanders.

In summary, Mr. Chairman, I can speak to both the subjects of Navy assistance to the Coast Guard in drug interdiction under the National Narcotics Border Interdiction System and to Navy/Coast Guard coordination under the maritime defense zone organization, but there is no link by design or intention between them except that both the Navy and the Coast Guard are participants in each effort. In fact, the naval forces dedicated to assistance in the drug interdiction business are primarily full time active duty forces, yet the naval forces intended to fill out the maritime defense forces during wartime are primarily part time naval reserve forces in peacetime.

I thank you Mr. Chairman for the opportunity to testify before your subcommittee, and I would be pleased to answer any questions which you or the members of your subcommittee may have.

Mr. STUDDS. Thank you very much, sir.

I'll begin the first round of questions, gentlemen, focused on the drug law enforcement component, and the second time around we'll deal with military defense and readiness.

Admiral Gracey, I know that we went over this question generally at the preceding hearing, but let me ask you again. Given the last few weeks you've had to further digest and contemplate the possible consequences of what appears to be likely Senate action on the Coast Guard budget, and given my understanding that as we speak the full Senate may be considering that bill, could you describe in as much detail as possible the effects that either a \$200 million or roughly \$120 million reduction in the Coast Guard budget would have on the drug law enforcement and the military missions of the Coast Guard? Bearing in mind—I'm sure you are aware of the aside, which apparently was not tongue in cheek—the instructions in the committee report from the Senate were to endure those cuts without affecting your drug law enforcement capabilities. Only the Senate, I suppose, could entertain those two notions simultaneously, but I'd like to have your reaction to that.

Admiral GRACEY. Well, I share your bewilderment about those instructions, Mr. Chairman. It's a little bit along the lines of the old sailor saying of "liberty, but no boats."

There is just no way to comply with the proposed OE cuts and not impact on drug interdiction. We set out to try to develop a plan which, as I explained previously, would preserve the basic charac-

ter of the Coast Guard. We would do what we do now; we would just do it in less places, a lot less places, and with a lot less intensity in those places where we continue to do it. But, considering my determination to keep the basic character of the Coast Guard intact and the direction to continue spending a given level on drug law enforcement—we found it simply was not possible. We could not make the kinds of changes we would have to make because of the personnel-intensiveness of what we do, without having an impact on our drug program. Anytime you take a military service and you take away one-third of its operating assets—over 50 ships, over 45 airplanes, and so forth—you take a tremendous whack at your ability to perform as one of the Armed Forces of the United States, and to perform in the defense of our country. It certainly is going to impact on the maritime defense zone mission and I would point out that the Coast Guard wartime missions are not totally wrapped up in MDZ. There are some other missions that we have that are beyond that, that we've always had.

So to focus in primarily on your question about drug law enforcement—we really have been hoping and praying that some miracle would occur and we would really not have to go through with this—we recognize that to come anywhere near close to what we're talking about, we would have to move a lot of ships around, disrupt families, interfere with missions they're now performing and perhaps move some west coast ships to the east coast—that sort of thing. Even with that, we conclude our cutter operating hours for general law enforcement would be reduced by 51 percent.

Mr. STUDDS. How much?

Admiral GRACEY. That's 51 percent; 100,000 ship-operating hours.

Our aircraft operating hours in this arena would be reduced. Our ability to deploy helicopters aboard ships, which is a very, very valuable part of our interdiction effort because it extends the eyes and ears of the ship—that deployment capability would be reduced by 75 percent. Our long-range aircraft surveillance—that's with the C-130—would be reduced by about 51 percent.

You put all those things together, and the bottom line is that we would probably come out with an impact on overall drug interdiction capability that would be somewhere on the order of magnitude of 20 percent. I am not sure that I can explain to you how we can take two 51's and a 75 and come up with 20, but that's our best guess of the end effect.

And of course, as I said before, you take those things and apply them to the military capability, and the impact is going to be, in that sense, almost a straight line relationship.

Mr. STUDDS. Well, I guess logic would ask one to try to figure out that. The overall cut is less than some of those percentages that you're telling us—

Admiral GRACEY. I'm talking to you about the numbers of hours, the cutter operating hours, and numbers of aircraft hours and so forth. I think perhaps I would like to leave it at that if I may, Mr. Chairman, and we'll pursue it later. If necessary, I'll try to provide something for the record to illustrate the other figure I gave you, if that's all right.

Mr. STUDDS. But you're fairly confident about those figures at this point?

Admiral GRACEY. Well, yes, sir, in terms of percentages of reduction time, yes, because they're based on the numbers of vessels, and the numbers of aircraft that we perceive we'll have to lay up at the \$200 million cut level.

Mr. STUDDS. Supposing the Senate were to go along with the \$120 million cut, roughly, rather than the \$200 million. Would that make a dramatic difference in those numbers, or would you just have a slightly less severe problem?

Admiral GRACEY. No, it's more in the line of slightly less. Somebody asked me yesterday about how I felt about the two alternatives, and at that point they were talking about \$100 million versus \$200 million. And I said, "You think maybe I'm going to tell you I'm only half as unhappy with \$100 million as I am with \$200 million," but it isn't a straight line relationship. I'm disturbed about both of them; I'm obviously not as disturbed about \$100 million as I am about \$200 million, but no, it is not a straight line relationship. I just don't know what the end impact would be. But it won't be as dramatic a reduction in the nature of the cuts we'd have to make; it would be less, of course.

Mr. STUDDS. I'm also curious if you've got some estimate as to what effect those cuts would have on the Haitian migrant interdiction operation which the Senate committee also directed you continue full speed ahead, notwithstanding the cuts.

Admiral GRACEY. I'm sorry, sir?

Mr. STUDDS. The Haitian migrant interdiction program—the Senate decided that, notwithstanding the cuts, it would be nice if you kept that up at full speed, as well as the drug law enforcement. What would be the effect on that program?

Admiral GRACEY. We will continue that, sir. There won't be any significant effect except to the extent that we would have less vessels, perhaps, to return them. But we do not plan to impact on that.

I think I can explain that anomaly in impact figures I was talking about a minute ago, Mr. Chairman. The percentage time figures I gave you were general law enforcement, including all aspects. That includes fisheries enforcement and everything else. The 20 percent is drugs alone; so in terms of the aircraft and cutter hours, I was talking about reductions in total law enforcement effort. The 20 percent would be the impact on drugs. There would be about 70-percent reduction in fisheries effort.

Mr. STUDDS. We'll discuss later the relative priorities implicit in those calculations. [Laughter.]

Commodore, you may be in a state of shock. You folks aren't used to discussing these kinds of questions in terms of dramatic budget reductions. Maybe this is good practice for what you may face if the Senate has its way on something else that they're considering.

Admiral GRACEY. We have to explain to the Commodore, sir, that \$200 million in our terminology really is a dramatic reduction.

Mr. STUDDS. Yes. And when he says \$200 million, he's talking unitary dollars, not thousands or billions. [Laughter.]

The decimal point is different from what you're used to.

Commodore CLEXTON. Thank you.

Mr. STUDDS. Admiral, 4 years ago we were told that the four Caribbean choke points were effectively patrolled by Coast Guard vessels and aircraft approximately 18 percent of the time. What is the current figure? And in what other ways, if any, can you quantify the extent to which progress has been made in drug law enforcement?

Admiral GRACEY. Well, Mr. Chairman, the current figures indicate we have one cutter in the Yucutan 90 percent of the time; we have one cutter in the Windward Passage 98 percent of time, and in the Mona and Anagata Passages are about 36 percent, which is up from 15 percent last year. However, percentage of time in a passage is not a good way to judge the effectiveness. We also have to take a look at aircraft patrol times. You have to take a look at what kinds of other things you are doing which impact on what goes through that area.

But the direct answer to your question is in those percentages I gave you. In the Yucutan last year we averaged a little less than two cutters at any given time. In the Windward Passage, a little less than one and a half.

Mr. STUDDS. Now, you touched on this in your statement a little bit, I think, but to what extent and in what manner has the strategy for deploying Coast Guard vessels and aircraft dedicated primarily to drug law enforcement changed during the past 4 years? In other words, what have you learned? What do you do differently? And I guess I should also ask, what do the smugglers do differently?

Admiral GRACEY. Well, the smugglers are doing a lot of things differently. In fact, they are doing some interesting things. I mentioned in my statement that they're going to great lengths to avoid us. They have surveillance aircraft; they're going out around the traditional routes; they're concealing their cargoes; they're doing a lot of air drops. All of those things we're happy to see because they indicate we're having an impact. If they have to hide their cargo, then they can carry less, although I did mention the fact that we've now had a couple of tug/barge situations with bargeloads of marijuana. There were over 160 tons in the seizure we brought into Florida last week, which was picked up well out at sea in the Atlantic, by the way, not down in the Caribbean.

What we think we're seeing, because of the strategy which I will describe in a minute, is an impact of the drug smugglers deciding that there's almost no place out there that's totally safe, and they might as well go back and take a shot at going through the shortest and quickest routes. We'd like them to keep thinking that way. We don't have any intention of going back to a straight blockade strategy. One of the major shifts we've made is away from the straight blockade of the choke point idea and into a flexible, tactical, strategic situation, if you will, moving around, becoming unpredictable.

If we're going to fight a war, let's fight a war; let's not fight it with our hands tied in that we're only allowed to fight it in four particular pieces of geography. And that was essentially where we were when we were pressed to use a straight a choke point strategy. We developed, some 3½ years ago, what we called a three zone strategy which talks about a departure zone. We've gone into

multiagency operations like Wagonwheel and Hat Trick last fall—and Blue Lightning last spring. They are major concentrated efforts, carefully timed but hopefully not at previously divulged and unpredictable times, so that we can keep the smugglers off guard.

I think the most simple way to explain the change is from a blockade philosophy to a wartime strategic/tactical philosophy.

Mr. STUDDS. Staff wants me to ask you who makes up the names of these operations.

Admiral GRACEY. Wagonwheel and Hat Trick?

Mr. STUDDS. And Blue Lightning.

Admiral GRACEY. If you really want to know, sir, I can—

Mr. STUDDS. No, I don't think we do. [Laughter.]

I've taken more time than I had anticipated. I'll suspend at this point and turn to the gentleman from Michigan.

Mr. DAVIS. Thank you, Mr. Chairman.

Admiral Gracey, let me pursue some questions on the \$200 million cuts. I know we've discussed it before, but have you had an opportunity or have you been asked by Secretary Dole to discuss what effect the \$200 million would have on the Coast Guard?

Admiral GRACEY. Oh, yes, sir. I have discussed with Secretary Dole and the Deputy Secretary and any number of people up there at some considerable length. In fact, I discussed it with the Deputy Secretary on the Friday morning after what we have come to call Black Thursday.

Mr. DAVIS. Has the Secretary indicated that she will try to help in restoring that money?

Admiral GRACEY. Yes, she's addressed a letter to the Chairman of the Senate Appropriations Committee. Obviously, she's also very concerned about the FAA cut, as we all are. She addressed both those issues and proposed alternative ways to bring the Function 400 appropriation into line with the budget resolution.

Mr. DAVIS. I'm sorry—did you say she had in her letter recommended how the committee could come up with the \$500 million—

Admiral GRACEY. Yes, sir.

Mr. DAVIS [continuing]. Rather than cut—

Admiral GRACEY. Yes, sir.

Mr. DAVIS. Are you aware, is anyone on the Senate floor going to try to make an effort to restore the money?

Admiral GRACEY. I've spoken with several Senators, Mr. Davis, as you might imagine. I have yet to speak to one who wasn't disturbed by this whole thing, and I've heard several different ideas about how it would be handled on the floor. But I really don't know what the final result will be—who is going to do what in the final analysis.

Mr. DAVIS. A couple other questions. It seems to me in your testimony before, on the \$200 million of cuts, that you indicated to this subcommittee that beyond the \$200 million, if you were to have to mothball many of the ships and airplanes, the cost of doing that and other things related to the \$200 million in cuts would result in another \$100 million coming out of your budget?

Admiral GRACEY. Yes. Essentially, Mr. Davis, an eyeball figure—the best we can do at this point—is that we would have to actually reduce spending by \$300 million to get the \$200 million down. I

really don't believe it's possible to get rid of 6,000 people in whatever time is left in this fiscal year, but that's what we would have to do. I suppose you could always resort to draconian and inhuman measures but even if we could, and even if it were a 6-month saving, it would cost us \$35 million in severance pay and that sort of thing to have those people leave. The military service is simply not geared up for major abrupt changes—the enlisted personnel have contracts; your officers have certain rules by which they're governed, and you're simply not geared up to major swings downward in your population. It takes really, as I said, draconian measures to try to do it.

Mr. DAVIS. I think the chairman of the committee and myself have said on different occasions, Admiral, that a \$200 million cut in your budget—and which you're now telling us would actually end up as \$300 million—would cost lives. Do you agree that that's a possibility, or do you think that very definitely would be a reality, that that kind of cut would cost people's lives?

Admiral GRACEY. Well, I can put it this way, Mr. Davis. Considering the kinds of units we're talking about having to close, there were about 4,000 cases that they responded to last year. Overall last year, we saved 5,645 lives out of 66,000 cases. Now, if you want to take a straight line, you can come up with numbers; I don't think that's a valid thing to do, but the simple answer to your question is that if there are 4,000 cases that you might not be able to respond to, you've got to assume that the answer to your question is yes.

Mr. DAVIS. How much of your total budget would you estimate is allocated for drug interdiction, when you take personnel, airplanes, helicopters, boats—can you give us just a rough figure?

Admiral GRACEY. Well, I want to explain briefly first that we don't have anything—or very little—dedicated. We go on a multi-mission basis. We have a ship that sails, and part of its time is this and part of its time is that. But the figure was about 30 percent. I'll adjust that for the record to give you the right figure.

[The information follows:]

COST OF DRUG INTERDICTION

About 30 percent (or \$555 million) of the Coast Guard's total operating expenses appropriation of \$1,767 million is allocated to law enforcement in general; 18 percent of the total appropriation (or \$325 million) goes for drug law enforcement specifically.

Admiral GRACY. Well, the Senate, in effect, said "keep going to \$300 million—some odd." That will give you an order of magnitude of what it was and that, out of \$1.7 billion, is about one-fifth, so 20-some percent.

Mr. DAVIS. The Senate language, as I understand it, dictates to the Coast Guard that you continue that program without any cuts, as I understand it.

Admiral GRACEY. Yes, sir.

Mr. DAVIS. I think you have indicated to this committee that that is something, at least as far as you are concerned, that would be an impossibility to be able to do.

Admiral GRACEY. I took it on my own responsibility when we were taking a look at how we would approach this, Mr. Davis, to say that I hear that message; but to do that and follow it to the letter would be to destroy the Coast Guard as we know it today. It would make it a pure maritime law enforcement agency with none of the other aspects. The military capabilities would obviously be there because the drug program shifts over, but you would essentially destroy the character of the Coast Guard as it is today, and I don't want to do that. I don't think that's responsible.

So we came as close as we could, but we had to nick that figure.

Mr. DAVIS. I appreciate that, Admiral.

Let me turn to Commodore Clexton and ask you a question, Commodore. As I understand it, Navy personnel do not presently have the authority to arrest suspected drug smugglers. The question is do they, however, have the authority to seize and detain them until a Federal law enforcement officer arrives on the scene? And do they have the authority to use force to assist Federal law enforcement officers in need of help during a law enforcement operation?

Commodore CLEXTON. We do not have the authority to detain, or seize suspects while awaiting law enforcement officers. But what we do is, if a U.S. vessel without a law enforcement detachment aboard comes across a suspect vessel as notified by the Fleet Commander, we report that. The immediate Navy Commander in the area could very well decide that we shadow that unit so it's not lost before the connections could be made, but there would not be an actual confrontation between the U.S. Navy vessel and a suspect vessel.

If we have a detachment aboard, as far as the use of force, that could be done because, with the law enforcement detachment aboard, they have the authority. Action to that degree would be by agreement worked out between the Navy vessel and the detachment and the headquarters. And so use of force could be implemented and has been on at least one occasion in the past.

Mr. DAVIS. What if they were not aboard the ship? Could you then? Let's say you were there and the law enforcement people came on another boat, there was a big struggle, and they were losing. Could you then legally—

Commodore CLEXTON. In defense of U.S. forces, yes, sir.

Mr. DAVIS. You could?

Commodore CLEXTON. Yes, sir. By the Rules of Engagement that we operate under around the world, in defense of our own forces. Yes, sir.

Mr. DAVIS. Thank you, Mr. Chairman.

Mr. STUDDS. The gentleman from Delaware.

Mr. CARPER. Thank you, Mr. Chairman.

I'd like to welcome the Admiral—the Admirals—and the Commodore. Thank you for your testimony today.

Let me start off with a question about the source of drugs that we're trying to interdict. Generally, what are the sources of the drugs, the origin?

Admiral GRACEY. Well, South America is still the primary source, Mr. Carper, although in the Pacific we have the so-called Golden Triangle and there are shipments coming across from Southeast Asia. But the primary sources still remain South Amer-

ica. Some of it is moving up through Central America into a couple of the countries there.

Mr. CARPER. In terms of the relative quantities of drugs that are coming into our Nation, you're saying that South America is somewhat greater than the flow from the Pacific side? Or a lot more?

Admiral GRACEY. Well, I don't mean to sound smart, but they don't give us an invoice when they ship it so we really don't know. We have intelligence and we know where our seizures are; we know what is picked up in the streets. I'm not sure I am able to give you a definitive answer to that. Either of my area commanders may be able to, but my view is that South America remains the predominant source of marijuana and cocaine.

Mr. CARPER. And the drugs that are coming from South America are coming through the Caribbean into the Atlantic or the gulf, is that correct?

Admiral GRACEY. Well, they're also going up the Pacific coast. I was out there—I had Admiral Costello's job several years ago, and we had a lot of stuff coming out of the west coast of South America at that time. I have no reason to believe that it's not still doing it.

Mr. CARPER. Given the amount of coastline and so forth, which is the most difficult to interdict? From the Atlantic side or the Pacific side?

Admiral GRACEY. Well, the Pacific is far more difficult because in the Atlantic you have some natural choke points through the Caribbean. You have the Windward Islands and all of that chain out there. Along the west coast, they can go out to sea and come back in anywhere. And they may be coming in from Asia or they may be coming up from the west coast of South America. The west coast, I think, is by far the more difficult.

Mr. CARPER. If you had to hazard a guess as to what percentage of the drugs that are being shipped by sea, what percentage is actually being interdicted today? Would you say less than half? More than half?

Admiral GRACEY. Well, it depends on what you're talking about. In the operation whose name the chairman decries, Wagonwheel, last year we have reason to believe we got about 50 percent of last fall's harvest of marijuana in Colombia. In terms of interdiction at sea, we don't really know. We would guess somewhere, perhaps, around 30 percent, but that's pure guess. We really don't know what it is.

Mr. CARPER. I don't want to compromise any intelligence sources or ask you to say something that is best kept quiet, but could you describe for us the intelligence that we have that enables us to know where we should be, when we should be on station? And given the assets that we have, how we could best maximize them?

Admiral GRACEY. I'd really rather not go into that, Mr. Carper, if you don't mind. Some of the sources are Navy units that help us with sightings; our own ships and aircraft, obviously, have sightings; and DOD aircraft provide sightings for us. That kind of basic intelligence is pretty obvious, but there are also other sources. We now have the Coast Guard Intelligence Center that we've set up here in Washington as a separate command within the last 2 years. Because of the kind of work they do and their ability to handle

high-level intelligence, we are getting a great deal of input working as a partner in the intelligence community.

Mr. CARPER. The shipments that come out of South America, are they generally shrouded in secrecy or are they open about what they're doing down there?

Admiral GRACEY. It's both. They're more secret now than they used to be. It used to be they'd just load it up and go. You'd walk aboard and there it would be, all stacked, and we're talking about a wide variety of vessels. You're talking about somebody who takes his yacht and sails it down there and figures he's going to make a fast killing; you're talking about tugs and barges; you're talking about ersatz fishing vessels; you're talking about the rusty old interisland freighters; the whole assortment is there.

Mr. CARPER. Going back to the intelligence question, let me ask the flip side of the question. We presumably are using, to the best of our ability, sources of intelligence so that we know how to better use our assets. Are they, in turn, deploying intelligence operations of their own to find out how we're using our assets so that they might then counter their utilization?

Admiral GRACEY. Indeed they are. They are flying surveillance flights, and we have every reason to believe that their intelligence sources are working quite well. We know of some things that couldn't possibly happen without inside information. We're at war; we're at full-scale war, let there be no doubt about that, and the enemy here is a very wily enemy and he is also well funded—would that the U.S. Coast Guard were as well-funded.

Mr. CARPER. What are we doing in the way of counterintelligence to undermine their efforts, for example, to find out where our P-3's are going to be flying, where your ships are going to be deployed?

Admiral GRACEY. We're using all the tricks of the trade, Mr. Carper.

Mr. CARPER. One last question of the Commodore. I think you mentioned in your testimony that there are roughly 3,000 P-3 flight hours that had been flown; I don't know if it was within a given year. What do we have to show in terms of interceptions, in terms of detections, interdictions for all of that effort?

Commodore CLEXTON. In that reference, the data were for 1984. In the case of P-3 surveillance, it's simply a matter of providing information to the system so that the system can operate. We don't necessarily get the feedback to measure effectiveness, if you will, on how many vessels were just suspects and how many detections actually led to arrests.

Mr. CARPER. How do we know that that was a prudent utilization of those assets?

Commodore CLEXTON. That's the tough part. How much that we are doing, the requirements that are laid on us, and how much actually ends up as effective use of the assets is very difficult to determine, just as is the cutter time at sea that does not lead to immediate results. So it's hard to measure the effectiveness; I don't think, on the air side, it's that good.

Mr. CARPER. OK. Thank you very much.

Admiral GRACEY. Mr. Carper, I think I have a little more detail, and I may be able to give you a little better look.

We've got a list of 38 ships that were seized in the last 3 years as a direct result of our law enforcement detachments or Navy assistance. And I'm looking down that list, and here's "P-3 sighted, 30,000 pounds and 4 arrests"; "P-3 sighted, 40,000 pounds, 21 arrests and 46 pounds of cocaine"; "P-3 sighted, 23,000 pounds, 8 arrests"; "P-3 sighted, 29,000, 3 arrests"; "P-3 sighted, 61,000 pounds, 8 arrests"; "P-3 sighted, 44,000, 7 arrests"; and the P-3 assisted in the search for the tug/barge, the big bust that we just made.

I'm just mentioning out the ones where the P-3 was involved, because that's what you seem to be asking about.

Mr. CARPER. Yes.

Admiral GRACEY. It's a help.

Mr. CARPER. Thank you all.

Mr. STUDDS. Admiral, your observation about the possibly superior funding of the opposition reminds me of a tactic that the commander's Department uses all the time. You might try an assessment of the funding available to smugglers, and an analysis of whether or not they're subject to annual budget cuts. [Laughter.]

Do you have any—this works very well for the Department of Defense, assessing enemy funding levels.

Admiral GRACEY. I would guess the traffickers board of directors is a little more centralized and unidirectional than ours, sir.

Mr. STUDDS. I was just wondering; there are an awful lot of people in this room for a hearing on this subject. It's entirely possible that some of these folks may be the Washington law-firms representing some of those people. You can never be too sure.

Admiral GRACEY. They may also be gathering intelligence.

Mr. STUDDS. This is true.

The gentleman from New Jersey.

Mr. HUGHES. Thank you.

I want to welcome Admiral Gracey and his colleagues, Admiral Yost and Admiral Costello and Commodore Clexton. It's particularly good to see Admiral Yost again, of the Atlantic zone.

I don't want to repeat many of the questions that have been asked about drug enforcement in particular, but I do have some questions.

It seems that we know from all the strategic intelligence we've been able to gather, that if anything, the problem's getting worse. The price of cocaine on the street is down, and the purity is up. That's a good indicator of the fact that we're awash in cocaine. Is that your belief also, Admiral Gracey?

Admiral GRACEY. I don't know whether it's getting worse, but it certainly is bad. I know we're getting a lot more, so I don't know whether it's just that we're getting better or it's just that there's more coming.

Mr. HUGHES. We've taken a lot of testimony—the Subcommittee on Crime and Select Committee on Narcotics—and we really don't have any good measures. It's hard to really get a handle on what's coming in, but the best indicator we have, really, is how much it's selling for on the street and how pure it is. Using that as a yardstick, it would seem that the problem has gotten worse.

Admiral GRACEY. Yes; it would. I wouldn't dispute that at all.

Mr. HUGHES. So what we're proposing to do at a time when the problem's getting worse—we're going to have bumper crops of

heroin coming out of the Golden Crescent and the Golden Triangle this year; we're making some of the largest busts in India that we've ever made, 80 and 90 kilograms of heroin. It seems that what we're doing is taking a major step backward by cutting our interdiction and enforcement efforts.

Law enforcement, as you well know, is a labor-intensive function. I look at our success rate, and you've indicated in past testimony that we're interdicting about 15 to 20 percent of the marijuana coming in. I've seen no estimates on the amount of cocaine, which is a lot harder to try to measure, because we really have no idea how much we're interdicting.

Admiral GRACEY. That is fair. We know that we've gotten over 3 tons of cocaine this year. That's got to mean there's a lot more out there because we got all that in only a few busts.

Mr. HUGHES. All of the intelligence I've seen would indicate that the difficulty of interdicting is becoming more difficult. Patterns have changed; they have tremendous resources at their disposal. They have the fastest boats. There's so much money involved that they've often managed to buy into areas where the routes are effective in bringing contraband to this country. It would seem to me that you're already having difficulty dealing with that. You've recognized that just maintaining a presence at the choke points is not adequate; you've gone to other strategic types of interdiction, yet you don't have the equipment to do it. For instance, you need additional C-130's for long-range capabilities. You need radar capability. You really have neither in any great supply. The C-130's you've needed for some time, at a cost of \$78 million; it's still not in your inventory, is it?

Admiral GRACEY. We've been increasing the numbers.

Mr. HUGHES. What are you up to now?

Admiral GRACEY. We're up to 26, sir.

Mr. HUGHES. The last figure I saw was 22. You've increased it to 26?

Admiral GRACEY. I'm including the on order figure.

Currently that's 19 operational. We have four that are operational support and three on order.

Mr. HUGHES. Having any problems with parts?

Admiral GRACEY. Not on the C-130, no.

Mr. HUGHES. How about the four additional long-range surveillance aircraft you've needed for some time? When do you expect to have those in inventory?

Admiral GRACEY. Well, we had magnificently high hopes in the 1986 budget, as a matter of fact. Certain Members of Congress in both Houses were supporting additions with some additional funding to come over through the Department of Defense, as has been done in the past with the idea of specific purchases, and there were going to be some C-130's in there. But—

Mr. HUGHES. Well, for four C-130's you need about \$78 million with parts?

Admiral GRACEY. Approximately that.

Mr. HUGHES. So what is proposed in the other body is to cut your budget by \$200 million. Much of that impact will fall to drug interdiction as well as the other missions you have, obviously, so if any-

thing you're going to be stretched even thinner. You're not going to be able to do what you're presently doing at that funding level.

Admiral GRACEY. As a matter of fact we're probably going to have to ground some C-130's. We're going to have to take the extra crews away from some of them that we have augmented so we can get more time out of the airframe.

Mr. HUGHES. What's that going to do to your new strategy of long-range surveillance?

Admiral GRACEY. Knock it in the head.

Mr. HUGHES. Well, you know, one of the things that I hear much about is the impact of the Posse Comitatus law; and I'm very happy and proud of the fact that I'm one of the people that worked to develop the law that we have to modify the Posse Comitatus law. It's been rather effective in trying to use military equipment and their other resources and, where it's compatible with their needs, personnel to operate that sophisticated equipment and sharing of intelligence—and there was a great hue and cry a few weeks back on the floor when we were going to put the military in the direct business of law enforcement. There were proposals to give them arrest, search, and seizure authority, notwithstanding the fact that they're not trained in that area, that they could be tied up for weeks and weeks in court after subpoena by defense counsel awaiting grand jury action or motions to suppress by defense attorneys.

But the perception was that we could use the military much more effectively. We have used, as a matter of fact, some aspects of that modification effectively with the tactical units. As I understand it, we had about 114 ships—and I'm taking this from Commodore Clepton's testimony—in the Caribbean last year that could have accommodated some of our Coast Guard tactical law enforcement units. We could only utilize about 24 in that period of time, just because we didn't have the personnel.

Tell me what a \$200 million cut would mean relative to the tactical units.

Admiral GRACEY. I can't tell you specifically in numbers of people, Mr. Hughes, but obviously we're going to squeeze it. The one area that we probably won't squeeze very much is in the tactical law enforcement teams, the TACLETS and LEDETS, because they let us operate off of somebody else's platform, namely, the Navy's, and they have been effective. There are some ways they could become more effective, and we are exploring them.

We figure there are about 12 Navy vessels a month that have been available operating in the area where we go, and we've only been able to get aboard about a third of those. We had 53 deployments last year—

—Mr. HUGHES. Were they effective?

Admiral GRACEY. Some were, some weren't. We made a number of seizures. There are some policy problems that we're working out in terms of a balance between the basic mission of a naval vessel and the drug effort, and we're looking at working out ways to have naval vessels divert for whatever period of time to go after a suspect. We're looking at boarding not only U.S. vessels but foreign vessels consensually—those kinds of things are policy determinations. We're working on them and, as I understand it, the decision paper has gone up on this? Is that right, Commodore?

Commodore CLEXTON. Yes, sir, the Navy's position on consensual boarding is in the Secretary of Defense's office.

Mr. HUGHES. Commodore, in the brief time I have left, maybe you can explain to me how we save any money by using the Navy in all instances to combat drug enforcement. It seems that there are certain missions, certain vessels, that can be used for staging areas for tactical units; but it's not very feasible, is it, to use a destroyer to chase a cigarette boat?

Commodore CLEXTON. Sir, our vessels are in the area for other reasons. And when we are, we think it's cost effective to have the detachments aboard—

Mr. HUGHES. My question is, Does it make sense to use a destroyer to chase a vessel? See, the perception around here is that we can use Navy vessels to chase drug traffickers. The traffickers I've seen have either used old fishing vessels or very fast vessels, particularly when they make a run from the Bahamas over to the Florida coast. And most of the Navy vessels we have in the area just don't seem to be suitable for chasing those vessels. Nor does it seem to be cost effective to take a destroyer, for instance, and have that destroyer tied up while they permit a boarding of a fishing boat, then wait for the Coast Guard to arrive if they're not in the area to escort that boat—that vessel carrying contraband—to some port in the United States.

Tell me how that's cost effective.

Commodore CLEXTON. In the way you put it, as far as chasing it down—no, there's not—

Mr. HUGHES. Tell me how it's cost effective to have Navy personnel making arrests, searches, and seizures, on board a Navy vessel.

Commodore CLEXTON. The Navy doesn't believe it is. We don't believe we should be in—

Mr. HUGHES. How about the Coast Guard?

Admiral GRACEY. You mean, how do we feel about the Navy, sir?

Mr. HUGHES. Yes. My problem is that, as we cut back on Coast Guard resources, the excuse I hear is, "Well, we're using the modification of the Posse Comitatus law; the military is more directly involved." They're not suited for the mission. They're not law enforcement personnel, and it just doesn't make sense to me to cut back on your resources and then try to depend upon the Navy or other branches of the military to pick up the gap. That isn't going to happen, is it?

Admiral GRACEY. No, sir.

Mr. HUGHES. Any question in your mind about that?

Admiral GRACEY. There's no question in my mind at all, and from having heard the Commodore this morning, and from the people that I know in the Navy, I don't believe they believe it is, either.

Mr. HUGHES. I don't think there's any question that we've got to maximize that cooperation. Certainly, intelligence sharing is extremely important and the sharing of equipment, where that's compatible with their military mission, makes abundant good sense and we certainly need to improve our communication and address the problems of reimbursement to the military for equipment, all of which creates some problems. I share your concern, as is obvious from the tone of my voice, that we're doing a total reversal at a

time when in fact drug trafficking is increasing in this country, when it's become a multibillion-dollar industry, one that's threatening the basic social fabric in this country—why, we're just doing a 180-degree turn. And there is no free lunch; it's going to catch up with us.

We've seen what's happened. We let the Miami area go for so long that drug trafficking became an institutional problem. It's become a nightmare. They had more homicides in Miami, as you know, just a few years ago because we left it go too long before we moved in and tried to deal with it. And the very same thing is going to happen up and down this coast and throughout this country.

Thank you, Mr. Chairman.

Mr. STUPPS. I just want to say that—I want to commend the gentleman from New Jersey. I couldn't agree more with the import of what he has to say. I think that his leadership has been an example of reason in a sea of emotion and irrationality around here, and fortunately the gentleman is speaking common sense which somehow dwindles within the beltway, I understand. [Laughter.]

But I think that the officers at the table from both services, I suspect, concur in large measure with what you've said. I certainly do. It's going to get worse before it gets better, I'm afraid, given the activities of recent weeks around here.

Admiral, the conference report, as you were just discussing in part with Mr. Hughes, on the Defense Authorization Act for this year includes, as you know, a section providing for the mandatory assignment of Coast Guard personnel on naval vessels. This section authorizes \$15 million for the Defense Department for transfer to the Coast Guard to be used only to fund Coast Guard personnel assigned to Navy vessels.

I wonder if you've given some thought as to how that provision would be implemented, and do you believe—if it would become law—that it is appropriately drafted? Or do you think, aside from needing more money, that it could be improved as it stands?

Admiral GRACEY. I think that the program to add Coast Guard personnel so that they can deploy with Navy vessels is a practical and logical way to go. It's a way to take advantage of naval assets that are in the area. It increases the deterrent effect of having the vessels there.

You're absolutely right, Mr. Hughes, it's not cost effective to start from scratch and send a destroyer to chase down a cigarette boat, but I don't think we would try to do that. We're talking about intercepts, and we're talking about observation, craft of opportunity, being in an area where it's going on, using intelligence, and perhaps diverting from track for a half a day or a few hours to make a boarding and then come back—that kind of thing. And I think it would be a good program.

Mr. STUPPS. Commodore, from the Navy's point of view, again—I assume that you both had an opportunity, or your agencies have, to take a look at the drafting of that language. Is it adequate? Does it present problems to either service as currently drafted?

Commodore CLEXTON. Well, the drafting I saw was in the Authorization Act. For us to get it for action it would have to come

through appropriations, so I'm sure there's still some latitude for some wording, depending on how definitive it needs to be.

We wouldn't see permanent assignment of Coast Guard personnel to our vessels as very efficient because most of the year they're not in the areas where they could be used in the law enforcement role. And there are other periods of time when we are in the defined interdiction areas where their utility would not be very good, either. For instance, a ship going down to the Guantanamo area for training should have a detachment aboard for the transit down and back; but while they're actually doing their immediate training in the vicinity of Guantanamo, it would not be.

So I think we could work together to get the wording to where it would allow the latitude and the coordination.

Mr. STUDDS. I appreciate that. I sure hope you won't charge the Coast Guard for room and board and grog when they're--- [Laughter.]

Admiral GRACEY. Sir, I'm not familiar with the language of the proposal, but if it calls for permanent assignment to the Navy vessels, it is not good wording and it is not a good way to go. I think it should be expressed that there are 500 people available, and the primary intent is to put them aboard naval vessels in as many opportunities as possible. But let us use them in other Coast Guard law enforcement functions when Navy deployments are not available.

Mr. STUDDS. Well, we're trying to set some kind of a record that will justify broad construction of the intent of the Congress here so as not to get ourselves in a straitjacket.

Switching to military readiness, now, a recent article in the Coast Guard Alumni Bulletin included the observation that "in the operating and support programs, both on staffs and in the field where personnel and units are often hard-pressed to handle today's problems, the lost missions of hard defense and domestic emergency preparedness get pushed not just to the back burner, but right off the stove."

Admiral, is it fair to say that the military readiness and port security missions of the Coast Guard are frequently neglected as a result of the attention demanded of your personnel by day-to-day emergencies in other mission areas?

Admiral GRACEY. No, I don't think it's fair to say that, Mr. Studds. It depends on the nature of the unit that you're talking about.

To refer to defense readiness and domestic emergency preparedness as "lost missions" in this day and age is just not accurate. It may be true at a given unit, depending on the emphasis of what that particular commander sees at a given time; but I know from talking to my district commanders, and I think my two area commanders beside me will verify this because they have oversight of operational readiness of the districts in their areas, that readiness is a very high priority with us. We've established an Office of Readiness and Reserve specifically to oversee that, our ability to handle both these kinds of things.

However, there's no question but that on a given day or a given week or at a given period of the year an operating unit of the Coast Guard is not going to be able to take time out for some piece of

training or perhaps an exercise. But we are scheduling exercises; we're putting a very hard emphasis on this; we've beefed up the kinds of personnel we're putting into this readiness oversight program so that we're keeping a sharp focus on it, and we've stepped up the numbers of exercises.

So I would need to talk to the author of your quote and find out the basis for his comments.

Mr. STUDDS. What I'm trying to get at—and you're helping—is the way in which each service really views this mission. Would it be fair to say that the MDZ function is primarily a planning function supplemented to an extent, as you say, by training exercises and by a very modest bit of additional procurement?

Admiral GRACEY. In peacetime, all military functions are essentially planning and exercising functions. The purpose of a military force is to fight a war when a war is necessary. If you're going to do that, you've got to plan and you've got to exercise. That's what it is, and the MDZ is a wartime function. So in peacetime, that is their function. But to say that it's a paper tiger, that the MDZ function is only to plan and exercise in peacetime, is not accurate. The MDZ commanders will be force commanders under the fleet commanders-in-chief, Atlantic and Pacific, and they will command forces as assigned in the coastal defense of the United States and the internal security along the waterway regions.

Mr. STUDDS. All right. I'm going to ask the same kind of question of the Navy. I think I know the answer, but this recent attempt to rationalize coastal defenses is just that; it is fairly recent.

Commodore, how does the Navy view this program? I hate to ask you this, but to what extent do you view it seriously? Or, in the Navy's view of their mission, is coastal defense something of an afterthought?

Commodore CLEXTON. Sir, as we have gone through recent revitalization of our forces, our forces are built for a maritime strategy which primarily puts our naval forces away from the United States, forward, in other parts of the world. And when that happens, we feel that it leaves our own coast rather vulnerable; and therein, the Maritime Defense Zone and the links between the Coast Guard and the naval forces, primarily the Naval Reserve Forces, can fill in that gap.

Mr. STUDDS. I'm sort of wondering—I guess the obvious question is, what kind of a threat are we preparing ourselves against? Are we assuming an all-out conventional war, for example, against a superpower? Is that the kind of assumption upon which this training is based?

Commodore CLEXTON. Yes, sir; the maritime strategy is on that basis.

Mr. STUDDS. Forward defense?

Admiral GRACEY. The Secretary of Defense recently wrote the Secretary of Transportation along those lines, and was conveying some concerns as viewed from the Commander-in-Chief of the Readiness Command, with whom I had conferred at some length, about the threat to the United States—"threat to North America" is the term Secretary Weinberger used. We're talking about all-out war, but we're also talking on down to something less than that. In fact, in a "something less" situation some of the kinds of threats

that one would be concerned about could become even more dangerous.

In the MDZ business, we're talking about protecting shipping along our coast; we're talking about keeping our waterways and our ports open so that not only the supplies of war can flow, if necessary, but so that the economy of the United States won't be choked off, or some vital segment of industry won't be shut off from its raw materials. We're talking about high-speed boats, espionage, sabotage, swimmers, special forces, terrorists, the whole range, including offshore surveillance and mining, whatever kind of mischief may go on out there.

Mr. STUDDS. I may have misunderstood the Commodore's answer, but in response to my question about all-out conventional war with another superpower, I assume you were viewing the entirety of the Navy's mission when you answered in the affirmative.

My question was intended to get at specifically the MDZ component. Is that also viewed as having as its principal, or a major, possible function the defense of our coasts in the event of an all-out conventional war?

Admiral GRACEY. Well, yes. That's the—

Mr. STUDDS. All right.

Are the challenges faced in the Atlantic and Pacific coasts, in that respect, significantly different?

Admiral GRACEY. I think the basic challenges are different, but I would like to let the MDZ/Coast Guard Area Commanders speak on that one. But they differ in my mind just as the requirements of the 1st Coast Guard District differ from the ones of the 7th and the 12th. They differ with topography, geography, demography, what goes on out there and how many ports there are, what kinds of waterways are involved. So to that extent they would be different. Obviously, the west coast of the United States is not as directly—or certainly, as closely—concerned with some mischief from Cuba as would the Southeast United States, so you've got that kind of a situation.

With that, I would have each of the area commanders give you a short answer, sir.

Mr. STUDDS. Fine, if you promise it's short. [Laughter.]

Admiral YOBT. Very short. Vice Admiral Jack Costello and I look at the threat as being very, very similar. Our organizations are very, very similar. The geography and the hydrography are much different, however, which causes, in the Atlantic, a different kind of antisubmarine warfare problem than you would have in the Pacific because we have a shelf in the Atlantic. In the Pacific, the water drops off immediately.

Mining, the same problem. It's much more difficult to mine a Pacific harbor than it is an Atlantic harbor because you've got that shelf, the shallow water that you need for mining. The same problems happen in protective mining. If you want to mine your own approaches so that you can control them, with just passages unknown to the enemy, it's much more difficult in the Pacific than in the Atlantic.

So although our plans are the same, the threats are the same, the geography makes each solution a little different.

Thank you.

Admiral GRACEY. Admiral Costello points out to me that he's the shortest officer in the Coast Guard, so—[Laughter.]

Admiral COSTELLO. I'll try to stand tall on this, Mr. Chairman. There are some very significant differences, as Admiral Yost has pointed out. The west coast, of course, is closer to the potential threat from the Soviets than the east coast is. We have a domestic SLOC which is carrying roughly 20 percent of the crude oil supply from Alaska to the west coast. This is not replicated on the east coast—

Admiral GRACEY. A SLOC is a Sea Line of Communications.

Mr. STUDDS. Thank you. You spared me having to ask about that. [Laughter.]

Admiral COSTELLO. Just trying to be brief there, sir. [Laughter.]

Mr. STUDDS. I asked for it.

Admiral COSTELLO. The distances are somewhat greater. We have responsibility for Hawaii and the Hawaiian Archipelago out to Midway, and it does pose some organizational and logistic problems that don't exist on the east coast. But overall, the fundamental threat is the same.

Mr. STUDDS. Mr. Hughes says that he thought a domestic SLOC was what was being deposited off his beaches. [Laughter.]

Admiral, do even the largest Coast Guard cutters have the ability to survive in a wartime environment? For example, do they have any serious defense against aerial bombardment or against antiship missiles, similar to the Exocet, or will they be sitting ducks?

Admiral GRACEY. They have some ability to survive, Mr. Chairman. After they finish the FRAM, our high-endurance cutters will have the Harpoon missiles and they'll have the Phalanx close-in weapons system, which is an antimissile, antiair defense system. The 270-footers don't have anywhere near that kind of protective capability. As of now—

Mr. STUDDS. Do you want to reclaim that microphone for yourself there?

Admiral GRACEY. As of now, they are really suited only for low- and medium-threat environments. The Chief of Naval Operations and I discussed this early on in both our tenures; I went to talk to him about my concerns, and we took another look at those ships and what we call ROC's and POE's: required operating capability and projected operating environment. They are being revised so that we will plan appropriately for the use of those ships.

Mr. STUDDS. In the same line, Admiral, are your cutters manned to the same extent that Navy vessels are, to permit prolonged operation at a high state of readiness in a wartime environment?

Admiral GRACEY. No, sir. The Navy operates on what we call a 3 Section Condition 3 capability for 24 hours a day. That's a full wartime capability, figuring on a 60-day period. Condition 3 is the maximum state of readiness short of battle stations. Coast Guard cutters have the ability to go on Condition 3 watches for about 20 days, but only on a 2 Section basis. So all our ships are lacking about 20 percent of our wartime allowance during peacetime.

Mr. STUDDS. Let me see if I can get more precise with the plans for retrofitting with sophisticated military equipment, the 270's and the 378's. This equipment, for which space and weight have

been made available, includes the Harpoon missile, as you said; the TACTAS Towed Array Sonar System, and the Phalanx close-in weapons system. There's been a lot of confusion about this arrangement in the past. Am I correct that the Navy and the Coast Guard have finally come to an agreement, and that the Navy plans to purchase the equipment in 1989 for the 378 fleet only? Is that correct?

Admiral GRACEY. For the Phalanx and the Harpoon, yes, sir; that's correct.

Mr. STUDDS. Commodore, is that the Navy's understanding, as well?

Commodore CLEXTON. Admiral Gracey would know more on that than I would. I know there are plans for close-in weapons system procurement in 1988-89, but don't know about the Harpoon.

Admiral GRACEY. The Harpoon is something that was decided by the NAVGARD Board several months ago, sir, and I really don't know where it is in the budgeting process. But we're looking at delivery somewhere out in 1989, 1990, and 1991—3-year program total.

Mr. STUDDS. That suddenly became a bit less precise.

Admiral GRACEY. But the idea of retrofit of equipment on mobilization that we talked about earlier, and to which you refer, has been determined by the Navy—and we agree—to be impractical to execute.

Mr. STUDDS. Now we're getting less precise by the minute.

Admiral GRACEY. No, we're talking about a different kind of retrofit. You were talking about the philosophy of, "Don't worry; we'll get it all after the war starts." We're going ahead on some parts of that; we're not going to wait. For other parts, we're just going to take a different tack, and that is being reviewed now. People figured out that retrofit creates problems. It creates problems with time, the availability of shipyard capacity, and all of that, so we're trying to take a more realistic look at equipping our ships. That is growing out of our increased look at readiness and our increased communication with the Navy through the NAVGARD Board.

Mr. STUDDS. I think I am going to ask both the Navy and the Coast Guard, if you will, to take a look at the written record of the question that I asked and come back and try to see if you can hone, to a higher degree of precision, your responses to that. The long question I asked you—the long introductory statement was followed by the question, "Is that correct?" and I interpret the combined answers to be, "Not exactly."

Admiral GRACEY. That's right. That's the correct answer. [Laughter.]

[The information follows:]

HARPOON AND PHALANX SUPPLY

To summarize, the Navy plans to provide Harpoon and Phalanx starting in 1989 and finishing in 1991 for our 378 WMEC's. The concept of retrofitting equipment upon the outbreak of war is no longer considered feasible by us or the Navy.

Commodore CLEXTON. You want that back for the record; is that correct?

Mr. STUDDS. Yes, if we could.

[The information follows:]

NAVY SUPPLY OF MISSILES AND ELECTRONIC SYSTEMS

The current DOD budget contains no funding procurement of Harpoon missiles for Coast Guard. This recognized deficiency is being addressed during ongoing development of the Navy's proposed budget for FY-88 and the outyears. Within budgetary limitations and priorities, planning is to procure sufficient Harpoon missiles and launch systems for twelve 378 class cutters (4 each in FY-88, FY-89, and FY-90). Planning, preparation, and procurement for the Phalanx close-in weapons system are being pursued for installation in Coast Guard WHEC vessels at the rate of four systems each in FY-89, FY-90, and FY-91.

There are no present plans for installation of the TACTAS Towed Array Sonar System, but Navy is providing twelve LAMPS Mark 1 shipboard electronic systems, consisting of SQR-17 acoustic processors SKR-4A antennas, and RD-420 tape recorders. Six systems have been procured and are available for release with two systems each to follow in FY-86, FY-87, and FY-88.

Mr. STUDDS. Finally, compared to previous years, Admiral, are the Coast Guard's larger vessels experiencing a higher or lower rate of operational readiness? Are your maintenance problems more or less severe than those we've heard so much about in past years?

Admiral GRACEY. Some of both, Mr. Chairman. We've got a couple of vessels that have had major casualties. But in terms of general operating capability and general operating condition, thanks to some money that we were able to put into maintenance programs over the last couple of years and thanks to some increased attention—and again, our focusing on the state of readiness of our fleet—we've made a steady and dramatic improvement. I'm basing that on what we call casualty reporting, CASREP's. That's things that are broken that need to be fixed. I don't know whether it would be meaningful to you or not, but just in case, I've got a couple of sheets of paper here and I will provide these for the record.

[Material supplied follows:]

AWAY FROM HOMEPORT OPERATING DAYS ¹

	Fiscal year		
	1982	1983	1984
WMEC:			
Vigilant	176	112	² 167
Active	89	² 180	134
Decisive	165	132	² 181
Vigorous	182	123	² 163
Alert	197	127	² 196
Tamaroa	111	² 158	77
Evergreen	132	97	² 102
Reliance	112	² 155	130
Cherokee	124	81	² 114
Chilula	111	² 156	92
Diligence	147	99	² 131
Courageous	112	144	² 191
Steadfast	117	² 144	97
Dauntless	122	² 134	² 170
Lipan	123	² 129	129
Ute	117	² 132	² 153
Escape	74	² 167	115
Valiant	120	105	² 171

AWAY FROM HOMEPORT OPERATING DAYS ¹ ---Continued

	Fiscal year		
	1982	1983	1984
Dependable	144	² 171	166
Durable	161	155	136
Acushnet	132	38	² 164
Venturous	138	² 155	117
Clover	126	119	² 149
Resolute	90	² 148	² 171
Yocona	117	111	² 148
Citrus	101	² 119	² 121
Confidence	139	133	² 153
Storis	112	² 142	² 148
Total	3,661	² 3,666	² 3,986
WMEC (not operating prior to 1984)			
Bear	N/A	N/A	40
Tampa	N/A	N/A	67
Harriet Lane	N/A	N/A	73
Northland	N/A	N/A	31
Total			211
WHEC			
Bibb	115	101	² 135
Duane	139	² 160	129
Unimak	118	² 127	106
Hamilton	98	² 133	² 168
Chase	181	166	² 168
Dallas	100	² 189	128
Gallatin	74	² 189	145
Ingham	164	58	² 98
Taney	143	106	94
Sherman	179	² 183	176
Morgenthau	161	² 176	147
Rush	145	132	² 153
Midgett	161	² 167	² 187
Mellon	174	150	² 182
Boutwell	164	² 173	² 177
Munro	133	131	² 188
Jarvis	133	² 156	² 173
Total	2,382	² 2,497	² 2,554
WAGB			
Northwind	206	134	² 177
Westwind	15	² 145	144
Machinaw	15	² 42	² 70
Glacier	189	144	0
Polar star	71	² 206	114
Polar sea	183	157	² 240
Total	679	² 828	745

¹ An AFHP operating day is any day spent away from home port and not in a maintenance status.² Indicates ships that had increased AFHP operating days compared to the prior year.

Admiral GRACEY. The three columns are 1982, 1983, and 1984. Each vessel here which has a green mark next to it is one which sailed more days in that year than it did the year before; and as you can see as you go across, there are a lot of green marks in there.

So the fleet is operating. It's not in as good shape as we would like; needs a lot of work to be done, but it's improving.

Mr. STUDDS. The staff just handed me a copy of your weekly public affairs press clips—Vice Admiral Costello, I see here—and there's a reference to what I think has to be the acronym of the week, at least: COMUSMARDEZPAC. Even the definition boggles the mind. "MARDEZPAC is a Navy echelon three-contingency command within the CINCPACFLEET organization." And then it says, "COMUSMARDEZPAC responsibilities include"—do you want to say something to that, Admiral? Some of our colleagues around here, as I understand it, have introduced legislation to make English the official language of the country. [Laughter.]

My response to that is that it's absolutely futile since it hasn't been spoken in Washington for years. Would you, just for the fun of it, like to translate this?

Admiral COSTELLO. I think that says Commander, U.S. Maritime Defense Forces, Pacific, but just ask for the short one, Mr. Chairman.

Mr. STUDDS. Thank you.

Mr. Hughes.

Mr. HUGHES. Relative to military readiness, I note from Commodore Clextan's testimony that we have three U.S. Coast Guard officers assigned to the Joint Planning Staff; the Navy has assigned three, both in the Pacific and in the Atlantic commands. Is that adequate to do the planning that you're called upon to do, to maintain readiness capability and do the strategic and tactical planning?

Commodore CLEXTON. Mr. Hughes, I'm not the right one to answer the question because the two commanders are at the table, and I defer to them for what it takes on their staffs to do that planning.

Mr. HUGHES. Whoever wants to answer.

Admiral Gracey, is that adequate to do the planning mission?

Admiral GRACEY. I think it's adequate to start, Mr. Hughes. There are more people than that who are involved, but basically in the long pull, it's certainly not adequate. Both Admiral Yost and Admiral Costello and their people have made amazing progress, and they've done it by taking it out of the hide of some Coast Guard missions.

If you are going to do it as it should properly be done, you separate the Maritime Defense Zone Commander from Coast Guard Area Commander functions, even though they involve the same person. You really need to keep them apart because one is a Navy role, and one is a Coast Guard role. If you're going to do that, and keep them totally apart, no; it is not anywhere near sufficient.

Mr. HUGHES. All-right.

What would be the expectancy of your mobilizing if you were forced to do that? I found—as a matter of fact, Retired Rear Admiral Bob Spiro's testimony very interesting insofar as the needs and the shortfall. In his testimony, and he'll be testifying very shortly, he indicates that we would need something like 35,000 Navy and Coast Guard personnel within the Pacific alone. We've lost ground with our reserve strength over the years. Where would we turn for personnel if we had to mobilize? You don't have anywhere near what you would need in the event of a full mobilization.

Admiral GRACEY. No. We have been forced for the last 4 years, Mr. Hughes, to come to grips with the fact that we are at about 50 percent of the Selected Reserve strength we need. And when we add that to the regular personnel we've got, we find that we have a shortfall of some 20,000 people based on the joint plans that have been made. You should understand that the Maritime Defense Zone plans are shifting over into a new organizational relationship. A lot of things that have to be done are things that have had to be done by somebody, and we don't want to understate the work—quite the contrary—but we are doing things that we've been doing for a long time, or have known had to be done. The tack we've taken is, "Look, we all know those things have to be done. We'd better figure out the place where it's going to be the most important." We're going to have to build in as much flexibility as we can because if you're going to try to fight a war with 50 percent of your strength, you're going to have to concentrate on the 50 percent that's the most important. That's what we've been doing.

Mr. HUGHES. It seems that we can do all the planning we want, and strategic and tactical planning is extremely important; but if we don't have the depth in reserve strength, how could we possibly mobilize? I mean, he suggests that, for instance, we've only added 688 personnel since 1975; 12,500 to all missions, and then only in a supplemental mode. No dedicated equipment.

Admiral GRACEY. I should point out—that's true, and we have some real shortfalls in terms of equipment and manpower for the reserves. We have been variously lauded and flagellated for our augmentation training programs for reservists, but the beauty of our augmentation program is that our reservists train hands-on with the real equipment, the real stuff. They are operating it day-to-day on real missions when they are in training, so that's good.

We've had a balance of training for reservists of about 65 percent augmentation, 35 percent in looking at mobilization requirements. Over the last 2 or 3 years it's become clear, as we've gotten more and more into exercises and have focused on the results of those exercises, that we need to shift the balance, that it's a much more technical world. The Maritime Defense Zone is bringing in some new problems, so we're shifting that training balance to slightly less augmentation, slightly more in terms of the direct mobilization training.

In terms of equipment, we are short of protective equipment; we are short of boats; we are short of hardware of all kinds; we are obviously short of people. All that is going to have to be addressed sometime. In the meantime we're going on making priorities and planning how to do the best we can do with what we can get.

Admiral Costello, can you shed some direct, day-to-day light on that for Mr. Hughes, if you would like to?

Mr. HUGHES. We don't have those problems with the other military commands, not nearly as much?

Admiral GRACEY. No, they're running pretty close to 100 percent of Reserve strength. Their target was 90-some percent, and the last I heard, they were all there.

Mr. HUGHES. And in fact, they have programs where they've budgeted moneys to make sure that they augment that strength to keep it up to 100 percent.

Admiral GRACEY. That's right. The Reserve forces are—

Mr. HUGHES. The Coast Guard seems to have been left out somewhere along the line.

Admiral GRACEY. The Reserve Forces Policy Board of the Armed Forces sends a report over to Congress regularly, and they've been decrying the problem for the last 2 or 3 years.

Mr. HUGHES. Admiral Costello.

Admiral COSTELLO. Well, the flatout answer to your question, Mr. Hughes, as to whether we could respond to an all-out war, is no; we cannot. I think that's well known. The exact number of people that are required to do that, I cannot tell you; we're in the process of developing that as the maritime defense zone plans are being completed. They are not yet complete.

Mr. HUGHES. Well, the other body has an answer to that; they've solved the problem. They're going to cut you by \$200 million.

Admiral COSTELLO. We have to be realistic, though; in the meantime, although we know the numbers that we have to do our job are less than required, we're going to have to do a credible job at what our responsibilities are. And the tactic that we've taken, if you can liken it to a situation in a football game, we're going to use the free safety system. We must prioritize; we must go and handle the ports that are of No. 1 priority, and the others will just have to go. We will not be able to protect them. And they will shift, depending on what the scenario is. They will all not be simultaneously exercised. So in the interim that is our approach, that we will attend to the first things first.

Mr. HUGHES. It seems that what we should be doing is setting some benchmarks as part of our planning process and attempting to get that reserve strength up. I don't know of anything more important, aside from replacing equipment that is obsolete.

Admiral GRACEY. Well, it isn't a case of replacing equipment that is obsolete. As far as the Reserve is concerned, they don't have any. They did have some boats but they wore out years ago, and that's the end of that.

That's exactly what we are doing. We have a benchmark/pacing plan for growth of the selected Reserve over a period of time at a level that we can handle it, at a rate that we can handle it, but we've had trouble getting that through.

Admiral COSTELLO. Mr. Hughes, I might add that in my investigations or associations with Naval Reserve units, which will be assigned to MARDEZPAC, maritime defense zone Pacific, they also are suffering some shortfalls. So it is not unique to the Coast Guard.

Admiral GRACEY. Let's not be totally gloomy. I would like to have you know that in terms of performance, the kinds of people that we have and the training they have, our reservists do very well. But exercises show up shortfalls in some specific types of training and equipment. We have yet to participate in an exercise where the exercise commander has not come back to me personally to compliment the Coast Guard's performance. In fact, General Nutting made a special trip to Washington to talk to me about the performance of Coast Guard reservists in Exercise Brimfrost in Alaska last year and the kind of work my people did. I have received rave notices after every single exercise. So the people are

doing well, and the basic training is good and the quality of people is good, but they're doing it on a shoestring, often without the proper equipment.

Mr. STUDDS. I didn't mean to suggest that everything is gloomy. Yesterday we had a very important bill to extend daylight saving time. [Laughter.]

Admiral COSTELLO. If I might put a footnote on that, sir, Brimfrost demonstrated that we could do the job; but the numbers, and how long we could do it for, come to question.

Mr. STUDDS. What did you say? What was the name?

Admiral COSTELLO. Brimfrost.

Mr. STUDDS. Brimfrost. Is that something like a hat trick? [Laughter.]

Admiral COSTELLO. No. It's in the other ocean, sir. [Laughter.]

Mr. STUDDS. Why do you have things like Wagonwheel? Can't you do things like sextant or star or things remotely nautical?

Admiral COSTELLO. Brimfrost was the defense of continental Alaska.

Mr. STUDDS. I understand. I appreciate that.

I want to thank you all. Commodore, I appreciate particularly your representing the Navy. I hope you will use whatever mystical powers that your service has been able to exercise over this institution in the past on behalf of the Coast Guard, as well. They need it.

Admiral, this is my 13th year on this subcommittee, and I think every one of those years we have ended up saying to you and your predecessors well done, and extremely well done under the circumstances, given the resources with which you've had to operate. I think once—now, for the first time ever, it's clear that your greatest enemy is not drug smugglers or potential combatants in wartime; but the folks who work on the other side of this Hill at the moment, which is an ironic situation to find yourself in. I don't know how you keep the good humor that you do under the circumstances; I suspect that's an order, so you have no choice in a military operation.

Admiral GRACEY. Well, I've found sometimes that it clears the mind if one smiles a little bit, sir. But my immediate staff and my wife do listen to some tirades and take some lumps. [Laughter.]

Mr. STUDDS. Bruises, Mr. Hughes.

Gentlemen, we thank you very much, and thank you for your patience. We hope to see you soon again.

We go now to our second and final panel. Rear Adm. Robert Spiro, representing the Reserve Officers Association of the United States, and Peter Finnerty, representing the Navy League of the United States.

Admiral Spiro and Mr. Finnerty, I appreciate your patience in waiting all this time, and I understand that you have agreed with the staff to confine your oral comments to 5 minutes, and we will place your written statements in their entirety in the record. That is very good of you under the circumstances; we appreciate it, and we appreciate all your help in the past.

Admiral Spiro.

**STATEMENT OF REAR ADMIRAL ROBERT H. SPIRO, JR., USNR
(RET.), NATIONAL EXECUTIVE DIRECTOR, RESERVE OFFICERS'
ASSOCIATION OF THE UNITED STATES**

Admiral SPIRO. Mr. Chairman, I am pleased to have this opportunity to appear for this discussion of the Coast Guard's military readiness with emphasis on the recently established Maritime Defense Zone, these commands and their significance to national security. In our written testimony we have asserted, as Mr. Hughes adverted, that mobilization plans for the Coast Guard as outlined in prepared legislation are sorely inadequate, and that is the basic presumption that we wish to take.

As reserve officers, we represent 121,000 of all the services, including the Coast Guard.

Successful implementation of the MDZ initiative demands that we have tested plans, total force training, and joint service exercises with at least the basic equipment and personnel necessary to mount a credible coastal defense effort on short notice. An effective coastal and harbor defense is an indispensable prerequisite to the current military forward deployment strategy.

Since World War II, the coastal Maritime Defense Zones have been sadly neglected by cyclic inattention, shifting commands and command decisions, and by budgetary constraints. In 1980, a joint Navy/Coast Guard board began to focus on this problem, but it took 4 long years to effect an interservice Navy/Coast Guard agreement that would order the establishment of jointly staffed Maritime Defense Zone commands. If it took 4 years just to discuss what seems so evident and to reach a formal agreement, ROA queries how many more years will elapse before credible defense zone forces are in place in our Atlantic and Pacific regions.

With the mounting attention on the Federal deficit and the recent drastic proposed reductions in appropriations for Coast Guard regular operating forces, it is our recommendation that we now focus more on Navy and Coast Guard Reserve core commands with floating units of their own to fulfill the MDZ objectives. To this end, the Reserve Officers Association notes that the Selected Reserve strength of the Coast Guard has grown only by some 688 personnel since 1975, to a level of 12,500 for all missions, and then only in an augmentation mode without dedicated equipment.

Our statement includes a table which illustrates the lack of support provided to the Coast Guard Reserve as compared to the reserve components of the four DOD Armed Services. You will see that at the top of page 4 in our prepared testimony. All Department of Defense reserve forces are programmed to be at 100 percent of mobilization requirements by 1988. This represents an approximate growth of 50 percent. During the same period, 1980-88, the Coast Guard Reserve strength will have grown only by 6.8 percent.

The Secretary of the Navy, in his 1985 annual report to Congress on the Navy's total force, focused on a principal new mission for the Naval Reserve, that of the Maritime Defense Zone. Secretary Lehman, in his report, advised that Soviet naval capabilities and Soviet agents in the United States both pose serious threats to the ports, harbors, and the littoral approaches to the United States,

and referred to "plans being developed to respond to these threats."

Now, the Reserve Officers Association urges this committee to establish timetables for "plans being developed" or else there will be interminable delays and the inability to counter such threats within a reasonable time. Such plans must identify the need and budgetary requirements for supporting materiel; otherwise, for secure communications, we may have to resort to carrier pigeons, as was the case between the Coast Guard's coastal Corsair Fleet and its Salem Air Station in New England at the beginning of World War II.

In this buildup, I trust that the Congress and the Coast Guard would have the unqualified support of the Secretary of Transportation who, in speaking to the National Guard Association of the United States earlier this year, recognized the Department of Transportation's often unheralded national defense responsibilities, exercised principally through the Coast Guard.

Secretary Dole went on to recall a classic Douglas MacArthur story. He wrote:

The history of failure in war can be summed up in two words: Too late. Too late in comprehending the deadly purpose of a potential enemy; too late in realizing the mortal danger; too late in preparedness; too late in uniting all possible forces for resistance.

The Reserve Officers Association of the United States reiterates that we needed yesterday a vital and prepared MDZ force in being. We urge that this Congress not wait for too many tomorrows for that force to become a reality.

An irony exists in the recent congressional movements that earmark additional moneys of up to \$300 million for Coast Guard hardware and personnel to combat and interdict drug traffic while stripping that service of \$200 million essential to operations at sea and in the MDZ. These kinds of perverse logic make it more likely that we may need to conduct exercises on commandeered Vietnamese shrimp boats, New Bedford scallopers, or Newport yachts that hopefully have been maintained in good operating condition and are strategically located.

We strongly recommend that, as a minimum, the Coast Guard Selected Reserve strength be increased in annual increments to 75 percent of stated current requirements, up to 18,750—interestingly enough, a figure very close to the Coast Guard Reserve strength in the early 1960's.

ROA is greatly disturbed by other trends. For example, Coast Guard buoy tenders are assigned to the Navy upon mobilization. Their presence is critical, not only in ensuring proper markings in the event that a harbor undergoes damage, but also in providing essential aids to navigation in undeveloped overseas ports which may be needed in the mobilization effort. Nevertheless, the Administration approach is to construct single mission, limited usage ships and to propose contracting out more and more of the aids to navigation responsibility.

ROA has continued to recommend that national security be a paramount item of consideration when the Coast Guard budget is being evaluated. Furthermore, we have recommended that the Defense Department, the Joint Chiefs of Staff and the National Secu-

ity Council be required to comment specifically on the national security implications of any proposed reduction, modification, or contracting out of any role, mission, or function of the Coast Guard, including proposed reduction of personnel strength.

The Reserve Officers Association also asks, Mr. Chairman, that the members of this subcommittee initiate efforts to ensure that the Commandant of the Coast Guard testifies annually before the full House Armed Services Committee concerning the capability of the Coast Guard fully to carry out its national security role as part of the seapower team.

We are also greatly concerned that the adverse effects of the Deficit Reduction Act on the Coast Guard not be made more serious. Application of this act has been considered inappropriate by several agencies, especially DOD, but not by Transportation. The Department of Transportation's indiscriminate application of these travel reductions has already caused significant damage and readiness reductions throughout the entire Coast Guard. The requirement that the Coast Guard reduce fiscal year 1985 travel expenditures to about 82 percent of 1984 would, by itself, be significant; but because of Selected Reserve growth to 12,500 and increased emphasis on readiness exercises, the Coast Guard Reserve has planned to increase fiscal 1985 travel by 25 percent over fiscal 1984. The net effect, then, is a cumulative reduction of up to 43 percent in planned fiscal year 1985 travel money. The situation only gets worse in 1986.

The Reserve Officers Association strongly supports a recent House amendment to the fiscal year 1986 DOT appropriation bill intended to avert indiscriminate application of section 2091. We urge that this body pass an appropriate amendment permanently to exempt the Coast Guard and the Coast Guard Reserve from its provisions, at least as they pertain to training and operational readiness travel and transportation. The military readiness of the Coast Guard, Mr. Chairman, and its Reserve must be increased, neither permitted to diminish nor to remain at a level below that which is required. Both, we believe, are absolutely essential to the successful implementation of the concepts of a forward defense, rapid deployment, and strategic mobility.

Thank you, sir.

[The prepared statement of Admiral Spiro follows:]

PREPARED STATEMENT OF REAR ADM. ROBERT H. SPIRO, JR., USNR (RETIRED)

Mr. Chairman and Members of the committee, I am pleased to have the opportunity to appear for this discussion of the Coast Guard's military readiness with emphasis on the recently established Maritime Defense Zone (MDZ) commands and their significance to national security. This concern conforms to ROA's Congressionally chartered objective to support a military policy for the United States that will provide adequate national security and promote its development and execution.

As a corollary, stemming from General Pershing's action to organize ROA in 1922, it is our mission also to insure that the United States has a trained cadre of Reserve officers capable of leading troops in combat—and to implement the MDZ is to enter into a combat environment.

Successful implementation of the MDZ initiative demands that we have tested plans, total force training, and joint service exercises, with at least the basic equipment and personnel necessary to mount a credible coastal defense effort on short notice. Certainly, an effective Coastal & Harbor Defense is an indispensable prerequisite to the current military forward deployment strategy.

ROA notes that since WWII the coastal maritime defense zones have been badly neglected by cyclic inattention, shifting commands and command decisions, and by budgetary constraints—with certain Naval Reserve components and the Coast Guard's Port Security Forces (which is the Coast Guard's major Reserve program), holding the fort. In 1980, a joint Navy—Coast Guard Board began to focus on this problem—but it took four long years to effect an interservice (Navy-Coast Guard) agreement that would order the establishment of jointly staffed Maritime Defense Zone commands. If it took four years just to discuss what seemed so evident and to reach a formal agreement, ROA queries how many more years will elapse before credible MDZ forces are in place in our Atlantic and Pacific regions.

Many envision the core MDZ forces as cadres of Regulars to be augmented by Reservists; however, with the mounting attention on the Federal deficit and the recent drastic reductions in appropriations for Coast Guard Regular operating forces, it is our recommendation that we now focus more on Navy and Coast Guard Reserve core commands, with floating units of their own to fulfill MDZ objectives. We have seen references to the MDZ organization of today as merely a "peacetime planning and exercising mechanism," but with heightened tension throughout the world and nationally sponsored terrorism seemingly ever-present, ROA seriously doubts that we can any longer treat this as a "peace-time" exercise to which we can give only passing attention—on paper!

To this end, ROA notes that the Selected Reserve strength of the Coast Guard has grown only by some 688 personnel since 1975, to a level of 12,500 for all missions—and then only in an augmentation mode, without dedicated equipment. Total Coast Guard Reserve forces, SelRes and IRR, have actually declined in numbers during this period. These kinds of numbers are hardly responsive to an estimated total need for some 35,000 Navy and Coast Guard personnel within the Pacific MDZ alone—at least on half of whom would be Reservists. Couple this with the requirements of the Atlantic region and we should really begin to worry about our shortfalls.

The following table illustrates the lack of support provided to the Coast Guard Reserve as compared to the Reserve Components of the four Department of Defense Armed Services. Significant increases in the paid Reserve strength have been supported by DOD, with further strength increases planned.

(Manpower shown in thousands)

	Army	Navy	Air Force	Marine Corps	Coast Guard
1980	202	86	58	33	11.7
1981	212	87	60	37	11.7
1982	242	93	63	40	12
1983	251	102	67	43	12
1984	255	110	70	43	12
1985	263	118	70	42	12.5
1986	273	125	75.6	43	12.5
1987	273	125	75.6	46	12.5
1988	292*	130*	75.6*	49*	12.5*
Percent increased	44.6	51.2	30.3	48.5	6.8

* 100 percent mobilization requirements

* 50 percent mobilization requirements

All Department of Defense Reserve forces are programmed to be at 100 percent of mobilization requirements by 1988, which represents an approximate growth of 50 percent. During the same period, the Coast Guard Reserve strength will have grown by only 6.8 percent.

The Secretary of the Navy, in his 1985 annual *Report to Congress on the Navy's Total Force*, focused on a principal new mission for the naval Reserve, that of the Maritime Defense Zone for the protection of the coast of the U.S. and our sea lines of communications. He emphasized the necessity for joint force cooperation "rather than relying exclusively on the Naval Reserve." This suggests that the nucleus of MDZ focus in the past was the Reserve establishment. ROA sees no reason why we should not preserve and build upon that foundation today. Secretary Lehman, in that same report, advised that Soviet Naval capabilities and Soviet agents in the United States pose serious threats to the ports, harbors and littoral approaches of the U.S.—and referred to "plans being developed to respond to these threats" (un-

derscoring supplied). ROA urges this Committee to establish timetables for "plans being developed"—or else there will be interminable delays and the inability to counter such threats within a reasonable time. Such plans must identify the need and budgetary requirements for supporting material. Otherwise, for secure communications, we may have to resort to carrier pigeons as was the case between the Coast Guard's coastal Corsair Fleet and its Salem Air Station at the beginning of WWII. For coastal patrol vessels, we may have to rely on commandeered fishing vessels, like those old Gloucester Schooners in the 1942 Cosair Fleet, or yachts out of Newport or Santa Barbara. Would it not be ironic if those commandeered fishing vessels included the Texas Vietnamese shrimp boats, since Vietnam was once the recipient of the Coast Guard surplus vessels.

In this buildup, I trust that the Congress and the Coast Guard would have the unqualified support of the Secretary of Transportation, who in speaking to the National Guard Association of the U.S. this year, recognized DOT's "often unheralded national defense responsibilities," exercised principally through the Coast Guard. Secretary Dole referred to transportation safety as her highest priority—and that is a principal focus as will of the MDZ commands and forces.

Secretary Dole went on to recall a Douglas MacArthur story. He wrote "The history of failure in war can be summed up to two words: *Too late*. "Too late in comprehending the deadly purpose of a potential enemy; too late in realizing the mortal danger; too late in preparedness; too late in uniting all possible forces for resistance . . ." ROA reiterates that we needed yesterday a vital and prepared MDZ force-in-being. We urge that this Congress not wait for too many tomorrows for that force to become a reality.

Referring back to Secretary Lehman's identified need to protect our sea lines of communication, I take note of an article in the August issue of *DEFENSE '85*, a DOD publication. The article, *Force Projection, By Sea: Cornerstone of Contingency*, asserts that strategic sealift has taken its place alongside sea control and power projection as a major Navy function—as part of the forward defense strategy of the U.S. Strategic sealift support for any contingency includes two elements of shipping, surge and resupply. The one lifts the bulk of continental U.S.—based equipment and initial sustaining supplies; the other immediately follows to meet daily consumption rates and the buildup of reserve stockpiles. I would reiterate that the presence and readiness of MDZ forces is essential to these shipping efforts and to this strategy—and to the landing of vital raw materials into the U.S. to feed such material needs.

ROA senses that some would relegate the MDZ program to a simple peacetime role of planning and exercises, on a collateral duty basis, for existing personnel, with no significant funding or budgetary line item status—presumably basking in the false sense of a peacetime coastal and sealift security. It would be ironic if such a sense of security is transmuted into insecurity because too much reliance is placed upon it.

A similar irony exists in the recent Congressional movements to earmark additional monies of up to \$300 million for Coast Guard hardware and personnel to combat and interdict drug traffic, somewhat of a reverse sealift operation, while stripping that service of some \$200 million essential to operations at sea and in the MDZ. These kinds of perverse logic make it more likely that we may need to conduct exercises on commandeered Vietnamese shrimp boats, New Bedford scallopers, or Newport yachts, that, hopefully, have been maintained in good operating condition and are strategically located.

ROA has testified before the various Coast Guard authorization and appropriation committees urging adherence to at least the levels of operation established for FY '86 by PL 98-557, with emphasis on pre-existing at-sea operational missions. Add to this the MDZ mission, and it is readily apparent that neither we, the Administration, nor the Congress have yet addressed in specific details the personnel and equipment needs of the future and of our national security.

To this end, and with emphasis on the Coast Guard Reserve, I will generally reiterate ROA's testimony before the Senate Appropriations Subcommittee on Transportation and Related Agencies this past April.

The FY 1986 requested Coast Guard Reserve level of 12,500 represents only 50 percent of its stated wartime requirement of 25,000. In comparison, the other Armed Services Reserve Components are authorized and funded to strengths approaching an average 90 percent of mobilization requirements and are still increasing.

The total strength of the active Coast Guard, the Coast Guard Selected Reserve and the IRR still results in a deficit of approximately 14,000 people short of the recently validated mobilization requirement for the Coast Guard. Accordingly, ROA cannot concur with a budget submission which requests no growth in Coast Guard Selected Reserve strength.

ROA strongly recommends that, as a minimum, the Coast Guard Selected Reserve strength be increased in annual increments to 75 percent of current stated requirements—18,750 (interestingly enough, a figure very close to the Coast Guard Selected Reserve strength in the early Sixties). ROA further recommended that the FY 1986 Coast Guard Selected Reserve strength be increased from 12,500 to an average strength of 13,200—the strength level requested by the Commandant, but ignored by DOT and OMB.

ROA is greatly disturbed by other trends. For example, Coast Guard Buoy Tenders are assigned to the Navy upon mobilization. Their presence is critical, not only in ensuring proper markings in the event a harbor undergoes damage, but also in providing essential aids to navigation in undeveloped overseas ports which may be needed in the mobilization effort. Their presence is vital to ensure the safe movement of war materials, troops and quite possibly, the Rapid Deployment Force, out of the harbors, a significant MDZ responsibility. Nevertheless, the Administration approach is to construct single missions, limited usage ships and to propose contracting out more and more of the aids to navigation responsibility. (Of the proposed personnel reductions in the FY 1986 budget, 339 are dedicated primarily to the aids to navigation mission.) Such policy, if unchecked, will eventually phase out all Coast Guard Buoy Tenders. The Navy, and our sea lines of communication, will receive no aids to navigation support from the Coast Guard. This furthers Administration efforts to civilianize and contract out various Coast Guard functions without regard for national security implications.

ROA has continued to recommend that National Security be a paramount item of consideration when the Coast Guard budget is being evaluated. Further, we have recommended that the Defense Department, the Joint Chiefs of Staff, and the National Security Council be required to comment specifically on the national security implications of any proposed reduction, modification or contracting-out of any role, mission, or function of the Coast Guard, including proposed reductions of personnel strength.

The Coast Guard certainly has the support of the American people. Does it have the full support of the Administration? Certainly, as in past years, it needs yours. ROA also asks that the members of this subcommittee initiate efforts to ensure that the Commandant of the Coast Guard testifies annually before the full House Armed Services Committee concerning the capability of the Coast Guard to fully carry out its national security role as part of the Seapower Team.

ROA is also greatly concerned about the adverse impacts of the Deficit Reduction Act on the Coast Guard. Section 2101 of the Spending Reduction Act of 1984, a division of the Deficit Reduction Act of 1984 (P.L. 98-369), expressed the sense of Congress to effect some \$750 million in executive branch savings by management improvements in "travel and transportation of personnel and transportation of things for personnel." Application of this act has been considered inappropriate by several agencies, especially by the Department of Defense, but not by the Department of Transportation.

The effect of DOT compliance has been to significantly reduce travel for all Coast Guardsmen. This will have a seriously adverse impact on the training, exercising and overall readiness of the Coast Guard in carrying out specialized and essential missions as one of the Armed Forces of the United States, and as an essential part of the MDZ team.

DOT's indiscriminate application of these travel reductions has already caused significant damage and readiness reductions throughout the entire Coast Guard. However, I would like to describe the adverse impacts on the Coast Guard Reserve in particular. The requirement that the Coast Guard reduce FY 1985 travel expenditures to about 82 percent of FY 1984 would, by itself, be significant. But, because of Selected Reserve growth to 12,500 and increased emphasis on readiness exercises, the Coast Guard Reserve had planned to increase FY 1985 travel expenses by about 25 percent over FY 1984 actual expenses. The net effect then, from a planned FY 1985 travel fund of 25 percent over FY 1984 to one 18 percent under FY 1984, is a cumulative "reduction" of up to 43 percent in planned FY 1985 travel money. The situation only gets worse in FY 1986.

Several formal training schools have been cancelled and Reservists formerly assigned to those schools will now perform OJT, a very poor substitute, at a local site. Annual Training away from home, where no quarters or messing are available, will be severely curtailed to reduce payment of per diem (which counts against the travel account). Reservists who would have gone to locations requiring per diem will also perform local OJT. Some Selected Reservists may have their annual training cancelled entirely.

Using secondary training sites in lieu of the preferred sites will be disruptive. However, the alternative of providing only a few people full training and providing no training to the remainder is not acceptable. A second alternative of permitting some Selected Reservists to waive per diem and perform Annual Training at the scheduled site was considered and rejected. To require the waiving of an entitlement as a "condition of employment" sends the wrong message!

ROA strongly supports a recent House amendment to the FY 86 DOT Appropriation Bill that is intended to avert indiscriminate application of Section 2901. We urge that this body pass an appropriate amendment to *permanently* exempt the Coast Guard and the Coast Guard Reserve from its provisions, at least as they pertain to training and operational-readiness travel and transportation.

SUMMARY

In closing, I first wish to commend the dedicated Navy-Coast Guard MDZ planners on the staffs of the cognizant Atlantic and Pacific commands. They are working out new intercommand relationships, the effective integration of forces while developing a common language, and, hopefully, essential commonality of equipment. Thus, in the MDZ program, I would expect to see early elimination of some of the criticisms now being leveled at the DOD and JCS, current targets for Administration and Congressional reorganization and reform.

The military readiness of the Coast Guard and its Reserve must be increased—neither permitted to diminish nor to remain at a level below that required. Both are absolutely essential to the successful implementation of the concepts of a forward defense, rapid deployment, and strategic mobility. The Coast Guard is a vital part of the Naval community with specialized knowledge and skills. Upon mobilization, the Navy will ask more of the Coast Guard than current capabilities can probably provide. Its contributions to the Maritime Defense Zone Initiative and its recent support of operations in Grenada exemplify why the Coast Guard must be always ready and preparing better for unexpected contingencies in a volatile world. As a multi-mission force, one never knows what demands are going to be put on the Coast Guard from one day to the next. The Department of Defense and the National Security Council have recognized the contribution of the Coast Guard to national defense. We must, as a nation, do likewise by authorizing and funding the necessary increased strength levels and modernized capital assets.

The Administration appears unwilling to ask the Congress for those increases necessary to meet military readiness requirements. ROA solicits your support in joining with other members of Congress in the maintenance of a Coast Guard which is fully manned, trained, and equipped to meet both its peacetime and wartime missions. It is imperative that the Coast Guard and Coast Guard Reserve be fully prepared to meet their statutory military duties as prescribed in 14 USC 1, which provides for the Coast Guard to be "... a military service and branch of the Armed Forces of the United States at all times."

Mr. Chairman, that concludes my presentation. I will be pleased to respond to any questions you or other committee members may have.

Mr. STUDDS. Thank you very much, Admiral.

Mr. Finnerty.

STATEMENT OF PETER J. FINNERTY, NATIONAL VICE PRESIDENT FOR MARITIME AFFAIRS AND COMMUNICATIONS, NAVY LEAGUE OF THE UNITED STATES

Mr. FINNERTY. Thank you, Mr. Chairman. I will abbreviate my remarks.

I appreciate the opportunity to appear before you today, representing the elected leader of more than 51,000 American citizens dedicated to the support of seapower for our Nation and for the U.S. Coast Guard as an element of that seapower.

We are united in our desire to see that this smallest of the sea services remains adequately manned and equipped and highly motivated in its quest to retain and improve the operational versatility which makes its services so cost-effective and invaluable to the Nation.

We deplore the action taken by the Senate Committee on Appropriations earlier this month when they reduced the Coast Guard's budget by \$200 million in operating expenses for fiscal 1986. We find it difficult to understand this decision, particularly when it is \$200 million below the President's requested budget level for fiscal year 1986.

The increased emphasis on drug interdiction and the recent shift of responsibility for the Maritime Defense Zones from the Navy to the Coast Guard increases its participation in defense preparedness, making this a very imprudent action on the part of that Senate committee.

Already shortchanged during the highly-publicized defense build-up of the past 4 years, the Coast Guard is in the unfortunate position of having to take this additional drastic cut in funding and personnel. On the other hand, the Navy's budget for fiscal year 1986 provides a 4.5-percent real growth over fiscal 1985, with a 7.5-percent average growth for each of the past 5 years.

While the Navy League recognizes the absolute necessity of reducing the budget deficit and cutting Government departments and agencies, we firmly believe that an exception should be made for the Coast Guard because of its vital role in drug interdiction and national defense. The Navy League regards the war on drugs as a vital element of the national security. Illicit drugs are an insidious threat domestically because of their social and economic impacts. They offer a means for our adversaries to finance—ironically, with purchases by Americans—their support of terrorism and civil disturbance.

Last year the Coast Guard seized 18 million pounds of illegal drugs with an estimated street value of more than \$11 billion. Senator Dodd of Connecticut stated it eloquently when he declared, "We are at war in America. We are fighting a war against drug abuse, and we are losing." He spoke for all of us when he said he was deeply concerned about drug abuse and the threat it poses to the Nation's youth, to their families, and to America's future. If the estimate of an \$80 billion illicit drug trade is even remotely accurate, the U.S. should invest more in the Coast Guard's operational equipment and personnel to support intensified air and surface operations to thwart this ever-increasing threat to our Nation's security.

With the action of the Senate Committee on Appropriations, drug interdiction would be reduced by about 20 percent.

The Navy League applauded the establishment of the Maritime Defense Zones last year, and we believe that it marked an important milestone in defining and expanding the Coast Guard's overall role in defense preparedness. It will enable the Navy and the Coast Guard to assist and complement each other in time of war. Since the Coast Guard is, by law, one of the five U.S. Armed Services, military readiness must rank above all other responsibilities. Because the U.S. Navy now has responsibilities in three oceans, its assets are spread thinner than ever. In time of tension or war, it will have far-flung responsibilities in the North Atlantic, the Indian Ocean, the Mediterranean, and the Western Pacific. As a consequence, in such times the Coast Guard will be required to con-

tribute far more to the defense of U.S. coastal waters and the Caribbean, despite its limited assets.

Current peacetime operations for drug interdiction could well become antisabotage patrols. Port safety would become port security. Cutters on fisheries patrols would have an added ASW responsibility.

Our Nation is committed to the strengthening of its defenses and the Coast Guard, as an integral part of the defense structure, must be provided modern equipment and personnel that it needs to fulfill its role. These resources are necessary also for its many peacetime missions, which are unlikely to diminish in the years to come.

Congress is the final judge of how much military preparedness is enough. The Navy League, however, hopes that the Congress will provide the necessary commitment to the Coast Guard to make it a more effective force in the war against drugs, and as a wartime partner of the U.S. Navy.

Thank you.

[Prepared statement of Mr. Finnerty follows:]

PREPARED STATEMENT OF PETER J. FINNERTY

Mr. Chairman and Members of the Committee: I welcome the opportunity to appear before you today as the elected leader of more than 51,000 American citizens dedicated to the support of seapower for our nation—and of the United States Coast Guard as an element of that seapower.

We are united in our desire to see that this smallest of the sea services remains adequately manned and equipped, and highly motivated in its quest to retain and improve the operational versatility which make its services so cost effective and invaluable to the nation.

I should point out that, unlike most military support organizations, none of our members is on active duty with any branch of the armed services, nor are we an organization restricted to officers or other career military. Mostly, we are ordinary citizens from all walks of life dedicated to the support of seapower.

We deplore the action taken by the Senate Committee on Appropriations earlier this month when they reduced the Coast Guard's budget by \$200 million in Operating Expenses for fiscal 1986. We find it difficult to understand this decision, particularly when it is \$200 million below the President's requested budget level for FY '86. The increased emphasis on drug interdiction and the recent shift of responsibility for the Maritime Defense Zones (MDZ) from the Navy to the Coast Guard increases its participation in defense preparedness, making this an imprudent action on the part of the committee.

Is it that some members of Congress and the Administration are so concerned about budget deficits and the need to reduce federal spending that they mandate reductions in some agencies to the point that public needs suffer? Already short-changed in the highly publicized defense buildup of the past four years, the Coast Guard is in the unfortunate position of having to take this additional drastic cut in funding and personnel. On the other hand, the Navy's budget for FY '86 provides a 4.5% real growth over FY '85, with a 7.5% average growth for each of the past five years.

While the Navy League recognizes the absolute necessity of reducing the budget deficit and cutting government departments and agencies, we firmly believe that an exception should be made for the Coast Guard because of its vital role in drug interdiction and national defense.

The Navy League regards the Administration's War on Drugs as a vital element of our national security. Illicit drugs are an insidious threat domestically because of their social and economic impacts. They offer a means for our adversaries to finance, ironically with purchases by Americans, their support of terrorism and civil disturbance. Last year the Coast Guard seized 18 million pounds of illegal drugs with an estimated street value of more than \$11 billion.

Senator Christopher J. Dodd (D-CT), ranking Democrat on the Subcommittee on Children, Families, Drugs and Alcoholism, stated it eloquently when he declared, "We are at war in America. We are fighting a war against drug abuse, and we are losing." He spoke for all of us when he said that he was deeply concerned about

drug abuse and the threat it poses to our youth, to their families, and to America's future.

If the estimate of an \$80 billion illicit drug trade is even remotely accurate, how can we not invest more in the Coast Guard's operational equipment and personnel to support a greater tempo of air and surface operations to thwart this ever increasing threat to our nation's security! Examining the Coast Guard's budgets over the past several years, on a constant dollar basis, it is difficult to detect a real budgetary emphasis on the curbing of this problem. With the action of the Senate Committee on Appropriations, drug interdiction would be reduced by 20 percent.

The Navy League applauded the establishment of the Maritime Defense Zones last year, and we believe that it marked a major milestone in defining and expanding the Coast Guard to assist and complement each other in time of war. Since the Coast Guard is, by law, one of the five U.S. Armed Services, military readiness must rank above all other responsibilities.

While in recent times the U.S. has not had to defend its ports, harbors, etc., it is clearly no longer safe to assume that an enemy cannot penetrate our coastal waters and threaten our ports and waterways as well as shipping. In any military action lasting over 24 hours, resupply from the U.S. will be necessary and in any extended conflict, 95% of that resupply material must be shipped by sea.

The threat is real. The Soviet Navy with 1700 ships is the most visible element of Russia's growing global reach. The Soviets have built up their Navy into a world-class fighting force that includes not only the largest number of submarines controlled by one country, but all classes of surface warships (a large-deck aircraft carrier is now under construction in a Black Sea shipyard). In just the past 20 years, the Soviet Navy has been transformed from a coastal force to a blue-water fleet.

Today, the Soviets sit astride our vital maritime vulnerabilities in the Caribbean Straits, the Southeast Asian choke-points, the East and West African oil sea lanes, the Middle East oil sources and off the Northern and Southern flanks of NATO. Our economy and security require not only oil from the Persian Gulf and the Caribbean, but strategic minerals from Southern Africa.

In our own hemisphere during 1984, the Soviets again deployed a major surface task force, including the MOSKVA guided missile helicopter cruiser, a new UDALOY class guided missile destroyer, a replenishment ship, and a submarine to the Caribbean. This was followed later in the year by another surface task force deployed to the Caribbean with a new SOVREMENNY class guided missile destroyer and four other ships. These were the 23rd and 24th regular deployments to the Caribbean by the new Soviet blue-water fleet. This is one more manifestation of their projection of maritime power into the hemisphere most visibly evidenced by the now near-continuous off-loading of Soviet military hardware from East-Bloc ships in Nicaragua.

--Last month Navy Secretary John Lehman testified before the House Armed Services Subcommittee on Seapower that, today, Soviet submarines, armed with 300-mile range cruise missiles, are off our coasts on a permanent basis.

Because the U.S. Navy now has responsibilities in three oceans, its assets are spread thinner than ever. In time of tension or war, it will have far-flung responsibilities in the GIUK gap, the Indian Ocean, the Mediterranean and the Western Pacific. As a consequence, in such times, the Coast Guard will be required to contribute far more to the defense of our own coastal waters and the Caribbean, despite its limited assets.

Current peacetime operations for drug interdiction could well become anti-sabotage patrols. Port safety would become port security. Cutters on fisheries patrols would have an added ASW responsibility, etc.

Our nation is committed to the strengthening of its defenses and the Coast Guard, as an integral part of the defense structure, must be provided the modern equipment and personnel it needs to fulfill its role. These resources are necessary also for its peacetime missions, which are unlikely to diminish in the years to come. Congress is the final judge of how much military preparedness is enough.

The Navy League hopes that Congress is ready to make the necessary commitment to the Coast Guard making it a more effective force on the war against drugs and as a wartime partner of the U.S. Navy.

Thank you.

Mr. STUDDS. Thank you, sir.

Gentlemen, the bells you heard are going to preclude the asking of questions that I would have done.

I want to say that both of you and both of your organizations have been extraordinarily helpful in the past in supporting the Coast Guard through your memberships and through your testimony here, which has been unusually—historically—in English, and well presented. And I appreciate that.

I note that between you, if your figures are correct, you represent some 172,000 citizens. My arithmetic tells me that if each of them sat down and wrote a letter tonight, that might have an impact across the street. We've made that kind of a plea to you, as I recall, in previous times when the Coast Guard was under duress in terms of their budgetary considerations. I trust—well, I'm sure it wouldn't be quite proper for me to make such an explicit suggestion, but the implications of my wishing that I could do so are sufficiently clear to see that you do that. They need to hear from people. As you have put as well as anyone, what has been suggested and apparently is being done over there will undo much of what it is that brings you together in the first place and brings you here, and much of our own responsibility. So—

Admiral SPIRO. Thank you, sir. All of our members do write and speak in English. [Laughter.]

Mr. STUDDS. Well, that's wonderful; but nonetheless, they might be incomprehensible to the Senate, and I hope that they will undertake that chore.

I apologize for the fact that those are the second bells on a vote and that we are going to have to adjourn at this point, but I thank you in great sincerity for your contributions, both now and at times past.

Mr. FINNERTY. Thank you, Mr. Chairman.

Admiral SPIRO. Thank you.

Mr. STUDDS. We appreciate it.

The subcommittee stands adjourned.

[Whereupon, at 12:15 p.m., the subcommittee recessed, to reconvene at the call of the Chair.]

[The following was received for the record:]

ADDITIONAL QUESTIONS SUBMITTED BY MR. STUDDS AND ANSWERED BY THE
DEPARTMENT OF THE NAVY

Question. The Conference Report on the Defense Authorization Act of 1985 includes a section providing for the mandatory assignment of Coast Guard personnel on Naval Vessels.

This section appropriates \$15 million to the Defense Department for transfer to the Coast Guard, to be used only to fund Coast Guard personnel assigned to Navy vessels.

The following questions are intended to explore the manner in which this language, once it becomes law, will be implemented:

(a) Will it be practical to assign as many as 500 Coast Guard personnel to Navy vessels operating in so-called "drug-interdiction" areas?

(b) Can drug law enforcement activities be carried out on a high priority basis on all Navy ships operating in so-called "drug-interdiction" areas without damaging the military readiness of those Navy vessels and personnel?

(c) Under this section, would money be available to pay for the training and salary of a Coast Guard officer or enlisted man only during periods that the officer or enlisted man was assigned to a Navy vessel, or do you believe it would be consistent with the intent of the authors of the language for the money to finance 500 additional CG personnel to be used in the most effective manner possible to assist in drug law enforcement operations, including—but not limited to—service on naval vessels?

Answer: During 1984, 147 Navy ships operated in drug threat areas off the Southeastern United States, in the Caribbean, and off the Southern California coast that could have accommodated Coast Guard law enforcement detachments. Assuming a complement of 3-5 Coastguardsmen per ship, it would be feasible to utilize 500 Coast Guard personnel in this role.

All Navy ships operating in drug-interdiction areas cannot categorically be assigned priority drug interdiction support without consideration of military requirements. Certain phases of training or operations do not lead themselves to this role. To avoid compromise of essential military training or unproductive periods of Coastguardsmen on Navy ships without prospects of performing an interdiction function, Navy and Coast Guard must coordinate the scheduling of the Coast Guard detachments for the appropriate times and ships. This system has proven effective in the past but Coast Guard resources have been insufficient to take advantage of available opportunities.

It would not be prudent to assign Coast Guard personnel, on a permanent change of station basis, to a specific Navy ship. These ships remain in port for maintenance periods, perform intensive training operations at times which are not conducive to drug law enforcement, and conduct extended operations to forward deployed areas overseas. Thus, the most efficient use would be for them to remain under Coast Guard control and to be used to perform other priority Coast Guard functions until assigned to Navy ships by coordinated scheduling between Coast Guard and Navy. The Conference Report on the Defense Authorization Act of 1986 "authorizes", not appropriates, \$15 million to the Defense Department for transfer to the Coast Guard. The Department of the Navy will be to transfer the \$15 million to the Coast Guard only if the provision is also included in the Defense Appropriations Bill. Once the funding is transferred to the Coast Guard, it will be their responsibility to comply with the intent of the language in the Appropriations Bill. Specifically, if the intent is to fund salaries and benefits of an additional 500 U.S. Coast Guard personnel, additional language is required in the Operation and Maintenance, Navy Appropriation since that appropriation does not currently fund military personnel costs.

Question: The subcommittee has received testimony, in prior years, concerning plans to retro-fit certain types of equipment on the Coast Guard's 270' medium endurance cutter fleet and its 378' high endurance cutter fleet. Funds for the purchase of this equipment were expected to be provided by the Navy. Please provide a specific, item listing that describes the present nature of the understanding between the Navy and the Coast Guard regarding Navy plans to purchase:

HARPOON Missile systems;

TACTAS towed sonar array systems; and

Phalanx close-in-weapons systems, for the 270' cutter fleet and the 378' cutter fleet. Please include, in this listing, a description as to whether the decision to make or not to make specific purchases are considered to be tentative or final, and also an identification of the fiscal year in which the purchases are to be made. Finally, please state whether present plans are to purchase equipment for immediate installation on vessels, or to pre-position equipment for possible retro-fitting at a future date.

Answer: The current DOD budget contains no funding procurement of HARPOON Missiles for Coast Guard. This recognized deficiency is being addressed during ongoing development of the Navy's proposed budget for FY-88 and the outyears. Within budgetary limitations and priorities, planning is to procure sufficient HARPOON missiles and launch systems for twelve 378 class cutters (4 each in FY-88, FY-89, and FY-90). Planning, preparation, and procurement for the PHALANX close-in weapons system are being pursued for installation in Coast Guard WHEC vessels at the rate of four systems each in FY-89, FY-90, and FY-91.

There are no present plans for installation of the TACTAS Towed Array Sonar System, but Navy is providing twelve LAMPS Mark 1 shipboard electronic systems, consisting of SQR-17 acoustic processors SKR-4A antennas, and RD-420 tape recorders. Six systems have been procured and are available for release with two systems each to follow in FY-86, FY-87, and FY-88.

ADDITIONAL QUESTIONS SUBMITTED BY MR. LENT AND ANSWERED BY THE DEPARTMENT OF THE NAVY

Question: The Maritime Defense Zone responsibilities call for the exercise of both statutory authority and Naval command authority. What is the difference between these two? What statutes are being relied upon for carrying out MDZ responsibility?

ities? Are Navy personnel able to exercise this statutory authority in time of war? If not, should they be given this authority by statute or be deputized as needed in a wartime situation?

Answer. The transfer of the Coast Guard from the Department of Transportation to the Navy is specified under 14 U.S. Code Section 3. The Commandant of the Coast Guard reports to the Secretary of the Navy for statutory authority and to the Chief of Naval Operations for Naval command authority.

The Maritime Defense Zone (MDZ) Commander, per se, does not receive or execute any Coast Guard statutory authority. The senior Coast Guard officer in each MDZ command has, or can be given, statutory authority from the Commandant to carry out those statutory missions which interface with the MDZ coastal defense missions. He receives his Naval command authority, which is fulfillment of the military mission of coastal and harbor defense, from his Navy Fleet Commander in Chief.

Both in peacetime and time of war, the statutory authority must flow through the Coast Guard chain of command and cannot be exercised by Navy personnel. This authority properly rests with the Coast Guard and should not be extended to Navy personnel in time of war which could jeopardize the military mission.

Question. Is it realistic to assume that critical equipment shortfalls for the military readiness responsibilities of the Coast Guard can be made up at short notice from the marketplace or Federal supply systems? If not, should some level of critical items be stocked centrally or issued to active and reserve units for use in training and exercises?

Answer. It is realistic to assume that all items necessary to enable Coast Guard to perform their military readiness responsibilities can be met from either the marketplace or the Federal Supply System nor does Navy make this assumption. Many factors are considered when determining where to apply resources to overcome critical deficiencies. This is particularly important when considering that a large number of Coast Guard readiness deficiencies are extensions of Navy readiness deficiencies. In terms of fiscal reality, Maritime Defense Zone Commanders' requirements are prioritized along with other Navy shortfalls.

Both the Navy and the Coast Guard, through refinement of their logistic support and mobilization plans, are actively reviewing shortfalls and the means to correct them. Some critical items will have to be procured and stocked for use upon mobilization. Some of these items are also valuable for training and exercising so, within budget limitations, we will attempt to ensure that some critical items are procured for that purpose. The Coast Guard is in the early stages of item shortfall identification. The Navy will continue to review these items for readiness impact and funding considerations.

Question. There have been some recent proposals made for reorganizing the Department of Defense and, in particular, how the Joint Chiefs of Staff operate. Would these proposals in any way affect the Coast Guard or the Coast Guard/Navy relationship?

Answer. Reorganization of the Department of Defense or the functioning of the Joint Chiefs of Staff should not impact on U.S. Navy/U.S. Coast Guard relationships.

Question. The recommendations of the NAVGARD Board anticipated the submission of a joint budget for Coast Guard needs by the Coast Guard and Navy. Has a joint budget been prepared? If not, why has this not been done?

Answer. A joint budget for U.S. Navy and U.S. Coast Guard has not, per se, been prepared. Within the Navy budget, certain items for Coast Guard have been included when they provided Coast Guard with a capability to perform a wartime mission as an arm of the Department of the Navy.

A joint budget for U.S. Navy/U.S. Coast Guard is not considered appropriate for several reasons. Coast Guard budgetary requirements to provide Coast Guard with resources to perform Law Enforcement, Pollution Control, Search and Rescue and other Coast Guard peacetime missions are submitted through the Coast Guard's parent, the Transportation Department. U.S. Navy submits resource requirements to perform national defense missions through the Department of Defense. Resources needed to provide Coast Guard the capability to function in a wartime role under Department of the Navy are considered within the Department of Navy budget.

Question. What Navy or Department of Defense component is responsible for evaluation of the Coast Guard budget to ensure that the necessary resources are being committed to the implementation of the Maritime Defense Zone concept?

Answer. The Deputy Chief of Naval Operations (Surface Warfare) maintains a Coast Guard Program Coordinator Liaison Officer on his staff to review Coast

Guard and Navy budgets to ensure that the necessary resources are being committed to the MDZ concept.

Question. The Coast Guard Reserve strength is approximately 55 percent of the mobilization requirements whereas the Navy Reserve components of the other services are operating at approximately 90 to 100 percent. Would this deficiency in the Coast Guard Reserve numbers hinder the MDZ commanders from fully carrying out their assigned missions?

Answer. The capability of the Coast Guard to fully carry out assigned missions would be hindered by a serious shortfall in Coast Guard Reserve personnel.

QUESTIONS SUBMITTED BY MR. STUDDS AND ANSWERED BY THE U.S. COAST GUARD

Question. Will it be practical to assign as many as 500 Coast Guard personnel to Navy vessels operating in so-called "drug interdiction" areas?

Answer. It would be possible to assign as many as 500 Coast Guard personnel to Navy ships while those ships were operating in drug interdiction areas. It would not be effective to assign these people permanently to the vessels, however, as they would have little to do during long periods in port or cruises to places outside our area of concern. We would establish TACLET commands in major Navy ports and air stations, each consisting of a number of law enforcement experts, with the primary mission of providing boarding teams of Navy ships. These individuals when not at sea would be assigned other related tasks such as pre-cruise briefings, training, pre-flight briefings for naval patrol aircraft and act as observers on patrol aircraft. When not fully employed in Navy/CG law enforcement related activities, these people would be used to support local Coast Guard commands in their law enforcement mission.

Question. Can drug law enforcement activities be carried out on a high priority basis on all Navy ships operating in so-called "drug interdiction" areas without damaging the military readiness of those Navy vessels and personnel?

Answer. Certainly there is some level at which the time and effort spent on law enforcement by a Navy unit will affect military readiness. Only the Navy is in a position to determine what that level is.

Question. Under this section, would money be available to pay for the training and salary of a Coast Guard officer or enlisted man only during periods that the officer or enlisted man was assigned to a Navy vessel, or do you believe it would be consistent with the intent of the authors of the language for the money to finance 500 additional Coast Guard personnel to be used in the most effective manner possible to assist in drug law enforcement operations, including—but not limited to—service on naval vessels?

Answer. Coast Guard personnel, like other military personnel, cannot be paid only during periods of use—they are full time personnel. Therefore, we believe the intent of the act is to fully fund 500 Coast Guard personnel to improve drug law enforcement operations, including service on as many Navy ships as possible. The vast majority of these personnel would be used to provide fully trained Coast Guard law enforcement boarding teams to U.S. Navy ships. However, other assignments could also fulfill the purpose of the act to "enhance drug-interdiction assistance." Such assignments could consist of air observers to fly with long range maritime surveillance aircraft or to serve as intelligence analysts for maritime narcotics trafficking information.

Question. What is the relationship between the Coast Guard and the Customs Service with respect to maritime drug interdiction?

What is the number and capability of vessels available to the Customs Service for this purpose?

Where do Customs Service vessels operate?

To what extent to Coast Guard authorities and responsibilities differ from those of the Customs Service with respect to maritime interdiction?

Answer: The Customs Service has about 100 small, low endurance vessels of various types and capability. It also has about 41 fixed wing aircraft and 20 helicopters, of various types and capability. Since Customs Service maritime responsibilities lie within the customs waters (12nm) of the United States, its maritime resources are matched closely to the inshore environment and are generally not capable of work far offshore.

The Coast Guard and Customs Service share statutory responsibilities for interdicting contraband within the customs waters of the United States. The Coast Guard has the primary responsibility for at-sea enforcement, while the Customs Service has the primary responsibility for airborne and shore-side drug enforce-

ment. As designated Customs Officers, Coast Guard commissioned officers, warrant officers and petty officers have the same authority as Customs Service officers, but, in addition, have specific Coast Guard authority.

A memorandum of understanding between the Coast Guard and Customs Service, signed July 10, 1978, prescribes the jurisdictional responsibility under which each agency operates, promotes the effective utilization of personnel and resources, and defines the nature and extent of mutual assistance. It also provides for the timely interchange of information. As a result, intelligence is routinely shared and each agency supports requests for assistance from the other. Joint efforts, such as the Customs Marine Module Evaluation and both services' efforts on aerostat systems, have further enhanced cooperation and coordination. Since each agency's resources have different capabilities, those resources complement and supplement the other's.

Question. Does the Coast Guard have the ability, at the present time, to play any significant role in the detection of narcotics smuggling by air? Does the Coast Guard have a potential role to play in this area?

Answer. Of the major cutters, only the 378 foot high endurance cutters are currently fitted with air search radars. No aircraft have the necessary sensor equipment to detect, track or intercept suspect aircraft. At present, the most significant Coast Guard contribution would be to detection, and in selected cases, with proper equipment, the Coast Guard could also identify, track, and intercept incoming aircraft.

The Coast Guard has a substantial fleet of long and medium range search aircraft which we fly regularly in maritime search and surveillance work. So, we have the basic infrastructure and experience necessary for operating a fleet of long range aircraft. However, Coast Guard aircraft are not equipped with aircraft detection and tracking sensors. Nor do we have enough people or aircraft, even if properly equipped, to take on the aerial role. We are in the process of acquiring mobile aerostats which could be outfitted with an air detection as well as maritime detection capability.

The disadvantage is that current missions and surface interdiction efforts have fully engaged all available ships and aircraft. Enhancement of the detection capability of our existing ships and aircraft would appear to be more cost effective when compared to the purchase of additional resources specifically designed for air detection. With the appropriate application of resources and availability of equipment, the air detection capability could be integrated with operations against surface smugglers, whose routes are often the same as—or in proximity to—airial routes.

Question. In 1984, the Coast Guard and the Navy cooperated in testing the usefulness of the Navy's PHM Hydrofoil for drug interdiction purposes. What was the scope of that test?

Answer. In 1984 the Navy conducted a test program with the Coast Guard to determine the utility of PHMs for drug interdiction. The PHM evaluation consisted of two separate deployments of one PHM in the Gulf of Mexico with a Coast Guard Law Enforcement Detachment on board. The patrols took place off the Mississippi coast and north of the Yucatan peninsula of Mexico.

Question. What were the results of the test?

Answer. This test showed that the PHM lacks the capability to be an effective Coast Guard law enforcement patrol vessel. It is effective responding to specific intelligence with a Coast Guard Law Enforcement Detachment on board.

Question. How do the capabilities of the hydrofoil compare with the Surface Effect Ships the Coast Guard operates in Key West?

Answer. The following is a comparison of PHM and Coast Guard SES characteristics:

- (a) The PHM has a higher maximum speed (over 45 kts for the PHM, 30 kts for the SES).
- (b) The PHM has better seakeeping and can maintain high speed in heavy seas with a more comfortable ride than the SES.
- (c) The PHM has more armament, better electronic sensors and better communication equipment than the SES.
- (d) The PHM has an economical low cruising speed (10 kts) whereas the SES must drift to conserve fuel.
- (e) The PHM has one third the endurance of the SES at maximum speed ($\frac{1}{2}$ day for the PHM, $1\frac{1}{2}$ days for the SES).
- (f) The PHM has no accommodations for the Coast Guard Law Enforcement Detachment, which becomes a problem during missions that extend beyond one day. The SES has accommodations for the required personnel.

(g) The PHM has no installed small boat or boat lowering equipment. The Coast Guard provides a small rubber boat that is lowered manually. The SES has a permanent small boat, an installed davit and a power winch.

(h) The PHM requires deep water and cannot safely operate on the shallow Florida and Bahamas banks like the SES.

(i) The PHM is not equipped to tow disabled seized vessels. The SES is equipped for towing.

(j) The PHM is more expensive to operate than the SES.

Question. At a hearing held by the Select Committee on Narcotics in May 1984, the Coast Guard testified that it was conducting several long term tests and evaluations of various methods of using additional personnel resources to derive additional operating time from cutters and aircraft. Examples were given of using four crews on the three Surface Effect Ships in Key West, providing the equivalent of one extra cutter; and of manning two patrol boats in Miami with three crews, achieving the equivalent of three single crewed boats.

What are the conclusions of these long term tests on multiple crewing, in terms of the number of additional personnel in Coast Guard needs to make the fullest use possible of its cutters and aircraft?

Answer. The Coast Guard has concluded that multiple crewing can work with patrol boats. The Coast Guard intends to multiple crew eight Island Class patrol boats in the Seventh District. We anticipate these eight new patrol boats will be capable of 180 underway days annually per hull when provided with ten 16 person crews and supported by their squadron staffs. 34 crew and support billets and additional operating funds are required to implement this program. Multiple crewing of the Surface Effect Ships in Key West was not productive, primarily because the increased tempo of operations exceeded the designed capacity of the vessels and there was not sufficient time for proper maintenance.

The Coast Guard has conducted long term multiple crewing tests on two types of cutters. Two 95 foot patrol boats in Miami were provided a third crew in 1981 to obtain a 50% increase in underway time. The three Surface Effect Ships in Key West were provided a fourth crew in 1983 to obtain a 33% increase in underway time. Both classes of vessels were provided with central maintenance support teams to keep the vessels running at the increased pace with less maintenance time than similar single crewed cutters. The 95 foot patrol boat tests successfully provided 50% additional underway time. The Surface Effect Ships required too much maintenance time and could not maintain the underway pace of operations hoped for with multiple crews. Smaller aircraft are already multiple crewed in the sense that several crews (watch sections) are assigned to each aircraft.

The Coast Guard has been directed recently by Congress to procure or lease several aerostats.

Question. How many aerostats does the Coast Guard currently have in operation?

Answer. There are two leased aerostats presently in operation.

Question. What vessels does the Coast Guard plan to use to moor the additional aerostats? Where are these vessels currently homeported?

Answer. Leased Aerostats come with vessels provided by the prime contractor. The procurement contract has the vessel lease as a separate option.

The two leased aerostats are based in Key West, FL. Operating bases for the additional systems have not been identified.

Question. How many Coast Guard personnel are required to support an aerostat?

Answer. Each leased aerostat is directly supported by a Mobile Aerostat Platform Detachment (MAPDET) with a 20-person Coast Guard crew, in addition to the vessel crew and support personnel provided by the contractor. The full complement for the procured systems has not been developed.

Question. What types of information do the aerostats provide to the Coast Guard?

Answer. A radar on the aerostat transmits the location of surface contacts to a display screen contained in a small operations center aboard the support vessel. Watchstanders use a computer to analyze target information, determine the course and speed of the target, and predict the target's location at a future time.

Question. How useful is that information to the Coast Guard?

Answer. The enhanced detection capability of aerostats reduces search time, thus improving cutter effectiveness in identifying and intercepting targets.

Question. What is the optimal number of aerostats for the Coast Guard to operate?

Answer. Until the production aerostat systems become operational it is difficult to assess the optimal number for the Coast Guard. The priority focus is to provide continuous coverage of the Caribbean chokepoints. Without the benefit of actual ex-

perience with on-scene availability and system reliability it is estimated that six Sea Based Aerostats will be able to provide continuous coverage of the chokepoints.

Question. Since 1983, the Coast Guard has been evaluating lighter-than-air vehicles, better known as blimps, for coastal surveillance missions. What conclusions has the Coast Guard drawn, as a result of these studies, regarding the potential value of blimps for service in the Coast Guard.

Answer. Prior to 1983, several Coast Guard and Navy conceptual studies indicated airships might be cost-competitive and more fuel-efficient, compared with conventional ships and aircraft, in maritime missions. In fiscal year 1983, the Coast Guard and the Navy conducted tests of a limited capability airship in simulated missions. Because the test airship was smaller and less capable than required for actual missions, we did not obtain enough performance data to pass judgment on many aspects of feasibility. Nonetheless, we concluded that a modern technology airship may be capable of performing many Coast Guard missions.

Currently, the Coast Guard is again working with the Navy. The Navy is developing a battle surveillance airship that should be at least as large as the airship envisioned for the Coast Guard. Many of the technologies and capabilities needed in a Coast Guard and a Navy airship are similar. The Coast Guard should be able to derive information on cost-effectiveness, survivability, avionics, airship systems, integrated logistics support, ground handling, and human factors from the Navy program.

Question. To what extent are 180 foot buoy tenders involved in drug law enforcement? Can you supply for the record a list of drug seizures or arrests in which 180s were involved?

Answer. Coast Guard 180 foot buoy tenders have had a steadily increasing role in law enforcement, particularly those operating in the 7th District. In FY 1983, drug law enforcement accounted for 6.0 percent of total resource hours; in FY 1984 it was 8.4 percent, and in FY 1985 it was 12.2 percent (through the first 3 quarters). Seagoing buoy tenders, like all Coast Guard vessels, check suspect vessel lists in the course of their normal operations and divert to law enforcement if one is discovered. These ships are vessels of opportunity because they are frequently underway or in a high readiness posture due to their aids to navigation mission. Buoy tenders are also used often to assist other units in drug enforcement or on patrols alone. They will be used in the latter capacity as the need arises to make up for the cutter days lost to the 378 foot FRAM and 210 foot MMA renovation programs.

A list of cases in which 180 foot buoy tenders were involved follows:

COAST GUARD DRUG INTERDICTION CASES WITH 180-FOOT BUOY TENDERS AS PRIMARY UNIT

Date	Vessel Name	Marijuana Pounds	Arrests	CG Unit	District
Aug 23, 1975	No vessel ¹	86,280	0	CGC Sweetguin	7
June 4, 1977	No vessel	4,780	0	CGC Papaw	7
Aug 8, 1978	Heidi	224,300	23	CGC Sagebrush	7
Aug 18, 1978	Arida	36,990	16	CGC Sagebrush	7
Sept 20, 1982	Endeavor II	42,600	9	CGC Sagebrush	7
Dec 11, 1982	No vessel	60	0	CGC Sagebrush	7
Apr 7, 1983	No vessel ²	2	2	CGC Sweetbrier	17
May 26, 1983	Foad	322	2	CGC Sagebrush	7
Oct 18, 1984	No vessel	3	0	CGC Sweetguin	1
Nov 6, 1984	Romar I	25,000	9	CGC Gentian	1
Nov 27, 1984	Princess	31,900	2	CGC Gentian	1
Jan 14, 1985	Corey	9,274	7	CGC Sagebrush	7
Mar 5, 1985	Cruz Del Sur	3	16	CGC Mesquite	7
Apr 20, 1985	No vessel	125	0	CGC Papaw	7

¹ The term "no vessel" generally refers to cases where marijuana is found as floating debris.

² In this case, a vessel was boarded and searched by CGC Sweetbrier and 2 pounds of marijuana discovered. Two people were arrested and turned over to local authorities. The vessel was not seized.

Question. Why does the Coast Guard's own chain of command differ in time of war and time of peace? Why is it logical for a District Commander to report directly to the Commandant during peace, while in time of war he reports to the Area Commander who reports to the Commandant?

Answer. The Coast Guard's own chain of command does not differ in wartime. However, reporting relationships are affected by the fact that the Coast Guard shifts to the Navy Department in wartime. The Commandant, as indicated before,

reports to the Secretary of the Navy for matters concerning statutory missions and to the Chief of Naval Operations for those military functions that concern the organization, training and readiness of those elements of the Operating Forces of the Coast Guard assigned to the Operating Forces at the Navy.

The District Commander always reports to the Commandant for administrative and support matters. The Area Commander in peace and war coordinates operational matters and specified resources which impact on more than one District. The District Commander, an operational commander, reports to the Area for coordinated operations and reports to the Commandant for specific statutory missions.

Question. What are the procurement needs required to carry out the MDZ mission effectively over the next several years? Will the Coast Guard require any additional cutters and aircraft to carry out its MDZ responsibilities, or will MDZ needs be met solely through Navy equipment and through Coast Guard equipment obtained primarily for other purposes?

Answer. The initial concept of MDZ was to meld Coast Guard and Navy resources already assigned to a coastal or harbor defense related mission into one command to maximize the combined efforts of those resources. It was recognized at the outset that there would be deficiencies that needed to be programmed. Some Coast Guard cutters and aircraft will undoubtedly be assigned to other Navy missions besides MDZ. To date, deficiencies identified and programmed by the Navy, for both coasts, have been solely centered around Command, Control and Communications equipment. It is too early to identify additional resources, which may be required, because MDZ planning is not complete, nor has it been adequately tested by exercises. The Navy will continue to be responsible to provide Navy wartime mission equipment and the Coast Guard will remain responsible for its statutory mission equipment requirements, much of which is also applicable to wartime functions, of course.

Question. Has either the Navy or the Coast Guard thus far received any appropriations to carry out MDZ functions, or have the resources thus far been obtained "out of hide?"

Answer. From FY 1984 congressional budget action, 3 Coast Guard officers and 1 enlisted were provided for the Atlantic Area MDZ Staff and 3 officers and 2 enlisted for the Pacific Area MDZ Staff. The Navy reprogrammed 6 officer and 3 enlisted billets for Zone Commander Staffs in FY 1984. In FY 1985 the Coast Guard reprogrammed existing billets to provide Coast Guard liaison planning officers to the four Navy Sector NDZ Staffs. We anticipate the Navy will provide a Navy liaison planner to each of the 11 Coast Guard MDZ Sector Staffs from within their available resources.

Question. Does the Coast Guard have a wartime anti-submarine warfare (ASW) mission? If so, what equipment is available to the Coast Guard that would permit it to perform this mission effectively?

Answer. Yes, the Coast Guard does have an ASW mission. Coast Guard WMEC 378 Class cutters are equipped with: Hull mounted active/passive sonar; ship launched torpedoes.

WMEC 378 Class cutters are undergoing Fleet Rehabilitation and Modernization (FRAM) and will be upgraded to also include full Light Airborne Multi-Purpose (LAMPS) MK I support capability. Coast Guard WMEC 270 Class cutters are equipped with a flight deck capable of landing and refueling LAMPS helicopters.

Question. About 2 and 1/2 years ago, the Navy and the Coast Guard signed a Memorandum of Understanding (MOU) establishing a mine countermeasure (MCM) mission for the Coast Guard. Please summarize: The nature of the peacetime and wartime MCM responsibilities of the Coast Guard; the craft of opportunity program; the extent to which the Coast Guard does have or might have a role in minelaying; the extent to which the Coast Guard equipment could be useful in minesweeping; and the Coast Guard's training program in matters related to MCM.

Answer. The Coast Guard provides peacetime support to Navy MCM initiatives by conducting environmental route surveys, providing logistic support to the Craft of Opportunity Program (COOP) program, and through participation in MCM exercises. In wartime, both Navy and Coast Guard assets conducting MCM are expected to be under MDZ operational control. Coast Guard wartime MCM responsibilities include prevention of minelaying, environmental route survey, swept channel escort, bouying, logistic support, and command control. The primary Coast Guard afloat forces involved in peacetime MCM training are:

Buoy Tenders (WLB/WLM)—Lay exercise minefields, provide command and control, act as on scene SAR platform, and air control platform for airborne MCM.

270' MEC's—Command and control platform for MCM commander.

CG Small Craft—Provide support platforms for Navy EOD teams. The Coast Guard provides support to the Navy reserve COOP program by serving as a home-port and logistics base for COOP units scheduled to be located outside of normal Navy ports. Many Coast Guard officers, both active and reserve, involved with MARDEZ planning, attend classroom training in Navy schools and many Coast Guard district and COTR staff elements are receiving MCM training through participation in Navy MARDEZ exercises. Few Coast Guard assets would be capable of safely and efficiently conducting minesweeping operations without substantial modification (such as efforts to reduce the vessels magnetic and acoustic signature), Coast Guard vessels better serve as support vessels and, with some modifications, as potential limited area minelayers.

Question. In 1984, according to statistics the subcommittee has seen, the average Coast Guard cutter was on standby 27.4% of the time, and in maintenance 36.7% of the time. Are these figures accurate? What are the comparable numbers for 1981, 1982, and 1983? How do these numbers compare to the planned availability and utilization rate of the cutters?

Answer. The figures cited accurately represents the percentage of hours during the year our cutters were not engaged in the performance of specific tasks (maintenance, high readiness inport operations such as training, or underway). Comparable figures for 1981, 1982 and 1983 are attached.

Also attached are figures for the percentage of days during 1981, 1982, 1983 and 1984 that our cutters were not engaged in the specific tasks indicated above. Since activities are planned and executed based upon the days available, this is a more meaningful statistic. For example, if the ship's crew was engaged in a full day of training, the second method would show 0% time "available" for anything else that day. The first method would indicate 67% of the time was "available" for other activities—which is not realistic. (Midnight to 0800 "available", 0800-1600 training, 1600-midnight "available".)

The second set of numbers coincide with plans and expectations for our cutters daily activities. In 1984 method #1 indicates 9.12% of the polar class icebreakers time (WAGB 399) was available. In reality only 0.14% of the days in the year were truly "available".

1981 STANDBY—OTHER HOURS

Type	NR	Total hours	Standby hours	Standby percent	Maintenance hours	Maintenance (percent)
WAGB 269	2	17,520	3,688	21.05	10,854	61.95
WAGB 290	1	8,760	2,320	26.48	2,894	33.04
WAGB 310	1	8,760	670	7.65	5,609	64.03
WAGB 399	2	17,520	638	3.64	9,521	54.34
HEC 311	1	8,760	352	4.02	4,814	54.95
HEC 327	5	43,800	4,431	10.12	26,183	59.78
HEC 378	12	105,120	15,186	14.45	55,165	52.48
WIX 295	1	6,552	0	0	4,145	63.26
WLB 180	27	236,520	77,082	32.59	67,526	28.55
WLI 65	4	35,040	6,504	18.56	6,418	18.32
WLI 100	2	17,520	10,121	57.77	4,559	26.02
WLIC 75	10	87,600	49,326	56.31	22,033	25.15
WLIC 100	4	35,040	15,963	45.56	9,487	27.07
WLIC 160	4	35,040	19,833	56.60	8,445	24.10
WLM 133	7	61,320	34,608	56.44	14,300	23.32
WLM 157	5	43,800	28,219	64.43	8,953	20.44
WLM 175	3	26,280	13,153	50.05	6,595	25.10
WLR 65	6	52,560	22,628	43.05	13,117	24.96
WLR 66	0	0	0	0	0	0
WLR 75	9	78,840	41,767	52.98	11,480	14.56
WLR 80	1	8,760	4,033	46.04	1,244	14.20
WLR 114	1	8,760	3,299	37.66	3,766	42.99
WLR 115	1	8,760	3,495	39.90	2,903	33.14
MEC 180	2	17,520	869	4.96	13,326	76.06
MEC 205	5	35,064	608	1.73	23,654	67.46
MEC 210	15	131,400	9,622	7.32	78,769	59.95
MEC 213	3	21,912	3,099	14.14	11,638	53.11
MEC 230	1	8,760	492	5.62	3,079	35.15
MEC 270	0	0	0	0	0	0

1981 STANDBY—OTHER HOURS—Continued

Type	NR	Total hours	Standby hours	Standby percent	Maintenance hours	Maintenance (percent)
WPB 82	53	460.800	87.054	18.89	147.610	32.03
WPB 95	26	194.184	25.758	13.26	59.730	30.76
SES 110	0	0	0	0	0	0
WTGR 140	6	49.758	7.991	16.06	16.117	32.39
WYTL 65	15	131.400	24.386	18.56	33.380	25.40
WYTM 85	1	8.760	0	0	6	0.07
WYTM 110	10	80.031	12.377	15.47	28.734	35.90
WAGO 180	1	8.760	439	5.01	4.308	49.18
WTR 210	1	8.760	24	0.27	6.451	73.64
All cutter	248	2,109.741	530.035	25.12	726.813	34.45

1982 STANDBY—OTHER HOURS

Type	NR	Total hours	Standby hours	Standby percent	Maintenance hours	Maintenance (percent)
WAGB 269	2	17.520	2.185	12.47	9.505	54.25
WAGB 290	1	8.760	2.872	32.79	3.321	37.91
WAGB 310	1	8.760	600	6.85	4.889	55.81
WAGB 399	2	17.520	0	0.00	11.549	65.92
HEC 311	1	6.600	67	1.02	4.972	75.33
HEC 327	5	39.408	3.355	8.51	23.265	59.04
HEC 378	12	105.120	8.867	8.44	59.673	56.77
WIX 295	1	8.760	213	2.43	6.601	75.35
WLB 180	28	244.405	88.509	36.21	69.919	28.61
WLI 65	4	35.040	11.017	31.44	8.196	23.39
WLI 100	2	17.520	9.712	55.43	5.598	31.95
WLIC 75	10	97.600	50.649	57.82	20.569	23.48
WLIC 100	4	35.040	16.675	47.59	10.020	28.60
WLIC 160	4	35.040	20.631	58.88	8.467	24.16
WLM 133	7	61.320	35.329	57.61	13.461	21.95
WLM 157	5	43.800	23.460	53.56	10.381	23.70
WLM 175	3	19.680	9.831	49.95	5.969	30.33
WLR 65	6	52.560	26.622	50.65	10.604	20.18
WLR 66	0	0	0	0	0	0
WLR 75	9	78.840	41.370	52.47	13.964	17.71
WLR 80	1	8.760	4.114	46.96	1.695	19.35
WLR 114	1	8.760	4.168	47.58	2.503	28.57
WLR 115	1	8.760	4.287	48.94	796	9.09
MEC 180	3	21.912	8.310	37.92	7.776	35.49
MEC 205	5	43.800	165	0.38	29.671	67.74
MEC 210	17	133.608	9.564	7.16	74.800	55.98
MEC 213	3	26.280	3.726	14.18	14.994	57.05
MEC 230	1	8.760	950	10.84	4.493	51.29
MEC 270	0	0	0	0	0	0
WPB 82	53	462.072	72.428	15.67	145.588	31.51
WPB 95	25	201.322	17.144	8.52	72.813	36.17
SES 110	0	0	0	0	0	0
WTGR 140	6	52.560	13.169	25.06	14.173	26.97
WYTL 65	15	127.248	27.000	21.23	33.112	26.02
WYTM 85	1	8.760	0	0.00	903	10.31
WYTM 110	9	75.158	8.930	11.88	31.283	41.62
WAGO 180	1	4.368	360	8.24	2.903	66.46
WTR 210	1	6.552	314	4.79	4.127	62.99
All cutter	250	2,212.973	526.602	24.82	742.553	34.99

1983 STANDBY—OTHER HOURS

Type	NR	Total hours	Standby hours	Standby percent	Maintenance hours	Maintenance (percent)
WAGB 269	2	17,520	3,614	20.63	8,577	48.96
WAGB 290	1	8,760	2,693	30.74	3,921	44.76
WAGB 310	1	8,760	656	7.49	5,294	60.43
WAGB 399	2	17,520	522	2.98	8,674	49.51
HEC 311	1	8,760	354	4.04	5,706	65.14
HEC 327	4	35,040	869	2.48	24,421	69.69
HEC 378	12	105,120	16,654	15.84	48,056	45.72
WIX 295	1	8,760	1,084	12.37	5,908	67.44
WLB 180	29	245,261	113,140	46.13	70,678	28.82
WLI 65	4	35,040	23,917	68.26	8,053	22.98
WLI 100	2	17,520	10,614	60.58	4,729	26.99
WLIC 75	10	87,600	39,238	44.79	31,026	35.42
WLIC 100	4	35,040	16,124	46.02	10,098	28.82
WLIC 160	4	35,040	19,485	55.61	6,459	18.43
WLM 133	7	61,320	33,078	53.94	13,575	22.14
WLM 157	5	43,800	23,057	52.64	10,138	23.15
WLM 175	1	8,760	4,080	46.58	2,457	28.05
WLR 65	5	43,800	26,130	59.66	6,457	14.74
WLR 66	1	8,760	3,324	37.95	3,399	38.80
WLR 75	9	78,840	45,813	58.11	8,639	10.96
WLR 80	1	8,760	1,982	21.48	5,004	57.12
WLR 114	1	8,760	5,386	61.48	465	5.31
WLR 115	1	8,760	3,941	44.99	1,659	18.94
MEC 180	3	26,280	7,837	29.82	10,681	40.64
MEC 205	5	43,800	1,156	2.64	27,540	62.88
MEC 210	16	140,160	11,385	8.12	82,367	58.77
MEC 213	3	26,280	3,775	14.36	16,534	62.91
MEC 230	1	8,760	2,385	27.23	3,119	35.61
MEC 270	4	5,736	0	0	5,044	87.94
WPB 82	53	464,280	86,599	18.65	143,707	30.95
WPB 95	23	200,445	46,688	23.29	74,371	37.10
SES 110	3	17,915	1,880	10.48	10,641	59.30
WTGB 140	6	52,560	27,117	51.59	17,444	33.19
WYTL 65	14	122,640	56,792	46.31	35,659	29.08
WYTM 85	1	8,760	0	0	731	8.34
WYTM 110	8	70,080	22,408	31.97	30,028	42.85
All culter	248	2,125,027	663,677	31.23	751,269	35.35

1984 STANDBY—OTHER HOURS

Type	NR	Total hours	Standby hours	Standby percent	Maintenance hours	Maintenance (percent)
WAGB 269	2	17,568	1,854	10.55	8,798	50.00
WAGB 290	1	8,784	2,447	27.86	3,555	40.47
WAGB 310	1	8,784	0	0	8,749	99.60
WAGB 399	2	17,568	1,602	9.12	8,833	50.28
HEC 311	1	8,784	398	4.42	6,262	71.29
HEC 327	4	35,136	11,118	31.64	23,578	67.10
HEC 378	12	105,408	8,199	7.78	55,251	52.42
WIX 295	1	8,784	0	0	6,144	69.95
WLB 180	29	245,952	95,632	38.88	71,762	29.18
WLI 65	4	35,136	21,211	60.37	9,099	25.90
WLI 100	2	17,568	9,063	51.59	4,588	26.12
WLIC 75	10	87,840	36,579	41.64	27,091	30.84
WLIC 100	4	35,136	15,138	43.08	9,281	26.41
WLIC 160	4	35,136	13,591	38.68	10,388	29.57
WLM 133	7	61,488	28,992	47.15	15,470	25.16
WLM 157	5	43,920	20,573	46.84	9,924	22.60
WLM 175	1	8,784	4,040	45.99	2,203	25.08

1984 STANDBY--OTHER HOURS--Continued

Type	NR	Total hours	Standby hours	Standby percent	Maintenance hours	Maintenance (percent)
WLR 65	5	43,920	20,281	46.18	9,535	21.71
WIR 66	1	8,784	2,901	33.03	2,796	31.83
WIR 75	9	79,056	33,570	42.46	15,191	19.22
WLR 80	1	8,784	5,646	64.28	1,190	13.55
WLR 114	1	8,784	4,316	49.13	1,944	22.13
WLR 115	1	8,784	4,650	52.94	1,187	13.51
MEC 180	3	26,352	6,110	23.19	12,849	48.76
MEC 205	5	43,920	2,490	5.67	28,342	64.53
MEC 210	16	140,544	12,207	8.69	76,159	54.19
MEC 213	3	26,352	3,228	12.25	14,423	54.73
MEC 230	1	8,784	1,896	21.58	4,265	48.55
MEC 270	4	19,817	2,184	11.02	14,590	73.62
WPB 82	13	96,552	88,872	19.09	159,372	34.23
WPB 95	73	202,032	36,284	17.96	72,555	35.91
SES 110	3	26,352	435	1.65	16,242	61.63
WTGB 140	6	52,704	24,256	46.02	13,909	26.30
WYTL 65	34	122,976	57,198	46.51	36,281	29.50
WYTM 85	1	8,784	0	0	1,125	12.81
WYTM 110	8	70,214	22,993	32.75	27,509	39.18
All other	248	2,154,271	599,914	27.85	790,440	36.69

1981 STANDBY--DAYS AVAILABLE

Type	NR	Total days	Standby days	Standby percent	Maintenance days	Maintenance (percent)
WAGB 269	1	730	38	5.21	445	60.96
WAGB 290	1	365	77	21.10	120	32.88
WAGE 310	1	365	0	0	210	57.53
WAGB 339	2	730	0	0	391	53.56
WAGO 180	1	365	0	0	222	60.82
HEC 311	1	365	0	0	195	53.42
HEC 327	1	1,825	90	4.93	1,063	58.25
HEC 378	1	1,380	208	1.75	2,254	51.46
WIX 295	1	273	0	0	171	62.64
WLB 180	27	9,855	2,315	23.49	2,725	27.65
WLI 65	4	1,460	225	15.41	279	19.11
WLI 100	2	730	349	47.81	191	26.16
WLIC 75	10	3,650	1,871	51.26	864	23.67
WLIC 100	4	1,460	413	28.29	383	26.23
WLIC 160	4	1,460	718	49.18	353	24.18
WLM 133	7	2,555	983	38.47	595	23.29
WLM 157	5	1,825	799	43.78	365	20.00
WLM 175	3	1,095	462	42.19	272	24.84
WLR 65	6	2,190	850	38.81	471	21.51
WLR 75	9	3,285	1,447	44.05	484	14.73
WLR 80	1	365	150	41.10	52	14.25
WLR 111	1	365	103	28.22	154	42.19
WLR 115	1	365	138	37.81	177	32.05
MFC 180	2	730	31	4.25	549	75.21
MEC 205	5	1,461	13	0.89	968	66.26
MFC 210	15	5,475	283	5.17	3,190	58.26
MFC 213	3	913	79	8.65	468	51.26
MFC 230	1	365	13	3.56	126	34.52
WPB 82	25	14,200	2,321	12.09	5,675	29.56
WPB 95	73	8,090	714	8.83	2,303	28.47
WTGB 140	7	2,075	798	17.93	662	31.93
WTR 210	1	365	4	1.10	251	68.77
WYTL 65	34	9,475	592	10.81	1,368	24.99
WYTM 85	1	365	0	0	0	0

1981 STANDBY—DAYS AVAILABLE—Continued

Type	NR	Total days	Standby days	Standby percent	Maintenance days	Maintenance (percent)
WYTM 110	10	3,335	401	12.02	1,141	34.21
All cutter	248	87,905	15,955	18.15	29,077	33.08

1982 STANDBY—DAYS AVAILABLE

Type	NR	Total days	Standby days	Standby percent	Maintenance days	Maintenance (percent)
WAGB 269	2	730	4	0.55	390	53.42
WAGB 290	1	365	113	30.96	137	37.53
WAGE 310	1	365	0	0	148	46.03
WAGB 399	2	730	0	0	476	65.21
WAGO 180	1	182	12	6.59	115	63.19
HEC 311	1	275	0	0	205	74.55
HEC 327	5	1,642	88	5.36	934	56.88
HEC 378	12	4,380	202	4.61	2,379	54.32
WIX 295	1	365	0	0	271	74.25
WLB 180	28	10,184	2,793	27.43	2,823	27.72
WLI 65	4	1,460	351	24.04	263	18.01
WLI 100	2	730	0	48.08	232	31.78
WLIC 75	10	3,650	1,884	51.62	858	23.51
WLIC 100	4	1,460	501	34.32	423	28.97
WLIC 160	4	1,460	799	54.73	337	23.08
WLM 133	7	2,555	1,041	40.74	574	22.47
WLM 157	5	1,825	710	38.90	425	23.29
WLM 175	3	820	347	42.32	243	29.63
WLR 65	6	2,190	994	45.39	446	20.37
WLR 75	3	3,285	1,468	44.69	589	17.93
WLR 80	1	365	152	41.64	69	18.90
WLR 114	1	365	143	39.18	104	28.49
WLR 115	1	365	163	44.66	31	8.49
MFC 180	3	913	282	30.80	309	33.84
MFC 205	5	1,825	3	0.16	1,194	65.42
MFC 210	16	5,567	213	3.83	2,987	53.66
MFC 213	3	1,095	112	10.23	607	55.43
MFC 230	1	365	0	0	203	55.62
WPB 82	53	19,263	2,049	10.64	5,623	29.21
WPB 95	25	8,389	502	5.98	2,808	33.47
WTGB 140	6	2,190	295	13.47	568	25.94
WTR 210	1	373	6	2.20	156	57.14
WYTL 65	15	5,302	899	16.96	1,299	24.50
WYFM 35	1	365	0	0	28	10.41
WYFM 110	9	3,132	326	10.41	1,254	40.04
All cutter	249	88,417	16,803	19.00	29,538	33.41

1983 STANDBY—DAYS AVAILABLE

Type	NR	Total days	Standby days	Standby percent	Maintenance days	Maintenance (percent)
WAGB 269	2	730	93	12.74	351	48.08
WAGB 290	1	365	79	21.64	159	43.56
WAGE 310	1	365	0	0.00	219	60.00
WAGB 399	2	730	1	0.14	359	49.18
HEC 311	1	365	9	0.00	229	62.74
HEC 327	4	1,460	3	0.21	994	68.08
HEC 378	12	4,380	349	2.97	2,006	45.80

1983 STANDBY—DAYS AVAILABLE—Continued

Type	NR	Total days	Standby days	Standby percent	Maintenance days	Maintenance (percent)
WIX 295	1	365	8	2 19	242	66 30
WLB 180	30	10 218	3 439	33 66	2 837	27 76
WLI 65	4	1 460	852	58 36	307	21 03
WLI 100	2	730	379	51 92	198	27 12
WLIC 75	10	3 650	1 451	39 75	1 246	34 14
WLIC 100	4	1 460	608	41 64	417	28 56
WLIC 160	4	1 460	726	49 73	273	18 70
WLM 133	7	2 555	1 049	41 06	579	22 66
WLM 157	5	1 825	697	38 19	418	22 90
WLM 175	1	365	135	36 99	101	27 67
WLR 65	6	2 190	931	42 51	369	16 85
WLR 75	9	3 285	1 738	52 91	328	9 98
WLR 80	1	365	72	19 73	208	56 99
WLR 114	1	365	132	36 16	18	5 21
WLR 115	1	365	149	49 82	65	17 81
MFC 180	3	1 095	225	25 11	427	39 00
MEC 205	5	1 825	3	0 16	1 110	60 82
MFC 210	16	5 840	207	3 54 3 297	3 297	56 46
MEC 213	3	1 085	96	8 77	674	61 55
MFC 230	1	365	93	25 48	126	34 52
MFC 230	1	239	0	0 00	199	83 26
WPB 82	53	19 345	2 827	14 59	5 535	28 61
WPB 95	25	8 354	1 491	17 85	2 806	33 59
SEC 110	3	749	39	5 21	388	51 80
WTGB 140	6	2 190	809	36 94	685	31 28
WYTL 65	14	5 110	1 826	35 73	1 413	27 65
WYTM 85	1	365	146	40 00	31	8 49
WYTM 110	8	2 920	725	24 83	1 200	41 10
All cutter	248	88 545	21 423	24 19	29 815	33 67

1984 STANDBY—DAYS AVAILABLE

Type	NR	Total days	Standby days	Standby percent	Maintenance days	Maintenance (percent)
WAGB 269	2	732	45	6 15	365	49 86
WAGB 290	1	366	65	18 03	140	38 25
WAGE 310	1	366	0	0	362	98 91
WAGB 399	2	732	1	0 14	361	49 32
HEC 311	1	366	0	0	253	69 13
HEC 327	4	1 464	13	0 89	980	66 94
HEC 378	12	4 392	129	2 910	2 210	50 32
WIX 295	1	366	0	0	255	69 67
WLB 180	29	10 248	2 519	24 58	2 858	27 89
WLI 65	4	1 464	651	44 47	407	27 80
WLI 100	2	732	298	40 71	190	25 96
WLIC 75	10	3 660	1 355	37 02	1 111	30 36
WLIC 100	4	1 464	483	32 99	377	25 75
WLIC 160	4	1 464	516	35 25	420	28 69
WLM 133	7	2 562	930	36 30	646	25 21
WLM 157	5	1 830	459	25 08	406	22 19
WLM 175	1	366	129	35 25	91	24 86
WLR 65	5	1 830	644	35 19	408	22 30
WLR 66	1	366	76	20 77	48	13 11
WLR 75	9	3 294	1 073	32 57	603	18 31
WLR 80	1	366	189	51 64	46	12 57
WLR 114	1	366	74	20 22	81	22 13
WLR 115	1	366	142	38 80	52	14 21
MFC 180	3	1 098	185	15 03	526	47 91
MEC 205	5	1 830	10	0 55	1 214	66 34

1984 STANDBY—DAYS AVAILABLE—Continued

Type	NR	Total days	Standby days	Standby percent	Maintenance days	Maintenance (percent)
MFC 210	16	5,856	212	3.62	3,037	51.86
MFC 213	3	1,098	72	6.56	587	53.46
MFC 230	1	366	34	9.29	176	48.09
MFC 270	4	826	0	0	579	70.10
WPB 82	53	19,398	2,801	14.44	6,104	31.47
WPB 95	23	8,418	1,197	14.227	2,790	33.14
SFS 110	3	1,098	10	0.91	595	54.19
WTGB 140	6	2,196	685	31.19	548	24.95
WYTL 65	14	5,124	1,742	34.00	1,450	28.30
WYTM 85	1	366	0	0	51	13.93
WYTM 110	8	2,925	608	20.79	1,076	36.79
All cutter	248	89,761	17,328	19.30	31,403	34.99

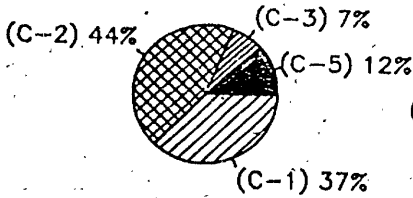
Question. Please provide a summary of the reports to WWMCCS of operational readiness of the Coast Guard's high and medium endurance cutters for the period from 1982 to present.

Answer. Cutter readiness reported in Unit Status and Identity Reports (UNITREP) has remained substantially the same in 1983 and 1984. Lower readiness reported in 1985 reflects increased and more stringent training requirements. Equipment, supply/spare parts, and personnel readiness remained high. The overall readiness C-rating for the period 1982 to present is displayed in the following pie charts as the percentage of the year the vessels in a class, high or medium endurance, were in a specific C-rating. The overall C-rating indicates the degree to which a unit is capable of performing the Coast Guard missions for which it is tasked.

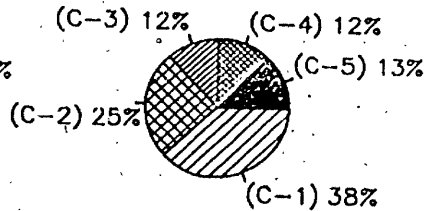
C-1—Fully Ready; C-2—Substantially Ready; C-3—Marginally Ready; C-4—Not Ready; and C-5—Not Ready, Service Programmed.

U. S. COAST GUARD MEDIUM ENDURANCE CUTTERS (WMEC) (1982 TO PRESENT)

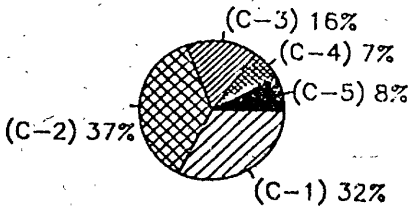
WMECs 1982



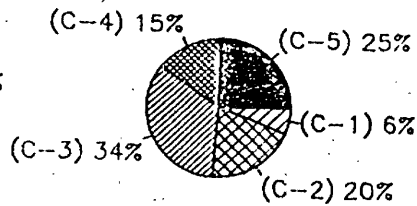
WMECs 1983



WMECs 1984



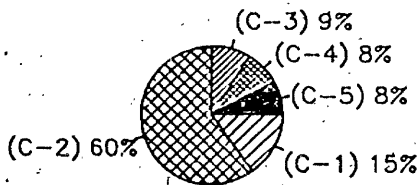
WMECs 1985 *



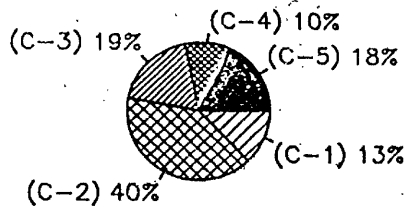
* Lower readiness reported in FY 85 reflects increased and more stringent training requirements.

U. S. COAST GUARD HIGH ENDURANCE CUTTERS (WHEC) (1982 TO PRESENT)

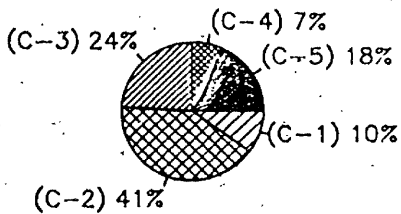
WHECs 1982



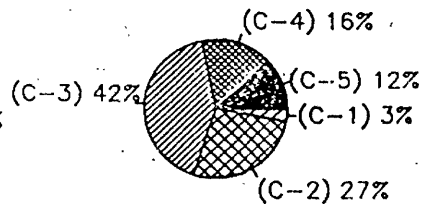
WHECs 1983



WHECs 1984



WHECs 1985 *



* Lower readiness reported in FY 85 reflects increased and more stringent training requirements.

Question. How often does NAVGARD meet?

What studies or projects are currently on the agenda of NAVGARD? What is the status of those studies and projects?

Answer. The NAVGARD Board meets semi-annually and at any other time when mutually agreed upon by the co-chairmen, the Vice Chief of Naval Operations and the Vice Commandant of the Coast Guard. The ongoing studies/projects of the NAVGARD Board include:

210' Medium Endurance Cutter (WMEC) 3"/50 gun replacement: Joint working group is currently determining required capabilities of the replacement gun. Potential replacement weapons will be investigated once required capabilities are defined.

378' High Endurance Cutter (WHEC) Fleet Rehabilitation and Modernization (FRAM): FRAM began in October 1985. A joint management team has been established to oversee combat systems installations.

Maritime Defense Zones (MDZ): MDZ Commanders are preparing material requirements for input to the Navy Program Objectives Memorandum (POM) for 1988.

Question. To what extent are the Coast Guard's 180 foot buoy tenders included in the Maritime Defense zone (MDZ) plans, or in other military readiness missions?

Answer. All Coast Guard assets including 180 foot buoy tenders have roles in MDZ plans. Specific plans have not been finalized, however, aids to Navigation (ATON) will remain a major task in wartime. In addition, the MDZ commander is refining the role of buoy tenders for surveillance and interdiction, shallow water swimmer/swimmer vehicle detection and defense, and in support of the Navy mine warfare/mine countermeasures missions. Further details are classified. Additionally, some buoy tenders specifically support contingency and general war plans for overseas deployment, the details of which are also classified.

Question. The subcommittee has received testimony, in prior years, concerning plans to retrofit certain types of equipment on the Coast Guard's 270' medium endurance cutter fleet and its 378' high endurance cutter fleet. Funds for the purchase of this equipment was expected to be provided by the Navy. Please provide a specific, item by item listing that describes the present nature of the understanding between the Navy and the Coast Guard regarding Navy plans to purchase:

Harpoon Missile systems; Tactas towed sonar array systems; and Phalanx close-in-weapons systems, for the 270' cutter fleet and the 378' cutter fleet. Please include, in this listing, a description as to whether the decision to make or not to make specific purchases are considered to be tentative or final, and also an identification of the fiscal year in which the purchases are to be made. Finally, please state whether present plans are to purchase equipment for immediate installation on vessels, or to pre-position equipment for possible retrofitting at a future date.

Answer. The Harpoon Missile system is scheduled to be installed on the 378' high endurance cutters beginning in fiscal year 1989. Four cutters will receive Harpoon each year through 1991. The Harpoon decision is final. The Navy will provide the systems and Coast Guard will pay for their installation. The 270' medium endurance cutter fleet will not receive Harpoon.

Tactas is not scheduled for any Coast Guard cutters. The Phalanx close-in-weapon system is scheduled to be installed on 378' high endurance cutters on the same schedule as Harpoon. Four systems per year beginning in 1989 and ending in 1991. The decision concerning Phalanx is final. The Navy will provide the systems and the Coast Guard will pay for their installation. The 270' medium endurance cutter will not receive Phalanx.

Retrofitting vessels upon mobilization with identified pre-positioned equipment has been replaced by the concept of installing the systems and making timely system upgrades.

QUESTIONS SUBMITTED BY MR. LENT AND ANSWERED BY THE U.S. COAST GUARD

Question. By statute the Coast Guard is to operate as a service in the Navy during time of war. How will this shift be made from the Department of Transportation to the Department of Defense? What is the role of the Commandant in time of war? Who does the Commandant report to and who reports to the Commandant?

Answer. Title 14 USC 3 applies to the transfer of the Coast Guard to the Navy during war. This can happen in either of two ways. First, transfer will occur immediately upon declaration of war or national emergency. Second, it can occur by Presidential direction, prior to war. There is a Presidential Emergency Action Direction (PEAD) in place for execution. At the execution of either action the Secretary of the Navy will assume the Secretary of Transportation's statutory responsibilities for Coast Guard missions.

The Commandant is responsible for training, organizing, and equipping, and continued administrative and logistics support to the Coast Guard forces in time of war. The Commandant reports to the Secretary of the Navy for matters concerning statutory missions and to the Chief of Naval Operations for Naval assigned missions. The Coast Guard chain of command remains unchanged for statutory Coast Guard missions. Headquarters units remain under the Commandant.

Question. Within the Department of Defense, a joint staffing organizational system is used in the various commands. As a result, the Department of Defense is organized in peacetime the same way it would be organized in time of war. Are Coast units including Districts and Headquarters, organized along these lines? Is the Coast Guard organized in the same way that it would be in time of war? If not, what are the reasons for not doing so? How will they fit into the defense established in time of war? Could peacetime missions be carried out under a wartime organization? If not why not?

Answer. Within the Department of Defense, there is a Joint Staffing organization, but it is for unified commanders and other specific joint service commands. It is not applicable to the Military services per se. The Services are each organized at various levels by various staff means. The Coast Guard is organized along programmatic lines at Headquarters, along operational and support lines at the field level. All services have operation plans which include the chain of command and coordination with other services, commands and agencies. The Coast Guard is included in these plans and ours include the other services; commands and agencies. Our participation in Joint Chiefs of Staff sponsored worldwide Command Post exercises has not indicated any problems with integration into the Defense organization.

Question. Is all or part of the current organizational structure of the Coast Guard specified by law? If so, what statutes dictate this organization?

Answer. The current organizational structure of the Coast Guard derives from the statutory authority that provides for the appointment of the Commandant, the Vice Commandant and the Area Commanders. Title 14 USC 44 provides for the appointment of the Commandant as Chief of the Coast Guard. The Commandant's exercise of authority as the Chief of the Coast Guard is through Area Commanders and District Commanders, as appropriate, to the lower echelon operational commanders. Statutory authority is: Appointment of the Commandant (14 USC 44); Appointment of the Vice Commandant (14 USC 47); Appointment of the Area Commander as intermediary between the Commandant and District Commanders for selected matters (14 USC 50).

Question. Is there adequate staffing at all levels in the MDZ organization to perform the planning and exercise tasks required without detracting from other important peacetime functions?

Answer. It is too early to tell if all planned staffs will be adequate for MDZ planning and exercising. Additions to present levels are envisioned as shown below.

Presently, staffing has been provided or identified as follows:

Joint staffs of 6 officers and 3 enlisted at each Zone level provided.

Coast Guard staff officers have been provided to 3 of 4 Navy Sectors, with the remaining Sector pending assignment by Coast Guard Headquarters.

Assignment of Navy staff officers to 11 Coast Guard sectors is anticipated.

Three, additional Navy enlisted billets have been approved for MARDEZLANT Zone Staff.

Additional staffing, most notably at the subsector level, is currently under study.

Question. How much training emphasis is given to joint planning by the Coast Guard? For example, how many officers on an average are sent per year to receive joint planning training at DOD schools? Further, does the port securitymen rating training reflect MDZ responsibilities?

Answer. The Armed Forces Staff College at Norfolk is the primary source of joint training for officers. About two to four officers per year attend the Armed Forces Staff College where joint planning is introduced. Joint Planning is, to a lesser degree, also included at the Naval War College in Newport, RI. Approximately six officers attend the Naval War College per year. Approximately twenty officers per year attend various Department of Defense sponsored joint planning courses and seminars. The port securityman rate training expands upon our peacetime role and as such includes much of the Maritime Defense Zone responsibilities such as port safety and port physical security training. Additional training for port security personnel is available in explosives handling, hazardous materials handling and a new course available in late fiscal year 1986, titled Specialized Port Physical Security.

Question. The MDZ responsibilities task the Coast Guard with supporting the unified commander of the Atlantic and Pacific Commands. In addition to these respon-

sibilities, does the Coast Guard have any other tasking in support of other unified or specified commands?

Answer. The MDZ responsibilities are subject to the direction of the Fleet Commanders in Chief, not the Unified Commander. The Coast Guard does support Unified Commanders in other geographical areas, normally through their Naval component Commander. Specific support tasking is classified.

Question. There have been some recent proposals made for reorganizing the Department of Defense and, in particular, how the Joint Chiefs of Staff operate. Will these proposals in any way affect the Coast Guard or the Coast Guard/Navy relationship?

Answer. The Coast Guard has a direct link to National Command Authorities through the Chief of Naval Operations. This direct link would be altered under the proposed reorganization. A Coast Guard Liaison would have to be established with the Joint Military Advisory Council. There would be very little impact on Coast Guard/Navy relationships.

Question. It is my understanding that the Maritime Defense Zone commanders are not in the chain of command in peacetime for port security responsibilities. Yet these commanders would be tasked with port security responsibilities in time of war. Is there any effort to change the responsibilities of these commanders so that they have day-to-day responsibility for port security matters at all times?

Answer. The officers who have been designated as Maritime Defense Zone (MDZ) Commanders are Coast Guard officers who are also Coast Guard Area Commanders. When acting in their MDZ capacity, they are in the Navy chain of command. In their Area capacity they are in the Coast Guard chain of command. Those relationships do not change in time of war. Their MDZ duties become predominant in wartime, but their Coast Guard statutory duties and authority remains and they remain responsible to the Coast Guard Commandant for the performance of those Coast Guard duties.

The point of the question regarding port security has to do with the specific statutory authority of the officers designated as Captain of the Port (COTP). This is essentially a safety and enforcement authority, and it rests with officers filling specific billets—viz., the Commandant, each District Commander, and one officer in each COTP Zone. COTP authority was not given to Area Commanders because theirs is primarily an oversight and coordination role, except where an event involves resources of more than one district or occurs in a region which spans more than one district or is beyond normal district operating areas. Incidents involving COTP discretion/action are site specific without a given district or port.

The issues raised in the question have been under discussion for some time in the Coast Guard. There are potentially difficult statutory and operational issues involved. A final decision has not been made. In the Coast Guard some matters flow direct from our virtually autonomous District Commanders to the Commandant. COTP functions are among those.

Question. What is the difference between the port safety and port security responsibilities under the MDZ concept?

Answer. The port security program is concerned with preventing damage to ports by both accidental and intentional threats. Port safety concerns the prevention of accidental damage. Both involve actions to ameliorate the impact of any disaster. Physical port security concerns the prevention of intentional damage, i.e., sabotage, theft of critical assets, espionage, etc. These include fencing, lighting, patrols, electronic surveillance, and access control systems.

Question. The Coast Guard is responsible for certain port readiness functions and must interact with a variety of governmental and private agencies and organizations to carry out this activity. Can you describe this Coast Guard program for port readiness? Have local port readiness committees and local port memoranda of understanding been developed so that these agencies may interact effectively? If not, what date has been set to accomplish this?

Answer. The Multi-Agency Memorandum of Understanding (MOU) on Port Readiness (COMDTINST 16601.5 dtd 3 JUL 1985) identifies the responsibilities of federal port agencies. The goal of the Coast Guard Port Readiness program is to provide the maximum possible support to enhance strategic mobility to insure success in a military confrontation or national emergency, and, secondarily, to maintain strong national economic health. This is accomplished by many of the same measures used in peacetime to insure the safety and security of U.S. ports, including inspecting vessels; enforcing vessel, cargo, and facility regulations; licensing mariners; enforcing customs and other laws; establishing and enforcing limited access areas (safety/security zones, personnel access control); and operation of Vessel Traffic Services. The MOU ensures military-commercial port readiness for the deployment of military

personnel and cargo in the event of mobilization or national defense contingency. Local MOUs are being actively developed at this time. Many should be completed this fiscal year.



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UNITED STATES COAST GUARD

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• COMDTINST 16601.5

3 JUL 1985

COMMANDANT INSTRUCTION 16601.5

Subj: Multi-Agency Memorandum of Understanding on Port Readiness

1. **PURPOSE.** This Instruction publishes the subject memorandum. Supplemental policy and guidance is provided for Coast Guard personnel involved in port security activities during mobilization or national defense contingencies.
2. **SCOPE.** The policy and guidance herein is a planning aid for those Captains of the Port through whose area combat units may deploy. However, the liaison activities discussed are not restricted solely to wartime planning. All Coast Guard planning, whether for pollution contingencies, natural disasters or national emergency short of war, can be enhanced by applying the general guidelines for multi-agency coordination in this Instruction.
3. **DISCUSSION.** Enclosure (1) is a summary of COTP involvement supporting a combat deployment. A more detailed discussion paper was originally provided in June 1983 to those COTPs directly involved. Since that time, movement plans of the Military Traffic Management Command (MTMC) have changed, as has Department of the Army doctrine on ammunition shipments. MTMC plans now indicate that virtually any seaport can be used for a combat deployment -- or resupply -- depending on various conditions. Therefore, because of the wide application, this summary is furnished to all COTPs in a general, unclassified format.
4. **BACKGROUND.**
 - a. Enhancing the strategic mobility of deploying combat forces and strategic cargo through commercial seaports of embarkation (SPOE) is the responsibility of several Federal agencies. Representatives from the Coast Guard, Military Traffic Management Command, Military Sealift Command (MSC), Maritime Administration (MARAD), U.S. Army Corps of Engineers (USACE), and the Naval Control of Shipping Organization (NCSORG), formed a Port

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COMDTINST 16601.5

4. a. (cont'd) Readiness Working-Group (PRWG) in June 1983. An objective of the Port Readiness Working Group was to develop an umbrella memorandum of understanding which addressed each agency's capabilities and requirements for support and assistance in U.S. ports in times of mobilization. This would help assure coordination of port activities at the local level.
 - (1) Initially, only those agencies operationally involved in Sea Ports of Embarkations (SPOE) during mobilization have been included in the Multi-agency MOU. Other federal, military, and civil agencies (e.g., FEMA, OET, REDCOM, AAPA, etc.) will be invited to join later when definitive coordination needs are identified.
 - (2) Enclosure (2) is the MOU on port readiness developed by the PRWG. For the first time, responsibilities of key federal agencies involved in port throughput of strategic cargo are presented in a single document.
 - b. The MOU directs the formation of a national level steering group composed of representatives from each agency to coordinate and direct the port readiness activities of their subordinates. The Chief, Office of Marine Environment and Systems (G-W) is the Coast Guard representative to the steering group. Representation and support from other programs will be detailed as necessary.
 - c. The new Maritime Defense Zone commanders will integrate all Navy and Coast Guard wartime port responsibilities under one Commander. His responsibilities entail all aspects of wartime port readiness and security. In addition, the Maritime Defense Zone Commanders have responsibilities for approaches to ports, dispersal areas, and in coastal waters, all of which impact upon port readiness. Accordingly, when Maritime Defense Zone Commanders are fully online, they must be included in this document.
5. ACTION.
- a. Office chiefs and chiefs of special staff divisions at Headquarters shall ensure that changes in wartime missions and goals of operating programs are incorporated in the MOU on Port Readiness.
 - b. Chief, Office of Marine Environment and Systems (G-W) shall:
 - (1) Manage implementing Coast Guard responsibilities outlined in the MOU on Port Readiness;
 - (2) Represent the Coast Guard on the national-level steering group on port readiness activities.
 - c. Area commanders shall require that subordinate commanders coordinate port readiness activities as follows:
 - (1) District commanders shall support, encourage and promote port level, multi-agency planning, cooperation and coordination committees.

COMDTINST 16601.5

5.C. (2) Captains of the Port and/or Commanders, Coast Guard Forces shall:

- (a) Identify those Federal, state, civil and private agencies with whom coordination will be required during national defense emergencies.
- (b) Participate in the formation of local port readiness committees to accomplish the objectives of this Instruction. It is recognized that local committee membership will vary from port to port depending on agency involvement and activity in particular areas.
- (c) Develop local memoranda of understanding with involved agencies. A minimum requirement is to outline each agency's responsibilities for particular port areas.
- (d) Forward a copy of each MOU to Commandant (G-WPE-2).

6. REPORTS. Captains of the Port shall report staff-hours expended in the MOBILIZATION PLANNING section of the PES/MER Activities Report (RCS G-WP-14013).

[Signature]
D. C. THOMPSON
Chief of Staff

- Encl: (1) Guidance for Coast Guard Support of Deploying Combat Forces
(2) Multi-Agency Memorandum of Understanding on Port Readiness

Enclosure (1) to COMDTINST 16604.5

GUIDANCE FOR COAST GUARD-SUPPORT OF DEPLOYING COMBAT FORCES

1. The Coast Guard maintains the only nationwide military/Federal agency infrastructure providing continuous services in strategic and economically important ports. The authorities, tools and resources available to the Captain of the Port are invaluable in supporting strategic mobility generally, and especially a deployment of combat forces. By coordinating port security efforts to protect and enhance the safe handling of materials critical to the national interest, the COTP provides a significant contribution to national security.

2. To meet mission objectives, a sound interagency framework for effective coordination is crucial. This is essential not only among principal players (USCG, MIMC, MSC, MARAD, etc.), but also among those organizations (unions, civil authorities, etc.) without whose cooperation and support the ability to effect rapid deployment would be hampered. The importance of interagency coordination cannot be over-emphasized. Past CG planning experience has shown it cannot be assumed all players will be familiar with each other and their respective responsibilities. The COTP must contact, and maintain liaison with, each agency in the port area with whom coordination will be required in a deployment scenario. Some organizations (MIMC Terminal Transportation Unit (TTUs), MSC, NCSORG) may be in various port areas only during mobilization with no peacetime presence. The COTP should include these organizations in coordination activities.

3. In March 1983, the Coast Guard and the Military Traffic Management Command (MTMC) signed a memorandum of understanding on port safety and security. The MOU outlines each agency's responsibilities and assures a cross-flow of information at all command levels. This MOU, copies of which were provided to those COTPs supporting combat deployments, spawned a larger, and more comprehensive MOU concerning port readiness among six agencies: The Coast Guard, MIMC, the Maritime Administration (MARAD), Military Sealift Command (MSC), U.S. Army Corps of Engineers (USACE), and the Naval Control of Shipping Organization (NCSORG) agreed at the national level to coordinate port readiness activities.

4. The Coast Guard role during a deployment is to provide maximum possible support to enhance strategic mobility -- the rapid transport of war goods from points of origin to points of destination. COTPs should recognize that many of the regulations routinely enforced during peacetime, may require modification during a major deployment supporting a military contingency, national emergency, or war. Prevention and enforcement activities must be in consonance with the national interest at the time. Special exceptions such as DOT E-3498 may be predetermined to allow exemption of certain hazardous materials regulations due to national interests.

5. Concept of deployment.

a. A rapid deployment force, consisting of pre-identified Army, Navy, Air Force and Marine elements, has been established to counter various threats.

Enclosure (1) to COMDTINST 16601-5.

worldwide. The size and composition of deploying forces will depend on the threat. Possibly not all combat elements will deploy and probably only a few seaports of embarkation (SPOE) will be used. MTMC has pre-assigned SPOEs to deploying Army combat units.

b. Troop movements through SPOEs are not planned. Only those personnel necessary for maintaining vehicles (drivers, mechanics, etc.) and those security forces necessary for the duration of the voyage will ride the ships.

c. Large quantities of military explosives will not accompany unit equipment through commercial SPOEs. Five Army units are currently authorized to deploy with full ammo basic load (ABL) consisting of DOT Class "A", "B" and "C" explosives (ABL being that quantity needed until resupply can be made). The COIPs at the pre-assigned SPOEs for these units have been provided cargo data for use in planning. All other deploying Army units will deploy mainly with small arms ammo and possibly very small quantities of Class "A" and "B" explosives. Ammo resupply will be accomplished through various naval weapons stations and Army military ocean terminals -- not at commercial ports.

(1) Ammo accompanying unit equipment to the SPOE is planned to arrive within organic vehicles. Any military vehicle capable of carrying ammo will probably be so used. Army Materiel Command (AMC -- formerly DARCOM) has developed loading and bracing standards for vessel movement of ammo-laden vehicles. When these vehicles arrive in port, COIPs can expect the ammo to be adequately braced for sea.

(2) Ammo compatibility within vehicles and containers will be maintained insofar as possible. However, DOT E-3498 allows for incompatible stows as may be necessary to expedite unit deployment. This issue was seriously considered in developing the DOT exemption. In view of modern packaging methods (palletizing, banding, strapping, etc.); the method of vessel stowage (ROORO/container); the nature of the operation; and the relatively small quantities of ammo involved, it was determined that a relaxation of compatibility requirements would best serve the national interest.

(3) It is possible that a limited quantity of ammo will arrive in port for breakbulk stowage. The COIP should consider all factors before determining segregation requirements.

d. Generally, 48 hours or more will elapse from the time the President orders a deployment before material begins arriving in port. This may vary depending on proximity of deploying units to the port area. It is also possible that material will move before a deployment is ordered. Vessels planned for use are breakbulk, container and/or ROORO-type. These vessels are scheduled to arrive in port as soon as is available.

e. Some ports will be busier than others. While some COIPs can expect more than a two-week period of activity, others can expect less than a week. The size and composition of units deploying -- and the OPLAN being executed -- will dictate the duration.

Enclosure (1) to COMDTINST 16601.5

f. A staging area(s) will be required, the location and size of which must be coordinated locally with MIMC. The types of material arriving in port is governed by the type unit deploying.

6. Physical Security.

a. Physical security is critical for the success of any deployment. Probably no other aspect of the evolution will impact more on Coast Guard resources. As military cargo is most vulnerable to subversive activity while in the port area, to say security is important is an understatement. Cargo security, vessel security, facility security, water and shoreside security, personnel security -- all require extensive preplanning, interagency coordination, and allocation of resources to insure mission accomplishment.

(1) Waterside security is a Coast Guard responsibility. Waterside physical security by definition addresses those unauthorized individuals who seek to gain access to a facility or ship by using the water as a pathway to penetrate the perimeter. The historically documented groups who have demonstrated this capability range between small groups of non-destructive, politically motivated demonstrators, to trained, armed terrorists using underwater swimmer equipment to assist in covert anti-shipping explosive attacks and on to formal unconventional warfare units that would act either as a prelude to a state of war or as an adjunct to war. The threat, as humanly described, may range from a lone individual to a small group -- nominally six; and, as a target of detection, may encompass an unaided swimmer, low or high speed small boat, or swimmer delivery vehicle. The technological threat target trend would have to admit the possibility of robotic vehicles or marine animals being used to gain unauthorized access through waterside perimeter security boundaries. The most likely threat, and least damaging, is the small group of non-destructive political demonstrators. The least likely non-wartime threat, but most damaging, is the squad of trained terrorists seeking to seriously damage a high value target such as a moored ship.

(2) Cargo security is primarily the responsibility of deploying units and the Military Traffic Management Command (MTMC). Where required, deploying military forces can be expected to protect those areas where their military cargo is stored (staging areas, warehouses, etc.). MTMC Transportation Terminal Units (TTU) are authorized to contract with civilian security agencies where necessary when military forces are not sufficient. The port security responsibilities of the COIP require him to determine and monitor the adequacy of cargo security, and to recommend and direct (and in the most extreme circumstances, provide) improvements to cargo security if necessary.

(3) Primary responsibility for physical security of vessels and facilities rests with the owner/operator. In exercising his port security responsibilities the COIP is expected to monitor physical security efforts of owners and operators to ensure their adequacy. The COIP will advise the owner/operator when facility security measures are not adequate to meet the level of threat. State and local authorities will be asked to assist in achieving the required upgrade of security. Coast Guard-provided security forces may augment for short periods as determined by local conditions.

Enclosure (1) to CONDTINST 16601.5

(4) Onboard vessel security and access control is the responsibility of the Military Sealift Command (MSC). If a substantial security force is appropriate dockside or aboard the vessel, interagency coordination will determine the best use of resources to augment vessel-provided security services.

(5) Personnel security is a shared responsibility of the entire maritime community.

(a) The Coast Guard Port Security Card Program is currently constrained by limited governmental resources to conduct background checks. This program is being evaluated to determine whether a nationwide on-line program is in the national interest. In the interim, issuing temporary port security cards is acceptable, provided applicants meet minimum criteria as outlined in Annex P, CAPLAN. (33 CFR 125)

(b) Private identification card programs may be a suitable alternative for individual facilities or complexes, and a wide variety of card systems are commercially available. Since primary responsibility for physical security rests with industry, adoption of private ID card programs would enhance the security posture of the facilities with a corresponding enhancement to the security of the port overall.

7. Vessels to be used for military deployments will be contracted by the Maritime Administration (MARAD). Crews will be obtained by MSC. In addition, MARAD will contract for terminals and terminal services at the SPOE. The MARAD Federal Port Controller will coordinate port terminal operations to assure fast throughput of military cargo. Vessel loading will be accomplished by military and civilian personnel. The MTMC TTU is responsible for coordinating the efforts of loading crews and work scheduling for 24-hour operations. This may vary depending on cargo availability. Quality assurance personnel from TTUs will monitor all evolutions from a safety point of view. Coast Guard personnel are expected to coordinate safety-related enforcement activities with the TTU.

Enclosure (2) to COMDINST 16601.5

	RESPONSIBLE AGENCY	PRIMARY USER	COORD. REQ. WITH	INFO NEEDS
III. SHORESIDE CARGO OPERATIONS				
A. Handling	MTMC	MTMC	USCG/MSC/OWN-OP ⁴	MARAD
B. Safety (Hazmat, Fire, etc.)	MTMC	MTMC	USCG/MSC/OWN-OP ⁴	MARAD
C. Physical Security	MTMC	MTMC	USCG/MSC/OWN-OP ⁴	MARAD
D. Cargo Identification	MTMC	MTMC	USCG/MSC/OWN-OP ⁴	MARAD
E. Frustrated Cargo Dispos.	MTMC	MTMC	USCG/MSC/OWN-OP ⁴ MARAD	MARAD
F. Container Intermodal Equipment Acquisition	MTMC/ MARAD	MTMC	USCG	
IV. HARBOR OPERATIONS				
A. Port Safety	USCG	All	All/OWN-OP ⁴	
B. Waterways Security	USCG	MSC	USACE	MARAD
C. Water Pollution Response	USCG	All	All	
D. Aids to Navigation	USCG	MSC	USACE	MSCORG
E. Limited Access Areas				
1. Designation	USCG	MSC/MTMC	MTMC/MSC/MARAD	USACE/MSCORG
2. Enforcement	USCG	MSC/MTMC	MTMC/MSC/MARAD	USACE/MSCORG
F. Anchorage Control	USCG ⁵	MSC	USACE	
G. Channel Maintenance				
1. Dredging	USACE	MSC/MTMC	USCG	MARAD/MSCORG
2. Other Maintenance (snagging & clearing)	USACE	MSC/MTMC	USCG	MARAD/MSCORG
H. Emergency Obstruction Removal	USACE	MSC/MTMC	USCG	MARAD/MSCORG

1/ Military owned facility.

2/ When activated.

3/ Delegated to general agents by MARAD under General Agency Agreements for reserve fleet vessels.

4/ The owner/operator of the vessel or facility concerned.

5/ May be conducted by harbor defense commander if plan is activated.

6/ Task delegated to USCG by Navy FLTUING.

7/ OWN-OP has primary responsibility under USCG supervision. USCG-provided shoreside security forces can augment for short periods as determined by local conditions.

Enclosure (2) to COMDTINST 16601.5

ANNEX DAGENCY ADDRESSES

U.S. Army Corps of Engineers
Directorate of Civil Works
(DAEN-CWO-E)
20 Massachusetts Ave., N.W.
Washington, DC 20314-1000

Commander
Military Traffic Management Command
ATTN: MT-SS
5611 Columbia Pike
Falls Church, VA 22041-5050

Commandant
U.S. Coast Guard (G-WFE)
Washington, DC 20593

Maritime Administration
MAR-373/MAR 830
400 7th Street, SW
Washington, DC 20590

Commander
Military Sealift Command (M-6)
4228 Wisconsin Ave., N.W.
Washington, DC 20390-5320

Department of the Navy
Office of Chief of Naval Operations (OP OCN)
Assistant for Naval Control of Shipping
Washington, DC 20390-5320

ANNEX EMATRIX OF PORT ACTIVITIES

Purpose: This Annex identifies Atlantic, Gulf of Mexico and Pacific coastal locations of activities and general capabilities of the signatory agencies.

Legend:

1. U.S. Army Corps of Engineers (USACE)

- A = District/Division Office location
- B = Field Office location
- C = Maintenance priority port (designated by MTMC)

2. U.S. Army Military Traffic Management Command (MTMC)

- E = Pre-assigned port for combat unit deployment
- F = Pre-designated port for combat resupply
- G = Ports for which USCG Hazardous Material Handling Permits are pre-positioned
- H = Ports at which Transportation Terminal Units (TTU) will mobilize
- I = MTMC owned or controlled ports/outports
- J = MTMC Port Detachment location

3. U.S. Coast Guard (USCG)

- L = Captain of the Port/Marine Safety Office or Marine Safety Detachment location
- M = District Office location
- N = Group Office location (usually includes subordinate units with a primary mission of SAR)
- O = Base or Support Center location
- P = USCG Air Station location
- Q = Vessel Traffic Service

4. Maritime Administration (MARAD)

- R = Port where a MARAD Federal Port Controller is designated
- S = Port where negotiations pend to designate a Federal Port Controller
- T = Regional Office location
- U = Resident MARAD Construction Representative
- V = MARAD Reserve Fleet location
- W = Maritime Development Staff to promote U.S.-flag shipping to carry U.S. imports and exports

5. U.S. Navy Military Sealift Command (MSC)

- X = Location of MSC office during peacetime
- Y = Location of MSC office during contingency or mobilization

6. U.S. Naval Control of Shipping Organization (NCSORG)

- Z = Location at which Naval Control of Shipping Officer will be located upon mobilization

Enclosure (2) to COMDTINST 166045

LOCATION	USACE	MTMC	USCG	MARAD	MSC	NCSORG
Bangor, ME			L			
Southwest Harbor, ME			N, O			
Portland, ME			L, N			Z
South Portland, ME			O			
Portsmouth, NH						Z
Boston, MA	A		L, M, N, O	Y		Z
Woods Hole, MA			N, O			
Otis AFB, ME	B		P			
Newport, RI						Z
Providence, RI	A, C	F, H	L	S		
New London, CT	B, C		L			Z
New Haven, CT			L, N			
Hampton Bays, NY			N			
Atlantic Beach, NY			N			
New York, NY	A*, C		L, M, N, O, Q	R, Y	Y	Z
Brooklyn, NY	A		P			
Bayonne, NJ	A, C	E, F, H, I			X, Y	Z
Ft. Newark/Elizabeth, NJ	A, C	F		R		
Highlands, NJ			N			
Cape May, NJ			N, P			
Stouffville City, NJ	A, C		O			
Philadelphia, PA	A, B, C	F, H	L	R	Y	Z
Baltimore, SD	A, C	E, F, H, I	L, N	R	Y	Z
Chincoteague, VA			N			
Norfolk, VA	A, C	F, H	L	R, V	X, Y	Z
Portsmouth, VA			M, O			
Elizabeth City, NC			P			
Buxton, NC			N			
Atlantic Beach, NC			N, O			
Morehead City, NC	C	F	L	R		Z
Wilmington, NC	A, C	E, F, G, H	L	R		Z
Sunny Pt, NC	A, C	I			Y	
Charleston, SC	A, C	E, F, G, H, I	L, N, O	S	Y	Z
Savannah, GA	A, B, C	E, F, G, H	L, P	S	Y	Z
Mayport, FL	A		N, O			
Jacksonville, FL	A, C	E, F, G, H	L	S	Y	Z
Port Canaveral, FL					X	Z
West Palm Beach, FL			L			
Miami, FL	B		L, M, N, O, P			Z
Key West, FL			L, N			Z
St. Petersburg, FL	B		N			
Tampa, FL	B		L	R		Z
Panama City, FL	B					
Clearwater, FL	B		P			
Pensacola, FL	B					Z
San Juan, PR	B		L, O		Y	Z
Aguadilla, PR			P			
Port Ponce, PR			L			
St. Croix, VI	A				Y	Z

* Includes Earle, NJ

Enclosure (2) to COMDTINST 166015

LOCATION	USACE	HYMC	USCG	PARAD	HSC	NCSCRG
Mobile, AL	A,B,C	E,F,H,J	L,N,O,P	R	Y	Z
Pascagoula, MS				R		
Gulfport, MS	C	E,F,H		R		Z
New Orleans, LA	A,C	E,F,G,H	L,N,R,O,P	R,T,U	X,Y	Z
Grand Isle, LA			H			
Lake Charles, LA			L	R		
Sibole, TX						Z
Port Arthur, TX	B		L	S		
Orange, TX	B			R		
Beaumont, TX	C	E,F,G,H,I		S,V	Y	
Houston, TX	B,C	E,F,H	L,P,Q	R,W	Y	Z
Galveston, TX	A,C	E,F,H	L,N,O	R	Y	Z
Freeport, TX			P			
Corpus Christi, TX	B		L,N,P	R	Y	Z
Brownsville, TX	B		L	R		
San Diego, CA	B,C	E,F,G,H	L,N,P		X,Y	Z
Los Angeles, CA	A,B,C	E,F,G	P	S		
Long Beach, CA	A,C	E,J	L,H	S,W	X,Y	Z
San Pedro, CA	A		S			
Port Huenere, CA	B,C	E,G				Z
Santa Barbara, CA						
Monterey, CA						
San Francisco, CA	A		L,N,P,Q	T,V		Z
Alameda, CA	A					
Oakland, CA	A			S	Y	
San Esteban Area	A,C	E,F,T				
CONSPAC	A				X,Y	
Corcoran, CA	A				Y	
Stockton, CA	A			S		
Sacramento, CA	A		F			
Eureka, CA	B					Z
McKinleyville, CA						
Coos Bay, OR	B					Z
North Bend, OR	B					
Astoria, OR	B					
Portland, OR	A,B					
Abbotsford, WA						
Port Angeles, WA						
Shaw Island, WA	A,B,C		L,N,M,O,P		X,Y	Z
Tacoma, WA	C	E,F,T				
Ketchikan, AK						
Sitka, AK						
Juneau, AK						Z
Valdez, AK						Z
Kenai, AK						
Anchorage, AK	A				X,Y	Z
Ketchikan, AK						
Adak, AK					Y	Z
Honolulu, HI	A				X,Y	
Pearl Harbor, HI						Z
Barbers Pt., HI					X,Y	Z
Guam					Y	Z
Midway						Z

Enclosure (2) to COMDTINST 16601.5

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE DEPARTMENT OF DEFENSE
AND
THE DEPARTMENT OF TRANSPORTATION
CONCERNING
PORT READINESS

1. WHEREAS: The Department of Defense requires use of domestic civil port facilities and services to support deployment of military personnel and cargo in defense contingencies, including situations less than a declaration of war or national defense emergency.
2. WHEREAS: The Secretary of Transportation has been delegated authority under provisions of the Defense Production Act of 1950, as amended, and in accordance with statutory and administrative authorities; e.g., regulations, executive orders, and other Departmental orders and issuances to acquire such services and facilities for use by defense agencies.
3. NOW THEREFORE: This MOU has been concluded between the responsible components of both Departments to effect close coordination to assure the rapid execution of deployment for national defense.

Assistant Secretary of Transportation
(Policy and International Affairs)

Assistant Secretary of Defense
(Manpower, Installations and
Logistics)

Date _____

7 JAN 1985

Date _____

Enclosure (2) to COMDTINST 166015

MEMORANDUM OF UNDERSTANDING
ON PORT READINESS

PURPOSE

1. The purpose of this Memorandum of Understanding (MOU) is to ensure military and commercial port readiness to support deployment of military personnel and cargo in the event of mobilization or national defense contingency through enhanced coordination and cooperation among the following signatory agencies:

- a. U.S. Army Corps of Engineers (USACE).
- b. U.S. Army Military Traffic Management Command (MTMC).
- c. U.S. Coast Guard (USCG).
- d. Maritime Administration (MARAD).
- e. U.S. Navy Military Sealift Command (MSC).
- f. U.S. Naval Control of Shipping Organization (NCSORG).

SCOPE

2. This MOU:
- a. Outlines the areas of jurisdiction and responsibilities of the agencies.
 - b. Provides for timely exchange of information among the agencies to permit proper planning, exercising, execution and evaluation.
 - c. Promotes the best use of personnel and resources through cooperative effort.
 - d. Identifies the type of agency activity at each port.

BACKGROUND

3. Each agency has a responsibility to support the movement of military forces and supplies through U.S. ports in peace and in war. Past field training exercises (FIX), command post exercises (CPX) and mobilization exercises (MOBEX) have shown the need for inter-agency coordination in port areas. Enhancing the movement of combat forces through U.S. ports is the responsibility of several Federal agencies. Various statutory authorities, regulations and agreements enable these agencies to carry out their missions. However, the responsibilities and capabilities of various agencies are not clearly understood by all and there is no officially sanctioned forum for ensuring coordination. Effective defense operations can be promoted and the impact on commerce minimized by coordinated planning and execution of emergency defense operations in ports.

Enclosure (2) to COMDINST 166015

DEFINITIONS

4. See ANNEX A.

AGENCY AUTHORITIES AND REFERENCES

5. See ANNEX B.

RESPONSIBILITIES

6. USACE: Constructs, operates and maintains navigation projects in ports and waterways. USACE removes and prevents (through permit requirements) obstructions endangering navigation in or over (except for bridges) any navigable water of the United States. USACE provides planning, design, and construction support for port areas including necessary real estate acquisition.

7. MIMC: Manages Department of Defense land transportation, military ocean terminals, and intermodal containers. MIMC identifies and uses military and commercial ports to move troops and cargo to support contingency or mobilization operations.

8. USCG: Responsible for assuring safety and security of U.S. ports. Its services, authorities, and capabilities include: enforcing vessel, cargo and waterfront facility regulations; inspecting vessels; licensing of mariners; enforcing customs laws; establishing and servicing aids to navigation; regulating and administering bridges over navigable waterways; port emergency response; search and rescue; establishing safety and security zones; and operation of Vessel Traffic Services.

9. MARAD: Provides U.S.-flag ships and, as necessary, U.S.-owned, foreign flag ships by requisition or by voluntary agreement to meet DOD requirements in time of war and non-NATO contingencies and acts for the United States in NATO shipping affairs. Acquires European NATO ships for NATO-related reinforcement operations. Coordinates the use of commercial shipping services, containers, and port facilities and services for use by defense agencies.

10. MSC: Manages Department of Defense ocean transportation. MSC functions include operating and managing DOD common user ocean shipping, fleet support, and special mission vessels; planning for contingencies; coordinating sealift enhancement programs/transportability issues; initiating action to obtain sealift augmentation from MARAD or through the use of the DOD Sealift Readiness Program in wartime; and operating Military Sealift Command Offices.

11. NCSORG: The Naval Control of Shipping Organization provides for the safe ocean movement of merchant shipping in time of war or during a contingency. Performs the functions of routing, reporting, diverting shipping, and where necessary, operation of convoys.

12. Specific functional responsibilities pertaining to this MOU are contained in ANNEX C.

RESOURCES

13. Each agency is responsible for costs it incurs under this MOU.

RETENTION OF EXISTING AUTHORITY

14. Nothing in this MOU shall detract from the existing responsibilities or authorities of each agency.

ADMINISTRATION

15. The MMC will provide secretariat support to administer this MOU.

EFFECTIVE DATE, REVISIONS, AND TERMINATION

16. Provisions of this MOU shall be effective for planning and coordination when signed. This MOU will remain in effect until rescinded by all parties. A party may withdraw by written notification to all other signatories. Amendments may be made at any time as agreed upon by all parties. Cognizant agency staff elements are listed at ANNEX D.

ACTIONS

17. The agencies agree to form a national level steering group of designated agency representatives that will meet regularly to accomplish the purpose of this MOU. Through the steering group, the agencies will:

a. Coordinate contingency planning at all levels for the most economic and efficient joint use of operations centers, communications systems, messing and berthing facilities, transportation, and other support activities. ANNEX E identifies existing agency port activities.

b. Coordinate operational procedures and information exchange to accomplish the functional responsibilities in ANNEX C.

c. Conduct joint exercises, conferences, workshops, and training to evaluate plans and procedures.

Enclosure (2) to COMBINS: 146915

13. The signatory agencies will issue this MCU to subordinate activities and form local port committees to develop specific geographical and functional agreements. The membership of port committees will reflect the activities at each port.

E. R. Reiberg
USCGC

E. R. Reiberg, LTJG
 Lieutenant General, USA
 Chief of Engineers (Commanding)
 Date: 28 Nov 84

Harold I. Skall

Harold I. Skall
 Major General, USA
 Commander
 Military Traffic
 Management Command
 Date: 15 Oct 84

J. S. Gracey
 Admiral, USCG

Commandant
 Date: 10/25/84

Harold S. Shear
 Harold S. Shear
 Maritime Administrator
 Department of Transportation
 Date: DEC 06 1984

William H. Bowden
 W. H. Bowden
 Vice Admiral, USN
 Commander
 Military Sealift Command
 Date: 16 Nov 84

William H. Bowden
 W. H. Bowden
 Vice Admiral, USN
 Assistant Deputy Chief of
 Naval Operations
 Port Naval Control of
 Shipping Organization
 Date: 16 Nov 84

ANNEX A.

DEFINITIONS: The following definitions apply to this MOU.

ALLOCATION: transportation capability made available to users for execution purposes.

BRIDGE: any structure over, on or in navigable waters used to transport persons, vehicles or physical matter and which affects navigation through or under it by the horizontal or vertical clearance it provides.

CAPTAIN OF THE PORT: that Coast Guard officer designated by the Commandant to direct Coast Guard law enforcement activities within a designated port area. A Captain of the Port enforces regulations for the protection and security of vessels, harbors, and waterfront facilities; anchorages; bridges; security zones; safety zones; and ports and waterways safety.

CARGO: supplies, materials, stores, baggage or equipment transported by land, water or air.

CARGO HOLD: a cargo stowage compartment aboard ship.

COMMAND POST EXERCISE: an exercise involving the commander or equivalent, his staff, and communications within and between headquarters.

CONTINGENCY PLAN: a plan for contingencies which can reasonably be anticipated in the principal geographic sub-areas of the command.

CONVOY: a number of merchant ships or naval auxiliaries, or both, or a single merchant ship or naval auxiliary under surface escort, assembled and organized for passage together.

FEDERAL CONTROL OF USE OF PORT FACILITIES: the exercise of jurisdiction over the use of port facilities, equipment and services (other than port facilities, equipment and services owned by, or organic to any agency or department of the United States) in time of emergency to meet the needs of the national defense and maintain the essential civilian economy.

FEDERAL PORT CONTROLLER: a public port authority or private corporate official who is activated in a defense emergency under agreement with MARAD to transmit instructions from the National Shipping Authority to local agencies and activities and to collect and transmit local port operating status to the National Shipping Authority.

FIELD TRAINING EXERCISE: an exercise conducted in the field under simulated war conditions in which troops and armament of one side are actually present, while those of the other side may be imaginary or in outline.

FRUSTRATED CARGO: any shipment of cargo which while enroute to destination is stopped prior to receipt and for which further disposition instructions must be obtained.

Enclosure (2) to COMDTINST 166015

HARBOR DEFENSE VESSEL INSPECTION: inspection of merchant vessels to determine threats to harbor operations by subversion, sabotage or espionage.

HARBOR DEFENSE COMMANDER: the Navy-designated Coast Guard or Navy officer who will command harbor defense operations.

LOADING: the process of putting troops and cargo into ships or other means of conveyance.

MILITARY CONSTRUCTION: any construction, development, conversion, or extension of any kind carried out with respect to a military installation.

MILITARY CONSTRUCTION PROJECT: all military construction work necessary to produce a complete and usable facility or improvement to an existing facility (or to produce such portion of a complete and usable facility or improvement as is specifically authorized by law).

MILITARY OCEAN TERMINAL: a military-owned and MPMC-operated water terminal that provides regular terminal services, such as receipt, processing, staging, loading and unloading of DOD cargo.

MILITARY SEALIFT COMMAND OFFICE: an office responsible for support and control of MSC operations at the port level including vessel husbanding.

MOBILIZATION EXERCISE: an exercise involving the implementation of mobilization plans.

NAVAL CONTROL OF SHIPPING OFFICER: a naval officer appointed to control and coordinate the routing and movements of merchant convoys, independently sailed merchant ships, and hospital ships in and out of a port or base, subject to the directions of the Operational Control Authority. See "Operational Control Authority."

NSA ALLOCATION ORDER (NAO): an order allocating the exclusive use of a vessel, a container or a port facility to a defense agency for a specified period.

NATIONAL SHIPPING AUTHORITY (NSA): an organization responsible for the emergency shipping operations activity of the Maritime Administration when specifically activated during an emergency affecting national security.

NAVIGABLE WATERS OF THE UNITED STATES: those waters that are subject to the ebb and flow of the tide or are presently used or have been used in the past, or may be susceptible for use to transport interstate or foreign commerce.

NSA SERVICE PRIORITY ORDER (NSPO): an order issued by NSA directing priority of service to the movement of cargoes of a defense agency.

OBSTRUCTION: any sunken vessel, boat, water craft, raft, or other similar obstruction that endangers or impedes navigation in any navigable water of the United States.

OBSTRUCTIVE BRIDGE: any bridge which the Commandant of the Coast Guard determines to be an unreasonable obstruction to navigation.

OPERATIONAL CONTROL AUTHORITY: the naval commander responsible for the operational control of all maritime forces assigned to him and for the movement and protection of all merchant shipping under U.S. or Allied naval control.

OUTPORT: a MIMC activity having a mission to plan for and ensure the expeditious movement of DOD sponsored cargo through designated commercial facilities. The mission is accomplished by contract(s) managed by outport personnel.

PHYSICAL SECURITY: that part of security concerned with physical measures designed to safeguard personnel, to prevent unauthorized access to equipment, facilities, material and documents, and to safeguard them against espionage, sabotage, damage, and theft.

PORT: any zone contiguous to or a part of the traffic network of an ocean port, or outport location, military or civilian within which facilities exist to transship persons and/or property between domestic carriers and coastal, intercoastal and overseas carriers.

PORT FACILITY OWNER AND/OR OPERATOR: any public port authority or private agency, or firm that (1) owns port facilities; (2) owns and operates port facilities; (3) operates such facilities under lease from an owner; or (4) otherwise owns, leases, licenses, and/or operates a port facility. See "Federal Port Controller."

PORT FACILITIES AND SERVICES: (1) all port facilities, for coastwise, intercoastal (except as to shipping between the U.S. ports on the Great Lakes) and overseas shipping, including, but not limited to wharves, piers, sheds, warehouses, yards, docks, control towers, container equipment, maintenance buildings, container freight stations and port equipment, including harbor craft, cranes and straddle carriers; and (2) port services normally used in accomplishing the transfer or interchange of cargo and passengers between ocean-going vessels and other modes of transportation.

PORT SECURITY: the safeguarding of vessels, harbors, ports, bridges, waterfront facilities and cargo from internal threats such as: destruction; loss or injury from sabotage or other subversive acts; accidents; thefts; or other causes of similar nature.

SECURITY: a condition which results from measures established to protect designated information, personnel, systems, components and equipment against hostile persons, acts, or influences.

SAFETY ZONE: a designated water or shore area to which access is limited to persons, vehicles, vessels, or objects authorized by the Captain of the Port. It may be stationary and described by fixed limits or it may be described as a zone around a vessel in motion.

Enclosure (2) to COMDTINST 16601.5

SECURITY ZONE: all areas of land or water which are so designated by the Captain of the Port for such time as he deems necessary to prevent damage or injury to any vessel or waterfront facility, to safeguard ports, harbors, bridges, territories, or waters of the United States or to secure the observance of the rights and obligations of the United States.

SHIPPING SERVICE: a commercial service for the waterborne movement of passengers or cargo in the overseas, coastwise, intercoastal or Great Lakes shipping trades.

STAGING AREA: a place to assemble, hold, and organize personnel, supplies or equipment for onward movement.

STRATEGIC MOBILITY: the capability to deploy and sustain military forces worldwide in support of national strategy.

TRANSPORTATION TERMINAL UNIT: a MIMC designated Army Reserve unit with a mission to manage traffic and monitor commercial contracts to move DOD cargo through designated port facilities. When reserve TTUs are mobilized they will activate or augment MIMC Outports as needed.

VESSEL: a vessel employed in commercial service for waterborne movement of passengers or cargo in the overseas, coastwise, intercoastal or Great Lakes shipping trades.

VESSEL HUSBANDING: activities that include notifying proper authorities of ship's estimated time of arrival; arranging for pilots, tugs, bunkers, stores, etc.; meeting ships and briefing Master/Commanding Officer; submitting operational reports; coordinating sailing time.

VESSEL TRAFFIC SERVICE: a vessel movement reporting system using surveillance and VHF communication facilities to enhance vessel transit safety and expedite port movements. Surveillance includes shore-based radar, and in some cases, closed-circuit television.

WATERFRONT FACILITY: any pier, wharf, dock, or similar structure to which vessels may be secured; areas of land or water in immediate proximity to them; buildings on such structures or contiguous to them; and equipment and materials on such structures or in such buildings.

ANNEX BAUTHORITIES AND REFERENCES1. U.S. ARMY CORPS OF ENGINEERS (USACE)

a. Title 33, U.S.C., various sections: A compilation of authorities regarding the responsibility of the Secretary of the Army, acting through the Chief of Engineers, to protect and regulate the navigable waters of the United States, as well as improvements and structures in the navigable waters of the United States.

b. The authority for the Corps of Engineers to construct, operate, and maintain a navigation project is found in the specific legislation authorizing that project.

c. PL 95-269, DTD 26 April 1978 (33 U.S.C. 662, 92 Stat 218). Gives authority for the Corps of Engineers to maintain a minimum dredging fleet.

d. PL 90-483 section 117, DTD 13 Aug 1968 (82 Stat 737). Gives the Corps of Engineers the authority to maintain Federal navigation projects to depths in excess of the depths authorized by Congress when required for defense purposes and where the project also serves the essential needs of commerce.

e. 10 U.S.C. 2662 et seq. Describes real estate acquisition authority and constraints.

f. 10 U.S.C. 2801 - 2808. Describes military construction authority for general, emergency, and contingency military construction projects.

2. U.S. ARMY MILITARY TRAFFIC MANAGEMENT COMMAND (MIMC)

a. DOD 5160.53, Single Manager Assignment for Military Traffic, Land Transportation, and Common-User Ocean Terminals. Outlines the general mission and functions of MIMC for worldwide DOD traffic management. It states relationships and responsibilities of the various military services with respect to MIMC functions, and outlines specific functions of MIMC and the services with respect to the various type movement operations.

b. AR 55-355/NAVSUPINST 4600.70/AFM 75-2/MCO P4600.14A/DLAR 4500.3, Military Traffic Management Regulation. States general traffic management policies, transportation officer duties and functions, authorities and jurisdiction of various transportation management elements, interface with carriers, and emergency management procedures. It details procedures to effect proper movement of freight and passenger traffic within the Continental United States.

c. DOD 4500.32-R, Military Standard Transportation and Movement Procedures. Presents a system of standardized policy and procedures to facilitate the interchange of logistics data between military services and agencies. It details system functions and responsibilities for the services and various transportation operating agencies.

Enclosure (2) to COMDTINST 16601.5

d. Memorandum of Understanding Between United States Coast Guard and Military Traffic Management Command, subject: Port Safety and Security. This agreement was developed to coordinate peacetime port safety and security support and to facilitate deployment or mobilization of Armed Forces and accompanying resupply. It establishes requirements for joint communications, exchange of information relative to port security, mutual participation at Headquarters and port levels, and joint exercising.

e. Military Traffic Management Command Mobilization Plan (Volume IV, Army Mobilization Plan, AR 500-5). Establishes concept and provides guidance to MTRC for expanding functions and operations, including those at military and commercial ports, during periods of mobilization.

3. U.S. COAST GUARD (USCG)

a. Espionage Act (50 U.S.C. 191); Magnuson Act (50 U.S.C. 191); Executive Order 10173, as Amended. During National Emergency or Presidential determination of endangered national security, USCG controls movement activity of vessels in U.S. ports. Provides permanent port security regulations. Empowers USCG to make regulations to prevent damage to harbors and vessels.

b. Ports and Waterways Safety Act, (33 U.S.C. 1221 et seq). Provides port safety authority and capability beyond Magnuson Act to protect use of ports as transportation facilities, to establish Vessel Traffic Services to aid against degradation of marine environment and to enhance safety.

c. 46 U.S.C. Subtitle II. Requires more stringent standards for manning and inspection of tank vessels. Improves supervision and control of tank vessels in U.S. waters and provides inspection and compliance program for tank vessels carrying oil and hazardous cargoes. Requires USCG to issue and enforce regulations for vessels to eliminate the release of oil into the marine environment due to lightering operations.

d. Federal Water Pollution Control Act (33 U.S.C. 1251 et seq), Executive Order 11735. Prohibits discharges of oil and hazardous substances which may be harmful. Also supported by: Refuse Act; Rivers and Harbors Act, Act to Prevent Pollution From Ships; National Environmental Policy Act; Marine Protection, Research, and Sanctuaries Act; Executive Order 11514.

e. Hazardous Materials Transportation Act (49 U.S.C. 1801 et seq). DOT authority to regulate transport of hazardous materials in commerce. USCG develops and enforces those regulations governing commercial vessel shipments of hazardous materials.

f. 33 U.S.C. 1224, 2030, 471. Enables USCG to develop and enforce anchorage regulations in U.S. waters.

Enclosure (2) to COMDIINST 166015

g. 33 U.S.C. 1223(c). Authority to designate port access routes.

h. 33 U.S.C. 401, 491 et seq., 499-502, 512 et seq., 515-535; 14 U.S.C. 85; 49 U.S.C. 1651 et seq. Authority to prescribe navigation lighting on bridges; regulate drawbridge operations; permit construction/modification of bridges; and order removal or alteration of obstructive bridges.

i. 14 U.S.C. 81. Authority to establish, maintain and operate aids to maritime and air navigation, and electronic aids to navigation systems to serve the armed forces and U.S. maritime and air commerce.

j. 46 U.S.C. 86, 88. Enables USCG to enforce vessel loadline regulations.

k. 10 U.S.C. 101, 261-280, 2511, 2571, 14 U.S.C. 1-4, 93, 144, 145, 632, 633, 701-746, 891-894. Enables USCG to develop and maintain the capability to respond to emergencies and manage crises in all U.S. ports and waterways and in overseas areas as tasked.

l. National Security Decision Memorandum (NSDM) No. 340. Establishes national port security program and initiates the Special Interest Vessel Program.

m. Titles 33, 46, 49, Code of Federal Regulations, various sections. Regulations enforced by the USCG to enhance the safety and security of U.S. ports and waterways, vessels, and waterfront facilities.

4. MARITIME ADMINISTRATION (MARAD)

a. Executive Order 11490, as amended. Part 9, Section 901, states that the Secretary of Transportation shall prepare national emergency plans and develop preparedness programs covering federal emergency operational control responsibilities with respect to ocean shipping, ports and facilities, except those owned by, controlled by, or under the jurisdiction of the Department of Defense, and except those responsibilities of the Department of the Treasury with respect to the entrance and clearance of vessels.

b. DOD Instruction 5030.3, subject: Memorandum of Agreement Between the Department of Defense and Department of Transportation, Dealing with the Utilization, Transfer and Allocation of Merchant Ships ("Wilson Weeks Agreement"), dated 20 October 1954. This instruction disseminates subject agreement.

c. MARAD Operations Plan 001, Basic War Plan. Sets forth the concepts for MARAD operations in major conventional war or defense-related national emergency in anticipation of such a war and initial organization and procedures. It is designed specifically to move MARAD from peace to war footing, with the elaboration of the war organization and operational procedures to be evolved as the war develops.

Enclosure (2) to COMDTINST 16601.5

d. Memorandum of Agreement Between the Department of Defense and the Department of Transportation on Procedures for Shipping Support of Military Operations. Provides for the establishment and updating as needed of standard interdepartmental procedures for peacetime planning for shipping support to NATO wartime and non-NATO contingencies; preparation during rising tensions for shipping support of military operations, and civil support of military operations when U.S. forces are deployed to foreign areas.

e. Merchant Marine Act, 1936, as amended, Title 46 U.S.C. Section 902 provides the authority to purchase or requisition U.S.-owned vessels and to requisition or charter the use of such vessels during any national emergency declared by proclamation of the President.

f. Emergency Foreign Vessels Acquisition Act, 1954 (50 U.S.C.A. 196 et seq (Lawyers Edition, 1981)). Provides authority to purchase or requisition any merchant vessel which is not owned by citizens of the United States, to charter or requisition the use of such vessel, and to acquire by voluntary agreement of purchase or charter the ownership or use of any vessel not owned by citizens of the United States.

g. 46 CFR Part 345 -- Restrictions Upon the Transfer or Change in Use or in Terms Governing Utilization of Port Facilities. Provides the National Shipping Authority during the existence of a state of war or national emergency with control of ports in the United States and its territories as may be necessary to meet the requirements of the national security. Control shall be consistent with the orders of the Coast Guard Captain of the Port relating to the safety and security of the Port.

h. 49 CFR Part 346 -- Federal Port Controllers. Prescribes the standard form of the service agreement to be entered into by the United States of America, acting by and through the Director, National Shipping Authority, with port authorities or, private corporations, covering the appointment of individuals within their organizations as Federal Port Controllers, and providing the required supporting staff and resources.

5. U.S. NAVY MILITARY SEALIFT COMMAND (MSC)

a. DOD Directive 5160.10, Single Manager Assignment for Ocean Transportation. This directive includes sections on the purpose; definitions; applicability and scope; composition; functions of MSC; general responsibilities and relationships of DOD components with respect to MSC and MSC functions; specific responsibilities and relationships of MTMC and DOD components with respect to ocean passenger, cargo and bulk petroleum traffic; authority; and administration and financing.

b. OPNAVINST 5440.20E, SINGLE MANAGER ASSIGNMENT FOR OCEAN TRANSPORTATION. Establishes responsibilities and relationship between the Secretary of the Navy as Single Manager for Ocean Transportation, Chief of Naval Operations, and Commander, Military Sealift Command as the Executive Director for the Single Manager Operating Agency for Ocean Transportation.

c. COMSCINST 3120.17, Dry Cargo Ship Operating Instructions (Cargopins). Provides guidance in the area of operations; physical security; maintenance and repair; material, supplies and services; entry and clearance; cargo; and inspection of ships for the MSC Dry Cargo Controlled Fleet.

d. COMSCINST 3121.3D, Tanker Operating Instructions (Tankopins). Provides guidance for MSC controlled tankers in the areas of operation; classified security measures; maintenance and repair; materials, supplies, and services; entry and clearance; cargo; inspection of ships, safety/pollution abatement and control; and voyage chartered tankers.

e. COMSCINST 3121.1E, Operational Control Procedures for MSC Controlled Ships (less tankers). Includes information on cargo ship scheduling, operational control of special projects ships and fleet support ships, voyage sailing orders, in-port control, movement reports, schedule modifications, search and rescue, diplomatic clearance, and security classification of ship movements. A section on ships sailing under MCSORG routing is also included.

f. COMSCINST 4335.1G, Contracts to Provide Husbanding Services to MSC (USS/USNS) Ships at Overseas Ports (Except USNS Contract - Operated Tankers). Provides general information on obtaining husbanding services for MSC ships. A list of husbanding contractors and the areas served is included in enclosure (1), and enclosure (2) describes services furnished by the contractor.

g. COMSCINST 3120.5C, Responsibilities of Subordinate Commands in Handling MSC Chartered and General Agency Agreement (GAA) Dry Cargo Ships. Describes the two areas of responsibility (ship operations and cargo operations) of area and sub-area commands and offices for MSC time chartered and voyage chartered ships and GAA allocated ships. Procedures for reporting ship data at each port of call are also outlined.

h. COMSCINST 5510.11, Shipboard Physical Security Program. Provides guidance on implementing the MSC Physical Security Program on board MSC vessels.

i. MSC Report 3110-4, MSC Controlled Fleet Inventory. Gives number of full operating status (FOS) and reduced operating status (ROS) ships and total in the nucleus fleet (USNS) and commercial fleet; lists ships in the two fleets by name and type; gives number of ships in the sealift readiness program (SRP) by type and lists ships in the ready reserve force (RRF) by name and type. Published monthly.

j. Navy Capabilities and Mobilization Plan (NCMP) Annex O Logistics. Includes appendices on Logistics Support Planning, Transportation, Base Support, Medical/Dental, Material, Ship and Aircraft Maintenance, and Inactive Fleet/Service Craft. Covers the logistics necessary to support the Joint Strategic Capabilities Plan (JSCP), the Unified Command Plan (UCP), the Joint Operating Planning System (JOPS), Navy planning, and other objectives.

Enclosure (2) to COMDTINST 16601.5

k. SECNAVINST 5430.11D, Military Sealift Command: Prescribing Channels of Responsibility For. Prescribes the continuation of the Military Sealift Command as a major component of the Operating Forces of the United States Navy and those channels through which the Executive Director for Ocean Transportation shall be responsible to the Secretary of the Navy and the Chief of Naval Operations.

l. COMSEC Instruction 5440.1W MSC Command Organization. Outlines the worldwide organization of the Military Sealift Command and identifies geographical areas of MSC operations.

m. OPNAVINST C3450.14 (Series) Naval Control of Shipping (NCS) of Military Sealift Command (MSC) Ships and Merchant Ships under MSC authority during Peacetime and Contingency situations (U). Delineates the responsibilities for the Naval Control of MSC Ships and Merchant Ships' operation under MSC authority during peacetime and contingency operations.

6. U.S. NAVAL CONTROL OF SHIPPING ORGANIZATION (NCSORG)

a. CNO Letter to Distribution, Serial 391/P31, 19 July 1950. Establishes the United States Naval Control of Shipping Organization effective the date of issue of the letter.

b. OPNAVINST C3450.4H, 31 January 1990. Details the activities of the Naval Control of Shipping Organization.

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Enclosure (2) to COMUSMIST 166015

	RESPONSIBLE AGENCY	PRIMARY USER	COORD. REQ. WITH	INFO NEEDS
M. Commercial Vessel Cert/Doc	USCG	MSC	MARAD	
(1) Voyage Certification	NCSORG	MSC		USCG/MARAD
N. Vessel Crewing	MARAD ³ /MSC	MSC	USCG/OWN-OP ⁴	NCSORG/MTMC
O. Vessel Husbanding	MSC	MSC	MTMC ¹ /USCG/MARAD USACE	
P. Dispersal Instruction	USCG ⁶	MSC	NCSORG/MTMC/ MARAD	USACE
Q. Vessel Repair.	MSC	MSC	MTMC ¹ /USCG MARAD	MTMC/NCSORG
R. Harbor Escort	USCG ⁵	MSC		
S. Cargo Hold/Space Cleaning	MTMC, MSC	MSC/MTMC	USCG	
II. FACILITY OPERATIONS				
A. Port/Berth Designation for DOO use	MARAD	MSC/MTMC	USCG/USACE/OWN-OP ⁴	
B. Waterside Security	USCG	MSC/USACE MTMC	MARAD	
C. Shoreside Physical Security	MTMC ¹ /USCG ⁷	OWN-OP ^{4,7}	MTMC	MARAD
D. Personnel Access Control	USCG/MTMC ¹	MTMC	OWN-OP ⁴	
E. Terminal Services	MARAD	MSC/MTMC		USCG
F. Staging Area Support				
(1) Security Enhancement Construction	USACE	MTMC	USCG/OWN-OP ⁴	MARAD
(2) Cargo Operations Area Expansion	USACE	MTMC	USCG/OWN-OP ⁴	MARAD
(3) Transport, Facility Expansion/Bypass	USACE	MTMC	USCG/OWN-OP ⁴	MARAD
(4) Real Estate Acquisition	USACE	MTMC	USCG/OWN-OP ⁴	MARAD
G. Lock Operations	USACE	MSC	USCG	

Question. In developing a port security program, can you tell us what has been done in the following areas:

The development of *Risk Assessment Methodology* and information. The collection and evaluation of intelligence data. The procurement of equipment for port security operations such as secure communications, weapons, small boats, surveillance equipment.

Answer. Doctrine/Training: The USCG is drafting a Port Security Manual to be included in Marine Safety manual. This manual collects, in one volume, existing port security policy, including tactical and policy information (such as use of force) from other programs which is applicable to port security operations. We are developing additional port security policy/tactics in consultation with DOD physical security experts. The USCG completed a job task analysis of port security duties. We are refocusing the port securityman rating to concentrate more on physical security, instead of port safety. We are developing a new course to train officers and petty officers (both active duty and reserve) in port physical security tactics and doctrine.

Risk Assessment Methodology (RAM): Development of the RAM has been completed, and it is now ready for testing in selected ports. The first test of RAM will be in the Commander Coast Guard Forces (CCGF) Baltimore zone where it will be used to develop and validate plans for an upcoming mobilization exercise. It will also be used for problem solving during the exercise.

Intel: The Coast Guard receives intelligence data from many sources. We have established the Coast Guard Intelligence Center, as a separate command, specializing in the evaluation of intelligence from all available sources. Eventually, the Coast Guard will incorporate intelligence gathering, evaluation and countering techniques into the port security course.

Procurement: The Coast Guard has several initiatives for improving our port security posture including scheduled procurement of secure communications as well as participation in the Tri-Services Requirements Working Group (TSRWG). The Office of Command, Control and Communications (G-T) is currently evaluating secure communications for Coast Guard use including use in the port environment. The Navy is evaluating waterwise intrusion detection/surveillance systems. Coast Guard requirements have been included in the Navy's test parameters for waterside systems. Results of the evaluations are expected by the end of FY86. The Navy expects to procure systems for naval facility protection. Other initiatives include evaluation of improved riot shotguns for port security use, designation of the riot shotgun as the primary port security weapon, and evaluating possible replacement(s) for the 32' PWB as their expected end of service life draws near. This includes a new generation of "quick response" small boats. (Experience at the Olympics and exercises will be considered). Another initiative is the test/evaluation of access control systems for use landside in a port (upgraded Port Security Card system). This testing is scheduled for late FY86. The equipment procurement will provide adequate tactical and defensive equipment for active duty as well as reserve forces engaged in port security duties. We currently reprogram to make the best use of resources at the most critical ports.

Question. The recommendation of the NAVGARD Board anticipated the submission of a joint budget for Coast Guard needs by the Coast Guard and the Navy. Has a joint budget been prepared? If not, why has this not been done?

Answer. No joint budget has been prepared, nor does the Coast Guard have any record that the NAVGARD Board recommended a joint budget. The NAVGARD Board originally envisioned that the resource needs would be documented through the planning process and the Maritime Defense Zone (MDZ) Commanders would "forward requirements to the service chiefs who will develop a coordinated budget support scheme."

The MDZ commanders are tasked by the Fleet Commanders to identify the resource requirements for their individual MDZ. The Fleet Commanders then seek budget support through the Navy POM process. To support these efforts there is much exchange of information between the Coast Guard and the Navy and each service keeps track of the other's budget efforts.

Beyond this coordinating process, there is no single focus of budgeting responsibility for the Coast Guard MDZ mission. Given the federal budget structure of separate committees for the separate services, a joint budget submission would be difficult.

Question. What Navy or Department of Defense component is responsible for evaluation of the Coast Guard budget to ensure that the necessary resources are being committed to the implementation of the MDZ concept?

Answer. Coast Guard budget items for MDZ support are not subject to formal Navy review. MDZ budget items are submitted by the Coast Guard Area Command-

er/Maritime Defense Zone Commander to Coast Guard Headquarters for Coast Guard mission peculiar items and to the operational Commander, the Fleet Commander in Chief (CINCLANTFLT), for Navy mission items. The Deputy Chief of Naval Operations for Surface Warfare (OP-03) is responsible for MDZ program support issues. The Navy Office of Plans, Policy, and Operations (OP-06) will address MDZ in Maritime strategy appraisal and act as a focal point for coordination; and the Navy Office of Command and Control (OP-094) will ensure MDZ command, control and communications (C3) requirements are addressed. The Coast Guard Office of Readiness and Reserve will coordinate necessary information between Chief of Naval Operations (OPNAV) and Coast Guard Headquarters support and program managers.

Question. The Coast Guard Reserve strength is approximately 55 percent of the mobilization requirements whereas the Navy Reserve is operating at approximately 90 to 100 percent. Why is there a difference in the emphasis in these two services? Will the deficiency in the Coast Guard Reserve numbers hinder the MDZ commanders from fully carrying out their assigned missions?

Answer. The strength objectives for the Department of Defense Reserve Components are stated in the Defense guidance, which specifies a Selected Reserve force adequate to meet 90 percent of the mobilization requirement. The Coast Guard budget supports a Selected Reserve force of 12,500 personnel. The FY 1987 budget requests an increase of 500 in the size of the Selected Reserve Force. That force size coupled with Coast Guard's active duty force can satisfy about 78 percent of what Coast Guard's estimates to be its early-response mobilization needs. Depending upon the level of mobilization needed to meet a specific contingency requirement, this shortfall could hamper the full performance of Coast Guard wartime missions within the wartime Defense Zone (MDZ) framework.

Question. In 1981 our Committee's report on the state of the Coast Guard entitled "Semi-Paratus" recommended that the Coast Guard increase the Selected Reserve to a level of 15,500 by 1988. The ROA recommends a level of 18,750 by the same date. Do you expect to reach this goal by the 1988 target date?

Answer. Our FY 1981 Selected Reserve authorized strength was 11,700 personnel. Our FY 1986 Selected Reserve authorized is 12,500 personnel. The FY 1987 budget reflects a growth in the Selected Reserve strength to 13,000. Most likely we will not achieve a Selected Reserve level of 15,500 by the end of FY 1988.

Question. Coast Guard Reserve training time is spent, in part, by augmenting active-duty Coast Guard units. What percentage of time is spent in augmentation? How much of this augmentation is devoted to performing peacetime rather than mobilization functions of the Coast Guard? If augmentation were terminated, what would be the impact on the Coast Guard?

Answer. Over a recent three-year period, augmentation training activities accounted for about 55 percent of the Selected Reserve training performed. The primary purpose of all reserve training activities, including augmentation training, is to adequately prepare reservists to perform their mobilization assignments. Augmentation training activities are unique in that, while meeting much of our mobilization skills training needs, they also contribute to the performance of peacetime functions. Termination of augmentation training would clearly reduce the cost-effectiveness of our Reserve training program, lower morale and, thereby, the retention of Selected Reserve members. It would also lessen the cohesion between the active force and reserve force that is so essential for the effective performance of Coast Guard wartime missions. Additionally, such a change would noticeably increase the working hours for active force members, thereby also lowering their morale and retention.

QUESTIONS SUBMITTED BY MR. YOUNG AND ANSWERED BY THE U.S. COAST GUARD

Question. In three separate acts passed in the last Congress, icebreaking capability was highlighted as an important national security matter. Further, out of a Conference on Maritime Commerce and Port Development known as "MARITIME ALASKA '84" came the idea that there is an icebreaker gap between the U.S. and Soviet Union. Will you explain the importance of icebreaking capability to national security?

Answer. The United States is a polar Nation. National security, research, and U.S. presence in the polar regions all require the ability to penetrate ice-covered waters. Some military bases annually require icebreakers in order to be resupplied. It is necessary to demonstrate the ability to go anywhere we belong when we need to go there, including the high latitudes. The Coast Guard is presently marginally capable of fulfilling current U.S. polar interests due to the overall age, declining reliability, and low icebreaking capability of the older units in the current fleet. There

are active plans to design a new class of polar capable icebreakers to replace two of the older vessels. The Coast Guard estimates that these new ships will be operational in the 1993-1994 time frame.

Under 14 USC 2, the Coast Guard is responsible for maintaining and operating ice-breaking facilities, with due regard to the requirements of national defense. The icebreaker mission in the polar regions is in pursuit of the objectives of Presidential Memorandum of February 5, 1982 on Antarctica and National Security Decision Directive (NSDD) 90 of April 14, 1983 for the Arctic, which provide national policy direction for the Antarctic and Arctic, respectively. The United States must maintain the capability to move within the polar regions. Coast Guard icebreakers are the only U.S. surface ships capable of independent operations in the polar regions.

Question. What progress is being made on building additional icebreakers for the Coast Guard under the 1984 Authorization Act?

Answer. The following progress has been made:

July 1984—Completion of the U.S. Polar Icebreaker Requirements Study.

August 1984 to the Present—Icebreakers User Council Working Group studying the scientific requirements for New Icebreakers.

September 1984—The Mission Needs Statement for Maintenance of Polar Icebreaking Capability in Support of Polar Missions was completed.

October 1984—The Sponsor's Requirements Document for Replacement Polar Icebreakers was completed.

November 1984—The Acquisition Paper for New Polar Icebreakers was completed.

November 1984—Preliminary cost estimates for New Polar Icebreakers were completed.

July 1985—Preliminary Manning Study for New Polar Icebreakers was completed.

July 1985—Acquisition Paper was approved by Transportation Systems Acquisition Review Committee

September 1985—Conceptual Design of New Polar Icebreakers was completed.

September 1985—Preliminary Design was commenced.

Quick Reference Guide:
World Polar Icebreaker Fleet
 As of 1 January 1985

U.S. Coast Guard
 Office of Operations Ice Operations Division

Nation	Vessel Class	Built	Length (Ft)	Draft (Ft)	Displacement (Tons)	Shaft Horsepower	Power ¹ Plant	Icebreaking ² Capability (Ft)
USSR	LEONID BREZHNEV SIBIR ROSSIYA	1975 1977 1985	448	36	25,000	75,000	N	J
USSR	LENIN	1959	439	34	19,240	44,000	N	7
USA	POLAR STAR POLAR SEA	1976 1977	399	31	13,000	60,000 or 18,000	GT or DE	6+
USSR	YERMAK Class (3 Ships)	1974-76	442	36	20,241	36,000	DE	6
Japan	SHIRASE	1982	440	30	17,600	30,000	DE	5
Canada	LOUIS ST. LAURENT	1969	366	31	14,000	24,000	TE	4.5
Canada (Private)	KALVIK Class (2 Ships)	1983	283	26	7,000	23,200	GD	5
USSR	MOSKVA Class (5 Ships)	1959-69	400	31	15,150	22,000	DE	4.5
USSR	KAPITAN ORANITSYN Class (2 Ships)	1980-81	432	28	14,900	22,000	DE	4.5
USSR	KAPITAN SOROKIN Class (2 Ships)	1977-78	433	28	14,900	22,000	DE	4.5
Canada (Private)	CANMAR KIGORIAK	1979	299	28	6,500	16,360	GD	4.5
USA	GLACIER	1955	310	28	8,800	21,000	DE	3.5
Canada	MACDONALD	1960	315	28	9,160	15,000	DE	3.5
Canada	RADISSON Class (3 Ships)	1978-82	316	24	8,055	13,600	DE	3.5
Argentina	ALMIRANTE IRIZAR	1978	391	31	14,500	16,200	DE	3.5
Canada (Private)	IKALUK Class (2 Ships)	1982	258	25	6,000	14,900	GD	3.4
W. Germany	POLARSTERN	1982	387	35	14,800	20,000	GD	3
Japan	FUJI	1965	328	29	8,566	12,000	DE	3
Canada (Private)	ROBERT LEMEUR	1982	272	18	6,512	9,000	GD	3.4
Canada	LABRADOR	1953	290	30	7,000	10,000	DE	3
USA	NORTHWIND WESTWIND	1944-45	269	28	7,000	10,000	DE	3

NOTES 1 Power Plants: N = Nuclear, GT = Gas Turbine, DE = Diesel Electric, TE = Turbo Electric, GD = Geared Diesel

2 Estimated continuous level icebreaking capability at 3 knots.

3 This table does not include some 56 vessels (subarctic icebreakers) that are capable of icebreaking operations in seasonally ice covered coastal seas and lakes outside the polar regions. These ships are owned by Canada (2), Denmark (2), Finland (9), W. Germany (1), Sweden (5), USA (1), Mackinaw, USSR (34) and E. Germany (1).

4 All government owned icebreakers except for those Canadian vessels noted as private.

Question. How does the U.S. icebreaking capability compare with that of the Soviet Union and other Arctic rim nations?

Answer. There are currently 30 polar icebreakers operating in the world; 15 in the Soviet Union, 6 in Canada, 5 in the United States, 2 in Japan, and one each in Argentina and West Germany. Of these, the Soviet Union has the world's only nuclear icebreakers and are currently building a fourth and world's most powerful (150,000 shaft horsepower (SHP)) nuclear icebreaker. Two Soviet Union icebreakers, the BRESHNEV and the SIBER, are currently the world's most powerful (75,000 SHP). Canada is currently upgrading its icebreaker fleet to assert sovereignty and control in Arctic waters. They have built 3 RADISSON Class icebreakers since 1978 and are going to build a POLAR 8 icebreaker (100,000 SHP) capable of winter operations in the Canadian Arctic.

The U.S. fleet of polar icebreakers is the oldest in the world with a median age of 30 years, compared to the median age of 10 years for the Soviet fleet. Of the U.S. icebreakers, the POLAR Class compares favorably with the Soviet fleet, being the free world's most powerful icebreakers (60,000 SHP). The other U.S. polar icebreakers fall substantially below present day icebreaker standards due to outmoded systems and deteriorating material condition. The age, declining reliability, and lower icebreaking capability of WESTWIND (41 years), NORTHWIND (40 years), and GLACIER (30 years) limit the Coast Guard's ability to project U.S. presence into the polar regions. This places the U.S. significantly behind the Soviet Union in terms of ability to operate in the polar regions. Design of replacement icebreakers for two of the older polar icebreakers is ongoing. The Coast Guard estimates the replacement ships will be operational in the 1993-1994 time frame.

The Soviet Union has superior strategic capability to support Northern Sea Route activities. The Soviet Union can project anywhere in the polar regions during most of the year. BRESHNEV (then named ARKTIKA) transited to the North Pole in 1977, the only surface vessel ever to do so. It is difficult for the U.S. to project simultaneously into the Western Arctic, Eastern Arctic, and Antarctica.

Question. Please give us a status report on the AIREYE prototype of the HU-25A aircraft and its potential for DMZ application. What plans does the Coast Guard have to equip its remaining 35 HU-25A aircraft with additional sensor systems?

Answer. Implementation of the prototype AIREYE system began in October 1985 when Air Station Miami started to fly operational AIREYE missions in support of the Seventh District Law Enforcement Program. In April 1985, the Coast Guard exercised its option to buy 5 additional AIREYE sensor systems to be delivered by the summer of 1987. Of these 6 AIREYE systems, Air Stations Cape Cod, Miami and Sacramento will each operate 2 AIREYE systems. Beyond these 6 AIREYE systems, there are currently no other plans to procure additional HU-25A sensor systems.

The potential application of AIREYE sensor capability in support of MDZ operations is the subject of an ongoing study. Under a Coast Guard contract, the Naval Air Development Center (NADC) is currently studying the actual and potential MDZ mission capabilities offered by each Coast Guard aircraft and sensor system, to include AIREYE equipped HU-25A aircraft.

Question. The Maritime Defense Zone Commanders will have the responsibility, among other things, for maritime surveillance related to our coastal defense and become involved in joint missions such as anti-submarine warfare, mine countermeasures, and naval control of shipping. In addition, the Coast Guard would, of course, continue to have responsibility for Search and Rescue, drug interdiction, and enforcement of fishing laws and treaties. To do all these jobs, long-range surveillance capabilities is essential to be effective. Would you tell us what your plans are for equipping the long-range surveillance aircraft—the C-130's—with sensor systems? Would a modified Aireye-type system be incorporated in the C-130 as contemplated by section 12 of the 1984 Coast Guard authorization act?

Answer. The primary Coast Guard surveillance platform for use by Mardez Commanders in wartime is currently the Coast Guard HU-25 aircraft augmented by USN platforms provided by the Navy. The Coast Guard C-130 aircraft are not primarily assets of the Mardez Commander. The specific tasking for Coast Guard C-130 aircraft is classified. In answer to your question, the Coast Guard has already begun upgrading the capabilities of the sensor system in its C-130's. A multi-year procurement is underway that will equip all Coast Guard C-130's with state-of-the-art AN/APR-137 surface search radar that will be compatible with the Navy systems by the end of FY 1990. This all weather radar will provide greatly improved surface search capabilities (e.g. it has the capability to detect periscope size targets at distances of up to 28 nautical miles in moderate seas). Hence, it is not only an effective sensor for Search and Rescue (SAR) and Law Enforcement operations, but has military applications as well. Furthermore, a joint Coast Guard/Naval Air Development Center study has been initiated to determine an optimal C-130 sensor system, capable of supporting all Coast Guard missions.

PROCUREMENT PLANS AND POLICIES

WEDNESDAY, DECEMBER 1, 1985

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COAST GUARD AND NAVIGATION,
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
Washington, DC.

The subcommittee met, pursuant to call, at 10:30 a.m., in room 1334, Longworth House Office Building, Hon. Gerry E. Studds (chairman of the subcommittee) presiding.

Present: Representatives Studds, Hughes, Hutto, Carper, Davis, Young, Hartnett, and Callahan.

Staff present: William Woodward, Gina DeFerrari, Andrew M. Schwarz, Mary Pat Barrett, Jeanne C. Fling, Kurt Oxley, Roger Sullivan, K.C. Bell, Duncan C. Smith, George D. Pence, and Edmund B. Welch.

OPENING STATEMENT OF GERRY E. STUDDS, A U.S. REPRESENTATIVE FROM THE STATE OF MASSACHUSETTS, AND CHAIRMAN, SUBCOMMITTEE ON COAST GUARD AND NAVIGATION

Mr. STUDDS. The subcommittee will come to order.

The subcommittee meets this morning for the third in a series of oversight hearings intended to prepare for the consideration of Coast Guard authorization legislation next year. Today's hearing will focus on the procurement plans and procedures of the Coast Guard.

The first thing to be said about procurement plans is that you need money to implement them. Although we are now more than 2 months into the fiscal year, the Coast Guard is still not certain what its level of appropriations will be either for operating expenses or for procurement in 1986. And although the question of funding for the Coast Guard this year has been confusing, the outlook for the future is just plain grim.

This means that an even greater emphasis will have to be placed in the future on getting the most out of every dollar spent by the Coast Guard. In this connection, a series of recent studies have indicated that significant improvements can and should be made in the Coast Guard's Procurement Program, and we will discuss the Coast Guard's response to those studies today.

Despite the focus of this hearing, I want the record to reflect my understanding that it is difficult to run a procurement office more effectively if you have to spend three-quarters of your time answering questions from those who want to know why you are not running your office more effectively. The Coast Guard has been and is being studied into paralysis. It needs breathing space, but it also

needs to recognize and to respond to the problems that have plagued its procurement program in recent years.

It seems to me that significant structural changes will be required if the Coast Guard is to be able to attract and retain people with enough experience and talent to manage major procurements successfully. I also believe that better coordination is needed between the Coast Guard and officials of the Department of Transportation and also between the Coast Guard's procurement officers and its program people. Coordination ought to come easily—you are, I have always thought, all supposed to be on the same side—but apparently this has not necessarily been the case in recent years.

The Coast Guard has long enjoyed a reputation as one of the most efficient and versatile agencies of the Federal Government, the equivalent, I suppose, of being considered a very fast snail. But the strain on the Federal budget is such that an even greater degree of efficiency will be required in the future if the Coast Guard's missions are to be capably and comprehensively performed.

We intend to explore some of the means by which this goal may be accomplished. For this purpose, we are delighted to welcome Adm. James Gracey back to his familiar place at the witness table, where he is—I am confident—equally delighted to be.

Before I begin, Mr. Davis, do you have an opening statement to make?

Mr. DAVIS. I would like to first enter into the record the statement from Congressman Lent, a member of the full committee. And let me welcome the Coast Guard, once again, to one of our further hearings.

I guess you might say we had hoped by now we would all know what the funding level for the Coast Guard was going to be in 1986, but we do not know that yet. I think all of us hold forth optimism we will be able to fund you at the level of the House-passed version of the bill. We are certainly not here to criticize the Coast Guard in its area of procurement. We think you do a reasonably good job, understanding I suppose all of us can do better.

So we are, frankly, here to have a good thorough, open discussion on how we might assist you in your procurement procedures and anything else that we can do to help the Coast Guard.

Thank you, Mr. Chairman.

[The statement of Norman F. Lent follows:]

STATEMENT OF HON. NORMAN F. LENT, A U.S. REPRESENTATIVE FROM THE STATE OF NEW YORK

Mr. Chairman, today we are concluding our series of oversight hearings designed to investigate some of the issues of concern to our Committee regarding Coast Guard activities. Specifically, the Subcommittee will examine the Coast Guard's procurement plans and policies and I welcome Admiral Gracey here today to discuss these matters with us.

So often we are preoccupied with budget conflicts and priorities and concentrate merely on insuring that the Coast Guard budget is maintained at a certain level so they have the money to carry out their important marine safety, maritime law enforcement, and military readiness functions. This hearing will give us an opportunity to fully examine the manner in which the Coast Guard actually spends those funds. Thus, we will be able to look at not only the material purchased but also the procurement planning and contracting process itself.

Accordingly, it will be important for us to find out how well the Coast Guard complies with government-wide procurement laws and directives and what steps it has taken to streamline and simplify the process. We should look into the internal agency controls so that we are certain that it carries out its procurement activities in the most efficient, effective and economic manner. Further, we should examine the level of competitiveness in its contracting activities as part of its competitive advocacy program. Of equal importance in this process is the relationship and interaction with other parts of the government including the Office of the Secretary within the Department of Transportation, OMB, the Office of Federal Procurement Policy, and the Department of Defense, especially the Defense Logistics Agency. Finally, it is important that we look at the personnel situation to make sure that the Coast Guard has the right people to carry out this important function. We need to look at their career development, training, and retention initiatives.

Mr. Chairman, I want to commend you once again for conducting this series of hearings this year in advance of the development of the next authorization bill for the Coast Guard. The information we obtain from these hearings will give us a big advantage as we prepare for that legislation at the beginning of the next session.

Mr. STUDDS. Does the gentleman from Delaware have an opening statement or smile, or anything?

Mr. CARPER. No.

Mr. STUDDS. Admiral, welcome back.

To begin with, let me ask you—my staff informs me you are going to insist on making a statement before we ask questions. And I suppose we owe you that courtesy. You go right ahead.

STATEMENT OF ADM. JAMES S. GRACEY, COMMANDANT, U.S. COAST GUARD, ACCOMPANIED BY REAR ADM. WILLIAM KOZLOVSKY, COMPTROLLER, U.S. COAST GUARD; AND REAR ADM. D.C. THOMPSON, CHIEF OF STAFF, U.S. COAST GUARD

Admiral GRACEY. I am so overwhelmed with your courtesies at these hearings, Mr. Chairman, thank you for this one. And you are right, I am pleased to be back—

Mr. STUDDS. We can do it the other way.

Admiral GRACEY. Which way is that?

Mr. STUDDS. Would you like to answer the questions before they are asked?

Admiral GRACEY. I suspect I probably could.

Mr. STUDDS. That is a challenge.

Admiral GRACEY. I do have a short opening statement, Mr. Chairman.

I would like to bring you up to date on developments in Coast Guard procurement plans and policies since I last testified on the subject before this committee in July 1984.

Briefly, we are reviewing various studies, such as the Logistics Management Institute study and an in-house Coast Guard acquisition study, and feel that improvements will continue to be made in the Coast Guard's acquisition process, including internal planning and management of major systems projects, and procurement in general.

Some of the improvements we expect are: better personnel management practices designed to promote more effective project management and procurement practices; more uniformly structured planning for major systems, with increased emphasis on integrated logistics support; streamlining the existing internal review process to improve timeliness; emphasizing our ongoing process of reviewing specifications for major programs to ensure increased use of

performance specifications and to reduce the use of specifications which could be considered restrictive; providing draft request for proposals on major programs to industry for comment; and, continuing to seek off-the-shelf and DOD supportable systems where feasible.

We have proposed some organizational changes and instituted others, based on the various studies and lessons learned, I might add, some things we have been thinking about some time, to bring better overall focus on major systems acquisitions and to make more effective use of the talent we have.

It is not clear to me, Mr. Chairman, exactly what you mean by or what is meant by those who repeatedly use the phrase, "The problems that have plagued the procurement program in recent years." We are well aware there are a lot of problems, but that implies a degree of seriousness which I hope I will be able to illustrate in my view has been exaggerated. I think our procurement people do some excellent work, and I would hope to have the opportunity to give you some examples. We do recognize that there are some things to be done. We have responded, we have a continuing program in that regard.

Our procurement practices have been effective. We have either completed or are in the process of completing a number of major contracting efforts involving capital plant procurements, such as repairs, rehabilitations, or purchases of ships, aircraft, and boats. For the most part, these were complex major procurements involving millions of dollars. The proof of our efforts lies in the fact that ships are being repaired or renovated—replacement aircraft and vessels are coming online.

A while back I had occasion to respond to Senator Roth regarding a GAO report and over several pages I noted all the things that were not reported to him regarding the actions that he discussed. Many of the procurements that were being dealt with were procurements that took place 12 years ago. Now if we were an organization that never changes in 10 years, it would be a legitimate criticism.

But we are not, as I said earlier, a static organization, nor is our management a static process. We learn lessons, we make changes. Admiral Kozlovsky has remained on his job far beyond the normal tour of duty because he is probably our No. 1 expert on the kinds of things we are talking about, and I wanted him to stay so we could get a firm handle on the problems.

I will say, without total embarrassment, that I know a little bit about this sort of thing myself. Likewise, these studies rarely take note of the corrections made by the Coast Guard where warranted. I hope that our discussions here this morning will highlight for you where we are today—and where we hope to be in the future.

With that, I would be happy to answer your questions.

Mr. STUBBS. Before we get to procurement itself, to the subject of this hearing, let me just ask you—I love this question. State your present understanding of the budget situation for 1986. What is your best guess what it is we will end up doing to you?

Admiral GRACEY. My best guess, Mr. Chairman, is that the Congress of the United States as a whole will listen to the sense of the House of Representatives that appeared on the floor with your 400-

to-6 vote and will realize, I think, exactly the important contribution that the Coast Guard makes, will pay attention to the editorials, both on television and in newspapers, that have appeared all over the country, and what I understand is a rather hefty load of mail, judging by some of the copies I have seen, and will vote to restore fully the \$230 million the Senate proposed to cut from the Coast Guard 1986 operating expense funds.

Mr. STUDDS. Is your policy of suspending all routine air and sea patrols still in effect pending the outcome of this?

Admiral GRACEY. Yes, sir. I had hoped incidentally that would be a relatively short-term slowdown, like a 10-day affair, because the conference committee was due to convene, but it has stretched out. But, yes, it is still in effect.

Mr. STUDDS. I don't suppose your mail includes any thank you letters from people grateful for that notice of suspension of law enforcement operations.

Admiral GRACEY. No, it doesn't, Mr. Chairman, but I have to tell you that I have been overwhelmed by the fact that I have had virtually no criticisms.

Mr. STUDDS. Least of all, I would suspect, from those grateful for the suspension.

Admiral GRACEY. No, sir, even from the people who don't like the suspension; they understand the problem.

Mr. STUDDS. I understand.

Would you like to take this opportunity to say something about the effect this uncertainty and confusion has had upon the morale of your force?

Admiral GRACEY. What I would like to say is that Coast Guard people, who have a very deep place in my heart, always have had and always will have, have risen to this occasion in a way that absolutely dazzles me. They are concerned about their futures, they are concerned about what is going to happen to their families and their careers; by being the kind of people they are, they are more concerned about what is going to happen to the ability of the Coast Guard to contribute to the welfare of the United States.

And that is not just admirals and captains that have that concern, it is seamen and seamen apprentices. I have seen it all over the world, and I heard it from the people over there. But despite that, they read my message that I sent out on October 25 in which I outlined the situation, prescribed what we were going to have to do to reduce the impact if the decision should be made to let the \$230 million cut stand and they listened to my words, which said "keep the faith," that nobody in America wants the Coast Guard to disappear or even be seriously damaged.

Bless their hearts, they have kept the faith and morale is about as good as you could expect it to be under the circumstances.

Mr. STUDDS. I appreciate that. As I said before, we will get to procurement. I just had to make reference to this in the beginning. I have the same impression both from the mail that I have seen, that I know our colleagues here have received, from editorials, we see the same ones you have, and from, if you will, the Coast Guard officers and men and women in the street. I think the demonstration, the magnitude of that vote in the House, was in some ways the best testimony that you could receive. I think members from

all over this Nation reflected the public support for the Coast Guard.

I am increasingly optimistic through one means or another—those words being underlined—the Coast Guard will survive.

Let me say that I have made the mistake of reading the morning paper this morning, which indicates that the President will veto the continuing resolution, not because the bill is expected to call for funding in excess of that called for by him, but because Congress is likely to shift some small portion of that money from the Department of Defense to other areas, to include the Department of Transportation.

Obviously, if this happens, this whole nightmare will begin over again. I am not going to ask you to comment on the possibility of a Presidential veto of the bill, but if it should occur, despite the efforts of the Congress to keep all spending within the limits prescribed by the budget, this creates additional uncertainty and problems with the Coast Guard, I personally will be compelled to retract all of the relatively nice things I have been saying about the White House and OMB with respect to the Coast Guard in recent weeks, and I will have to start recycling the adjectives I have been using to characterize the Senate.

I just say again, Admiral, as I am sure you know, the veto threat, which is one apparently of substance, from the White House has nothing whatever to do with the overall spending limits. That bill, as it is coming from the Congress, is within the budget, but it is the distribution of moneys, priorities, and values therein, if you will—specifically cited by a White House statement this morning, inadequate moneys for the Department of Defense, too much for areas such as transportation—which apparently are going to be cited as the reasons, if we get one, for Presidential veto. I hope that is not going to happen.

But if it does, we will go through this again, and we will inevitably triumph. Before getting on to—

Mr. DAVIS. Mr. Chairman.

Mr. STUDDS. Yes.

Mr. DAVIS. I want to comment about some of the things you have just commented about also, and I would say that if there is a pending veto and if, in fact, there is a veto on this particular piece of legislation, I don't think it in any way reflects on the Coast Guard and the amount of dollars that the Coast Guard would be receiving, because as a matter of fact, the White House has supported the level of funding for the Coast Guard as passed by this House, which means that all \$230 million would be restored. There are other reasons why a veto threat is being talked about, so I just wanted to make that clear.

I also want to talk a little bit about, Admiral Gracey, the effect the \$230 million cut on the Senate side has had back in various districts. As you are well aware, my district happens to have a lot of involvement with the U.S. Coast Guard. They do an excellent job.

I recently, over the Thanksgiving Day recess, held town meetings, and all of them were in areas where the Coast Guard is very vital. Every place I went either the media or people in general asked me whether or not we would be able to restore those funds. I think probably, like the chairman of this committee and many of

us, we have gone out on a limb saying, yes, we believe all the moneys will be funded, but it has been especially demoralizing to the area I represent in the Great Lakes because, first of all, as you know, we went through that so-called nine search and rescue closures plus four dramatic curtailments of activity, and after having restored the money, as you are well aware, that would keep those stations going, then we come back and have to report on what has happened, at least in one body in the Congress.

So it has been a real tough year back home trying to address the problems the Coast Guard has come upon. I happened to have just recently become a ranking member on this committee, and people are wondering what are you doing down there, Davis, now that you are the ranking member of the subcommittee, and we have had nothing but problems?

I agree with you and the chairman, still I am optimistic the funds will be restored and hope that we don't have to go through this process again. It is, I think, unnecessary to put the U.S. Coast Guard and all its personnel through this type of activity. It has to be somewhat demoralizing to all the people in the U.S. Coast Guard.

Thank you, Mr. Chairman.

Mr. STUDDS. My apologies to the other members. We will now begin the hearing. We will get to procurement. This is about procurement, as you know, a subject which is complicated and important, and except when put into outrage over \$500 toilet seats, confuses the mind and bores the press.

We have talked about this subject before. You have expressed a wishful desire to put together a system that puts greater reliance on common sense than on rules. We have explored this at the staff level over the past year, and we have found a few things possible to do and a lot that possibly aren't.

We have also seen a couple of studies of Coast Guard procurement that are worth the paper they are written on, particularly the one prepared by the Logistics Management Institute. What I would propose to do now is list in sequence a few of the issues raised in that LMI study and some other recent studies and ask you to explain briefly whether the Coast Guard agrees with the recommendations, and if so, whether the Coast Guard has both the intention and resources necessary to carry them out.

First of all, does the Coast Guard intend to establish an Office of Acquisition and Contract Management? And if so, when and to what extent do you believe such an office would help increase the level of discretion, responsibility and accountability according to Coast Guard procurement personnel?

Admiral GRACEY. Yes, sir, we have proposed the creation of an office of that type.

Mr. STUDDS. When?

Admiral GRACEY. When?

Mr. STUDDS. When do you think it might happen?

Admiral GRACEY. We have asked to have it in place by the first of January, but that is pretty short notice. That is what we hope to have. In the meantime, we have done some minor adjustments, those things we can do within the existing organizational structure to start to realize some of the kinds of benefits that were foreseen

by the LMI study, which incidentally, Mr. Chairman, was a study that we commissioned.

Mr. STUDDS. I understand. What steps can and will be taken to make certain Coast Guard procurement officers have the training necessary to do a better job?

Admiral GRACEY. First of all, Mr. Chairman, I want to differentiate between military personnel and civilian. The obvious answer to your question is training and more training, but we have had a problem with that in two regards, one is funding, and two is a very rapid turnover of our civilian personnel.

One of the beauties of military personnel is, when they are given an assignment, they stay as long as we want them to stay there. With our civilian personnel, for a variety of reasons, we have had a rapid turnover. On the military side of the house, for example, only 8 of our 105 contracting positions in headquarters are military people. I think the inexperience is sometimes overplayed.

One wonders where you get experienced people if you never let an inexperienced person work at a job. The answer is to have experienced people overseeing inexperienced personnel. We plan to provide training, we have always had training. We plan to do more of that and focus specifically on a contract acquisition in contract management. We have gone after a couple of quotas at the school in Monterey. We have held procurement training seminars, short ones, for field personnel, and we have done that despite the travel slowdown. We put that as an absolute must kind of thing.

So we are taking a whole range of steps to enhance the training, to learn, to profit from lessons learned, to increase the experience. But I should—well, I will tell you, I mentioned earlier I don't consider myself a professional contracting officer at this point because a lot of things have changed in the last few years. I went to Harvard Business School and got a master's degree, later on I went to a procurement school. I took a course in contracting law on my own, I was a district comptroller later on. So I understand the problem.

Admiral Kozlovsky has come the same route, a similar kind of route. We have some very excellent people. In fact, really, our leading military contracting people are among the best in the country, and I would have to tell you our civilians are the same. Middle management is where the problem is, and we have a huge turnover in that area, largely because we have a very small force, so we don't have a good career ladder. We have continuing uncertainties in the range of what is going to be with the Coast Guard, how much money are we going to have? Is it going to be up, is it going to go down?

We have these excessive external pressures, external reviews, and that sort of thing, and criticisms, which create a very unpleasant working situation, and, frankly, the kind of experience we provide and the kind of responsibility we are willing to give middle-grade people makes them excellent candidates to go to some other agency and make big bucks and have a big career.

Grade levels are low in the Coast Guard. Our average grade level for civilians is 12.3, the average grade in the Department of Energy is 14.2, for example. When you go into the Department of Defense, the career opportunities for procurement people are just wide open.

All of those things come together to—what I am trying to communicate to you, Mr. Chairman, is that we recognize the need to enhance experience, but I again want to say to you that sending people to school is not the only answer.

Mr. STUBBS. I have many more questions. In fact I have several more parts to that question, but I am going to suspend in fairness to the other members for this first round.

—The gentleman from Michigan.

Mr. DAVIS. Thank you, Mr. Chairman.

Admiral Gracey, this procurement issue, and I am not going to be criticizing the Coast Guard, but it is an issue that the Armed Services Committee has been spending a lot of time on, and I happen to be the ranking member of a subcommittee in Armed Services that is supposed to look at all recommendations from the Grace Commission relative to the Defense Department, which amounts to about \$94 billion in reductions that they recommend. Yesterday we had Mr. Grace appear before our committee, and we spent a lot of time talking about procurement in the Defense Department, and I am sure it is not unlike yours.

Some of the things that came out in that hearing, not only from Mr. Grace and other people, but as we talked about the whole procurement process, are unbelievable. And the bottom line was, when we asked Mr. Grace, you know, if there is one thing we should do in the area of procurement, what should it be? And his answer was very simple, let's have some common sense in our procurement process.

You were talking about people having necessary experience. I am not so sure you wouldn't be better off to start off with people who don't have that much experience and have a little common sense. A 40-page document to buy a mouse trap, I mean how ridiculous is it to fill up 40 pages describing what the mouse trap must be like to purchase for the military? One hundred thousand people in the Defense Department in the area of procurement, 100,000 procurement people. Absolutely ridiculous.

I guess my one question to you now is: How many people do you have in the Coast Guard in the area of procurement? Can you give me a ballpark figure?

Admiral GRACEY. About—

Admiral KOZLOVSKY. 474.

Admiral GRACEY. 474 people.

Mr. DAVIS. That is plenty. I hope when you are setting up your new division, they don't have to hire any more, because I really think that we just have way too many people.

Admiral GRACEY. If I might—I will try to make it brief, if I could make a short point there.

This new office that we are creating goes beyond procurement, and into the whole range of acquisition. So it includes project management, review of specifications, the whole 9 yards. So it will ultimately involve some additional people. But at the outset, we plan to do it by reprogramming as best we can. But it does go beyond just the buying aspect.

Mr. DAVIS. Let me ask you this, Admiral, and I know many of the things you have to do are requirements that have been built in over years of bureaucracy, but we find that many of your require-

ments for a particular item that the military buys, perhaps you folks have to buy, the requirements are absolutely ridiculous. Do you remember the talk about the toilet seat, hammer, and also the coffeemaker? Well, facetiously, we find out that the requirements that were drafted by the Defense Department in the area of the coffeemaker is that the plane might crash, but the coffeemaker would survive.

I think many times that when we draft regulations on a particular item that we are going to purchase, the requirements are absolutely ridiculous. Many of these items should be off-the-shelf items that we could purchase from manufacturers that make these products every day, and we ought to take some advice. You know, the procurement process in the Defense Department, at least I think, lends itself to bureaucrats who are protecting their own nitch, protecting their own jobs and end up spending so much time telling a prospective contractor or provider of a product, they are just absolutely ridiculous, and I would hope some of these things aren't happening with you.

We had experience in our office, we spend a lot of time in the area of assisting contractors in our district, principally with the Defense Department, we have done some work with the Coast Guard, and finding that in four or five instances a company that might have to fill out 400 pages of information to bid on a particular item, they forgot to check one box, and they throw out the bid.

Now, to me that is ridiculous, and it was the low bid, the low bid by far. But because we have such stringent rules and regulations in the area of procurement, we end up paying more for the product because we have had—we have burdened the person who is making a bid, submitting a bid, and they forgot to do something that is very simple that in the outside world, in business, you as the CEO of a company or myself would have said, you know, check this box, your bid is low, and by the box. We don't do that in the military, and I would guess you probably have somewhat that same problem.

Admiral GRACEY. Mr. Davis, that one box—that is a perfect example of the inanity of the government procurement system, and it is inane. Those 400 pages, every one of them I would be willing to say stemmed—some part of it was probably a specification—but I am willing to bet every single piece stemmed from a regulation or law someplace, and that one box, if the contracting officer accepted that—those 400 pages with that one box unchecked, somebody somewhere would find that out and protest the bid, and you would be in court and the whole thing would get thrown out.

It just snowballs. People are so conscious of the fact that you can go into court, have years of work thrown out on some simple little thing, that they clutch and they go into the very kind of thing you are talking about. It is not the fault of the military contracting person, and the same thing happens in other parts of Government. Let's not just hang it on the military. It is throughout Government.

Mr. DAVIS. I agree. In this particular case, you are correct. I think the military may have been willing to bend, but there was a second bidder there who wouldn't allow this. In fact, they are in court now on this particular issue. How do we go about getting that changed? You said the regulations are idiotic, I say they are idiotic.

Yet we cannot get them changed. We know it is costing the taxpayer a lot of money.

Give us some ideas on how we can change some of these things. You have indicated yourself that in a 400-page report or bid that you have to submit that probably most of it are things that you don't really need. How do we go about changing that?

Admiral GRACEY. In the immortal words of a famous old news team, "Back to you, Chet." We suggested some things that might happen after last year's hearing. I think we have ourselves in a situation where when there is a problem, when there is an overpriced item that hits the newspapers, we tend, as a people, to overreact. We tend to say "There goes that dumb military person again, there goes that whatever," instead of saying, "How could that happen?"

Yes; dumb things happen, but there are millions of items that are procured every year that aren't in that category at all, but they all go through this giant paperwork thing. When you are talking about a complex, sophisticated piece of machinery, or a sensor or something like that, sure you need a lot of detail.

What we are trying to do, I think, is to absolutely guarantee that everybody who is in the procurement business in government is going to be as honest as the wind-driven snow. We are going to make sure that happens by having eight people check him on everything before he ever moves, instead of taking a chance that we just might have honest public servants and that our military personnel might be honest and care as much about the United States as the people who don't happen to draw a government paycheck.

I submit by the very fact of whom that they work for and that they are willing to put up with military orders and all the things we lay on them, that maybe they even care more, and just believe that, and if you find one that violates that trust, put him in a cage, throw him out, get rid of him, her—her, too. OK? I think it might not hurt to go back and take a look and analyze court cases that have occurred, protests that have occurred, and find out what caused those protests, how many of them stood up.

We have been criticized for all the court cases. In approximately the last 5 years we have had 24 cases, and there were only about 7 of them, I think it was, where we got down to any kind of a discussion at all, and it turned out to be next to nothing. Now some of them were bona fide, one of them resulted in a shifting of our patrol boat contract because we had not followed our own rules, according to the judge. We won 10 of those cases, we lost 2 of them, some of them are still going.

But magnify that by the size of the Department of Defense and some of the other agencies, and you will get an idea of this great litigation. An analysis of what is causing those things might give us a signal. We are trying to solve all the social and economic ills of the country through the procurement process. We are trying to lever things into happening. I don't for a minute demean the social objectives, but we are trying to lever them by forcing procurements into certain positions.

If that is the way we want to go, fine, but we have got to be willing to pay the price on the other end.

Mr. DAVIS. I have just about used up my time, not quite, almost. You indicated that in a couple of these cases there were rule and

regulations of your own that you had not followed. I guess what we have to do here in Congress is determine how many of the requirements in procurement practices or procedures are those that have been instituted by Congress and those that have been put in place by the agency, by the Coast Guard, by the Defense Department, or whatever, and I would dare say we probably both are at fault, and we both should make some changes, your rules and regulation are in some cases ridiculous, and some of the requirements mandated by congressional action are probably the same.

Admiral GRACEY. There are over 4,000 laws on the books today that involve procurement in one way or another. And from each of those, who knows how many departmental and agency regulations have stemmed to try to implement them and to try to make sure you don't get caught in having missed one someplace?

In addition to that, there are different people's views of how to manage, and they plug in different requirements. There are various levels of Government, each of which seems to decide it is going to ride herd to make sure the one down below is making no mistakes.

We try to avoid that kind of thing and trust the people to do the job and keep our hands off. But then you wind up with a problem and you are put on the spot if you don't have answers. So you have to be sure you have the answers. Otherwise the whole procurement stops until you get them, just as you are trying to keep it moving.

Mr. STUBBS. The gentleman from New Jersey.

Mr. HUGHES. Thank you, Mr. Chairman.

Welcome, Admiral, colleagues. I am not going to focus on this first round on anything except the cutters, which give me a great deal of concern. During Vietnam apparently we had some 75 high-and medium-endurance cutters. That dropped to 47, as I understand it, in 1984, and before the end of this decade, we are going to be down to somewhere around 40 cutters.

I was in Miami, as you know, this past week and was on board a cutter that was 50 years of age, although it looked to be in very good shape because of the care that has been given to that particular cutter, but we have some 28 cutters, as I understand it, or thereabouts, that need major renovations that we can't bring in at this point to provide those renovations for any number of reasons, budgetary I assume, can't spare them.

We extended the hours of the personnel on board many of the cutters that try to get more service out of them, and I am just wondering what impact is this cutter crunch going to have on your mission, particularly your drug enforcement mission and your missions involving fishery inspection, policing the 200-mile limit? What impact is this going to have on your mission? It is my view that these cutters basically are the backbone of much of your primary mission today.

Admiral GRACEY. They are the backbone of the going to sea portion. That is correct, yes, sir.

I think I probably ought to put a little bit of this cutter change into some perspective. You referred to 15 years ago, before Vietnam. Thirteen years ago, the Coast Guard budget was reduced by 32 percent in 1 year, and at that point we shut down the Ocean Station Program, the old Weather Ship Program, where we had

ships in the Atlantic helping transoceanic aircraft. That lost us our 311-foot cutters and our 255-foot cutters.

Since then, the size of the fleet has remained relatively stable. In fact, we have added three former Navy cutters and we have had some newer cutters come on the line. There has been some juggling back and forth.

The impact in the future is going to depend on what is going on in the world at that point. But if one assumes we are not going to win the drug war tomorrow, if one assumes there will always be fish out there other people want or that our own fishermen will, for one reason or another, want to take beyond what the limits are, there will always be rescue cases, there will be an increasing requirement to patrol the economic zone, to keep things clean out there, and there will always be the threat of mischief from those who would like to come and stir things up in the United States, that sort of business.

Then, if that is the case, we are going to pick and choose, we are going to deploy the cutters and locate them where the highest priority need is, just as we do now, and just as we have always done. You are right in your observation about the shortage of cutters, and as we predict in the next year, but some part of the current crunch comes, of course, because we are going into the fleet rehabilitation program for our high-endurance cutters, and we are going into the major midlife modification for our 210-foot medium-endurance cutters.

But we have some new 270's coming on the line. While the 378's and 210's are in the yard, we are going to have a shortage of cutter days which we are going to try to make up in other ways. One of the ways is to keep that 50-year-old ship you were on board, keep that sailing. We are going to keep them sailing, to fill the gap.

Mr. HUGHES. Do you see as much of a need for the high-endurance cutter in the 1990's as you find today?

Admiral GRACEY. Yes, sir. As long as there are people going to sea who are going to call for our services; or as long as there are people going to sea who, while they are there, might do something in violation of our treaties or laws; as long as the United States has a desire to defend its coast, and that is now the Coast Guard's responsibility under the Maritime Defense Zone Agreement, then you are going to need ships which can go to sea and stay there. As long as there are major storms at sea, as there are often off your coast, the chairman's coast, all the coast really, you are going to need a ship that can handle that kind of weather. As long as you are going to do any of these kinds of things, you are going to want to carry a helicopter.

So you need a ship big enough to do that. We may actually be more intense in the future in the need for our ships. You cannot send a small ship out to sea and expect it to stay there. We really do stretch our people, but we are talking a couple weeks perhaps, as opposed to 60 days. We send our high-endurance cutters out to sea; they sail from San Francisco up into Alaska, they are gone 60 to 70 days.

Mr. HUGHES. Is my figure correct on the number of cutters that need major renovation, 28?

Admiral GRACEY. Yes; we have twelve 378-foot cutters and the balance would be the sixteen 210-foot medium-endurance cutters.

Mr. HUGHES. So that is about right. Is it budgetary, is it just an inability to bring them in for repairs, or a combination, or what is it?

Admiral GRACEY. No; those programs are both started. There will be some budgetary impacts depending on what happens, but we are funded to start those programs. In fact, the first two ships involved in the 378 program, one on the west coast and one on the east, are in the yard now, and we have started the program on the "A" class 210's at the Coast Guard yard. The Navy is putting together, and is going to administer, a contract for the "B" class, the other 210-foot class.

The reason for the stretch out on that, Mr. Hughes, is that we couldn't afford to take all those cutters off the oceans at once. And we didn't want an 18-month or 2-year period that had no Coast Guard cutters at sea at all. So we very carefully scheduled the cutters' availability. As a matter of fact, the Vice Commandant and I, when we first looked at it 3 years ago, said we have too many going in at once, stretch it out, because we couldn't afford to lose those ship days.

Mr. HUGHES. So it is connected more with the requirement that you maintain the mission, present mission, than it is budgetary?

Admiral GRACEY. It is budgetary in a sense; even if we didn't have the operational commitment, it would have cost a lot more money if we had put 1 ship—1 of each of our high endurance cutters—in 1 of each of 12 yards. Better to schedule a number of cutters into one or two yards, because then the learning curve takes over. In the long run, you save money and get a better job.

Mr. HUGHES. Are the 110's coming on line in accordance with schedule?

Admiral GRACEY. I am sorry.

Mr. HUGHES. The 110's, are they coming online in accordance with your schedule?

Admiral GRACEY. The 110-foot patrol boats, yes, sir. The first one was a bit late, but for a good and valid reason. They are coming online, and every indication is they are going to be topnotch boats.

Mr. HUGHES. I will get into the other areas in the next round, but I just wanted to say it is amazing that the Coast Guard can do anything, proficient with the roller coaster budget we accord to the Coast Guard, the uncertainty as to what their funding level is going to be. Here we are into this present fiscal year, and there is still a great uncertainty as to what their budget is going to be, as to whether they are going to take a \$230 million cut or \$100 million cut or are going to be funded at the present level. I am amazed they can do anything with any degree of accuracy.

If the other services, in my judgment, did as good a job as the Coast Guard in procurement, we wouldn't have the tens of millions of dollars of waste that we see, particularly in the Department of Defense. There is room for improvement obviously. The Coast Guard is taking a number of steps to try to improve their procurement system, but I think the other services would be well advised to duplicate much of the efficiency the Coast Guard has shown in its procurement practices.

I yield back the balance of my time.

Mr. STUDDS. The gentleman from Alabama.

Mr. CALLAHAN. Thank you.

Continuing the theme along the lines of our colleague from Michigan about procurement practices, I had the opportunity a few months ago to be aboard a military aircraft, and I will admit it was not a Coast Guard aircraft. But they served us a slight snack between points, and included in the package was a smaller package that, as best I can recall, the name of the object in the smaller package was a thermal stimulator. Upon reading the instructions of the individually wrapped toothpick, it gave specific instructions as to the use of that particular object. And I think that this is what we are referring to when we talk about some of the ridiculous areas of procurement.

No. 1, do we really need toothpicks? No. 2, do we really need to explain to our people in the military and their guests as to the practical use of that object? That was just an observation, though.

With respect to the Aerostat Program, can you give me the present posture of that program? I have learned something of this program, and I think it is an innovative, inexpensive, sensible solution as to a direction we ought to take, especially on the gulf coast, with regard to detecting illegal aircraft and small motorcraft coming into the gulf areas.

Admiral GRACEY. Yes; the status of that is we have two of them operating now. One has some storm damage being repaired but will be operating. We are leasing these two, and one of them is out in the Caribbean now, and the other one will be very shortly . . . the one damaged in a storm.

We have a contract to buy two additional. Ultimately, we think, over a period of some years, we should build to about eight. Right now we have two. And we should have two more come this spring. We are going to do a fly off between two different manufacturers.

Mr. CALLAHAN. Let me encourage you to use every ounce of your effort to research this program in that gulf coast corridor area. I think that your research and the shape of the land in the gulf coast is very conducive to determining whether or not that program can be successful. And, in my opinion, it can be.

Admiral GRACEY. What we are trying to do, what we are shooting for, Mr. Callahan, is to improve our capabilities. As far as the gulf coast is concerned, we are hoping to use the aerostats to pick up the folks heading in that direction before they ever get close to us.

Mr. STUDDS. The gentleman from Florida.

Mr. HURRO. Thank you, Mr. Chairman.

Admiral. I assure you the folks along northwest Florida's gulf coast are very, very supportive, and always have been, to my knowledge, of the Coast Guard. And we are all very disturbed about the proposed \$230 million cut, and I hope we can avoid that happening.

Following up on Mr. Davis' questions on procurement, he mentioned off-the-shelf possibilities, and I believe that you countered by the fact there are so many regulations it is difficult. But there is no

law against that, is there? I am sure that you procure some items off the shelf.

Admiral GRACEY. Yes, indeed.

Mr. HUTTO. Would that be a small percentage of your overall procurement; would you say 10, 15 percent?

Admiral GRACEY. I don't know that I could give you a percentage, Mr. Hutto. The 110-foot patrol boats we are buying are off-the-shelf patrol boats.

There is nothing that militates against off-the-shelf buying—quite the contrary. But if you go with an off-the-shelf buy, you still have to prescribe what it is you expect. And most often you are going to make some modification.

~~Our objective in the patrol boats was to hold down the modifications as much as possible so we would avoid getting into big things. But you still have all those laws that pertain. We buy off-the-shelf models, and we use performance and specifications as opposed to detailed design specifications whenever possible.~~

Mr. HUTTO. You mentioned several times the bureaucracy and all the regulations and laws, and indicated, I believe, that laws cause most of this. But I think in all levels of government we find that agencies tend to misinterpret the law, and I think that that particularly happens in Federal agencies.

Why can't we have closer coordination? I mean, some of the things seem obvious that they misinterpreted, and they went beyond the intent of the legislative body.

Would you say that most of your problems are caused by laws or just regulations of the Federal agencies?

Admiral GRACEY. I think I have to say the root cause is, in fact, the volume of laws, Mr. Hutto. I don't know to what you refer in terms of misinterpreting, so I can't respond to that.

There are cases where people, in fact, do go too far. Part of that is motivated by the fact you have human beings working in these things, and human beings have concerns about their careers and families, and they are subject to inspectors general and General Accounting Offices and auditors, and they don't want to be caught wanting and they don't want to be dragged up and told, "You are a miscreant" of some sort. So they tend to go another step further. That is human nature.

But the regulations, in most cases, stem from laws. We have some things that we are dealing with within my own Department. There is not one question in my mind those things we are dealing with are motivated, many of them, by a desire to avoid any opportunity to be found wanting in following the law—the laws, plural.

It is not some mischief thing, not something somebody wants to do because they think it would be fun to slow down the Coast Guard's progress. That is not so at all. They are trying to live under the spotlight, and they are trying to avoid being criticized.

Mr. HUTTO. Before my time is up, I would like to ask you to comment on the provision of the defense authorization bill that provides for 500 coastguardsmen to be put aboard Navy ships in the corridors of high drug trafficking.

What are your thoughts about that? Is that going to be a big help in curtailing the drug trafficking and winning the war against drugs?

Admiral GRACEY. There is no question it will be a help, Mr. Hutto. I understand that was an alternative amendment to the idea of changing the law and having the Navy get directly involved.

I think the right way to go to put Coast Guard people on those ships. We are doing it now in a number of places. We are learning some lessons. We have got to change practices as to how Navy vessels are deployed and what kind of leash they might be on in terms of what kinds of vessels they can stop.

We are making progress and working closely with the Department of Defense. There is no question it will be a great help. With that kind of a program, the drug smuggler has no idea when he sees a gray hull whether he is going to get stopped by it or not. He will always be stopped by a white one. And the odds are pretty good, with that many people out there, he is going to be stopped by the gray one as well as the white one.

Mr. STUDDS. The gentleman from Delaware.

Mr. CARPER. Thank you.

I want to thank the admirals for their appearance and testimony today.

I would like to, just for background purposes for myself and perhaps for some others on the subcommittee—could you just very briefly explain to us the components, the major components, of your budget, how the budget breaks down in terms of operation and procurement, percentagewise? Can you do that for us? We will use 1985 as a benchmark, if that is fresh in your mind.

Admiral GRACEY. I will give it a shot off the top of my head.

If I may, let me thank you for reminding me there are other admirals at this table. I referred to Admiral Kozlovsky earlier. On my right is Admiral Thompson, who is our Chief of Staff. And I have a few of our highly professional contracting people with me.

The budget breaks down this way: Let's say out of \$2.5 billion that is proposed for 1986, \$1.78 billion would be for operating expense. About \$300 million for acquisition, construction, and improvement. Research and development would be about \$23 million. Reserve training would be \$63 million. And then we have retired pay and—

Mr. CARPER. The major component is clearly operations, and the second part is procurement. But it is a small, much smaller component.

Admiral GRACEY. Procurement is spread over two or three categories. In descending order of size, it is operating expense—that is what pays us, buys the fuel, all of that; acquisition and construction, buying hardware and building buildings; reserve training; research and development. Retired pay is a big number, but that is kind of a given in the sense it is an entitlement program.

Procurement and contracting spread over all categories of our operating expense. We buy ships under a AC&I. We buy training materials under reserve training. And we do a lot of our research and development work under contract.

Mr. CARPER. So if we could say procurement is roughly some percentage of your overall budget, what would it be? A third? A quarter?

Admiral GRACEY. About \$500 million a year. So that is about what? Twenty percent?

Mr. CARPER. OK.

Admiral GRACEY. Maybe more.

Mr. CARPER. We are still—

Admiral GRACEY. Maybe 25 percent.

Mr. CARPER. As you well know, we are still debating the Gramm-Rudman deficit reduction or deficit elimination plan. I think there is a pretty fair chance we will eventually vote before we adjourn for Christmas.

Along those lines, the son of Gramm-Rudman, or grandson of Gramm-Rudman, that legislative language will put a squeeze on virtually every program, defense and nondefense; certainly on the programs you oversee in the Coast Guard. I think we are going to have to be looking for ways that we can more efficiently conduct our programs, whether they are yours, or any other program that exists.

I know a couple of the other members of the committee before me have said, what can you do that might make more sense in terms of bringing down our procurement costs? What can we do to make a bit more common sense?

I presume somewhere exists a study—there seems to be studies for everything else—a study somewhere that says what we can do to help you follow a more sensible procurement policy. Maybe that was prepared by you folks and submitted to us. I am just not aware of it.

But is such a document in existence?

Admiral GRACEY. I hope there is not a document that is labeled "What Can Be Done to Help the Coast Guard Follow a More Sensible-Procurement Policy," sir.

Mr. CARPER. Let me restate—

Admiral GRACEY. I think I know where you are going. I didn't want to let that stay on the record without challenge.

There is a study as to how we can improve timeliness, how we can improve the effectiveness, particularly our major—

Mr. CARPER. Let me interrupt, if I can.

What I am looking for is some advice for us, what we can do at our end legislatively to enable you to do your job better.

Admiral GRACEY. There are some specific things to which we responded in the past in mail. We have suggested, for example, changes in the Davis-Bacon threshold. We have suggested changes in some of the thresholds on some of the other kinds of requirements. We have suggested at times that, the committee staff and my staff talk about the possibilities of exempting us from the Federal acquisition regulations, and, for a trial buy and let us run free and see what happens.

The world would not end if we totally botched it, but I guarantee we won't or wouldn't.

Mr. CARPER. What has come of some of those suggestions?

Admiral GRACEY. They created a lot of heartburn in the executive branch, as you would imagine. What is the old limerick? "Said the young man while dining at Crewe to the waiter, 'There's a mouse in my stew.' Said the waiter, 'Don't shout and wave it about; the others will be wanting one, too.'"

Mr. CARPER. You can submit that for the record.

Admiral GRACEY. I am sure there were some people thinking we were going to get away with something or it might set a disastrous precedent. It flies in the face of some of the other kinds of things I am not in a position to comment on.

Mr. CARPER. Sometimes I think, with a \$200 billion budget deficit, this may be a day and age we may want to consider some dangerous precedents.

Admiral GRACEY. I think so. Thank you for saying that.

One of the points we have always said is that we have got to be willing to make a mistake once in a while. We don't want to make a mistake on whether we start a nuclear war. We don't want to make a major mistake that is going to cost lives. But if we botch a procurement of some modest size, so what? We will fix it. We won't do it again. You have to let people make mistakes. That's how they learn. That's how we make progress.

Frankly, as I told Senator Roth—our Government is going to come to the point where it does nothing but monitor itself, and we will never accomplish anything. Like the little black box you used to be able to buy: You wound it up, the lid opened, and out came a lever, and it turned off the box, and that was its only function. In my view we are approaching that point.

Mr. CARPER. Could you share with me some—you alluded to Davis-Bacon and an exemption from Federal procurement regulations. Could you share some of those in writing at your leisure?

Admiral GRACEY. Yes, sir.

Initially, you pointed out some effective practices, and I have been talking about good works, but I want to tell you some specifics. For example, we negotiated downward \$17.9 million of our transmitter buy; we negotiated a \$2.1 million reduction on one helicopter; we negotiated a \$20 million reduction over the lifetime prices in a contract on our standard terminals, and \$9.5 million reduction in maintenance prices. That is after we made the contract, we negotiated it downward. Those are all savings to the taxpayer. That is going on all the time.

Mr. CARPER. Good for you.

Mr. STUDDS. We will go to round 2. I will prune where I can. I will not ask you about that.

Admiral GRACEY. I wish you would.

Mr. STUDDS. You do? Here I was trying to be brief.

I won't ask you about that unless there is time at the end. If you want to sneak the answer to an unasked question into an asked one, please feel free.

Admiral GRACEY. You know I will.

Mr. STUDDS. Several of the Coast Guard's major procurements in recent years have been plagued by delays. Your short-range helicopters were delayed 3 years. Your Falcon jets, 3 years.

What lessons have you learned from these procurements that will help you avoid similar delays in the future?

Admiral GRACEY. Some of the lessons we learn we will never be able to use, Mr. Chairman. One of the lessons we have learned is that we are going to put into practice is to centralize and focus the people we have working on major systems acquisition and procurement in general.

*I want to put a caveat on that because it implies some of these kinds of delays you are talking about were the result of some botch somewhere. You alluded to, I think, the 270-foot cutters. They are running about a year and a half late—that is the nine that are now being built. A big chunk of that was because of a court hangup at the beginning, and then because we added a number of specifications, a number of changes that come about from lessons learned in the first four we built, and from operating them.

We also set out to do some retrofit at the Coast Guard yard on the first four, and then said wait a minute; why don't we take that extra time and just add it to the contract of the man that is doing the last nine? That stretched out his work, but it shortened the work at the other end. So, it appears he is late delivering, and he is, some. But the ultimate arrival on scene is not going to be as much delayed as it would have been.

One of the lessons learned is that we can buy off the shelf. But it really isn't a lesson because we have always tried to do it; buy off the shelf, or buy an item that is supported and already operating within the Department of Defense. For example, we are talking about an airplane where there is a pipeline and where the engines have already been proved out.

I would have to give that some more thought. We have gone the parent/craft route with the new patrol boats. I think you are asking me for lessons learned that we might implement in the future, and I don't know that we haven't already implemented the ones that we have learned.

Mr. STUDS. According to information supplied to the subcommittee, the first 270-footer from the Rhode Island shipyard will be delivered this month.

Is that, in fact, going to happen?

Admiral GRACEY. Yes; as a matter of fact, I think it will happen Monday, December 9.

I was in Newport the day before yesterday at the Naval War College, and our resident inspector was there from the Derecktor yard. He assured me it will be delivered. In fact, it sailed on trials and performed very well. Yes; it will happen.

Mr. STUDS. What are the reasons given for the past delays in that contract; modifications of it? Is it fair to say the number of required modifications indicates inadequate planning on the part of the Coast Guard?

Admiral GRACEY. No; I don't think it is fair to say that, Mr. Chairman. Many of the modifications were things we learned when we actually started to build the first ships, things we learned from construction problems on scene. For example, we are using a kind of steel we hadn't used before, so we changed some welding procedures.

I talked about the retrofitting being done at the Coast Guard yard afterwards. That was to avoid further delays at Tacoma Boat. To shorten the total cycle for the second group of ships, we plugged those into the contractor. In the original contract, we made 237 contract modifications, others remain to be resolved. But many of those changes were simply economic price adjustments that were built into the contract. As the cost of consumer price index goes up, the contractor is entitled to more money. And every one of those

price adjustments is a contract modification—but they do not create delays.

Just to show you the order of magnitude, there is a \$41 million net increase in the project to date. Of that, \$46.7 million represents economic price adjustments. And there is a negative credit of \$5.6 million because of change orders. So many of the modifications are technicalities.

Mr. STUDDS. I won't pursue the concept of negative credit. It scares me.

Admiral GRACEY. It does not come out of pocket.

Mr. STUDDS. I have a quick question on the polar icebreakers. You can theoretically contract with a foreign shipyard for construction of those vessels; is that correct?

Admiral GRACEY. If it fits under the Buy America Act.

Mr. STUDDS. Would the Coast Guard support a statutory change to require construction of the icebreakers in a U.S. shipyard?

Admiral GRACEY. I would not only support it, I would cheer. As far as I am concerned, it would be sinful to build those icebreakers anywhere but in the United States.

Mr. STUDDS. Anywhere but?

Admiral GRACEY. But in a U.S. shipyard.

Mr. STUDDS. Sinful? I thought you said "symbol."

Now to the cosmic question. From the days of Hurricane Gloria, New England high- and medium-endurance cutters were deployed as follows:

The *Duane* had just been decommissioned. The *Bibb* was preparing for decommissioning. The *Hamilton* was at Bath Ironworks. The *Chase* was in port for repairs stemming from an engine fire. The *Vigilant* was in New Bedford for repairs. The *Tamaroa* was in the Caribbean. And the *Unimak* was in training in Virginia when the hurricane struck.

As I understood it, that was the deployment status of the high- and medium-endurance cutters assigned to New England.

Where are those vessels today, other than the *Duane* and *Bibb*, which are both decommissioned?

Admiral GRACEY. Today?

Mr. STUDDS. Yes, as we speak.

Admiral GRACEY. As we speak.

Well, *Unimak*, *Vigilant*, and *Tamaroa* are all in their home ports under my slowdown order which stemmed from the Senate fiscal year 1986 budget action. They are doing routine maintenance. *Vigorous*, whose home port is New London, is on a Northwest Atlantic fisheries patrol.

Mr. STUDDS. I think you had a piece of good fortune for once in the slowdown.

Are any of them both in New England and operationally available?

Admiral GRACEY. Are any of them? They all are.

Mr. STUDDS. Because of the slowdown.

I probably should now ask you what would have happened under normal circumstances; where would they be? Maybe you can't answer that.

Admiral GRACEY. I can't—

Mr. STUDDS. I hate to think it is only when we have a budget crisis our vessels are in New England.

Admiral GRACEY. No; the odds are at any given time, any given year, if you asked me that question, you might get exactly the same answer. It depends on what their patrol schedules are and what is going on.

Your concern on the day of Gloria is what would have happened—how come New England was left unprotected?

Mr. STUDDS. I know neither you nor your Department provided Gloria, but we have had this discussion before—the larger vessels sail from Boston, turn right, and disappear for a couple of months.

Admiral GRACEY. I want to point out a policy I mandated in 1981 when I commanded the Atlantic area. I think it probably was in effect before that, but I emphasized it, and it still continues. It requires that there will be always, especially in the wintertime, at least one major cutter available for emergencies in the New England/New York area.

The ships you asked about don't include the New York ships, but they are included.

Mr. STUDDS. I understand. I wanted you to say that.

One other Gloria question, which I am sure you have prepared for: Why did the Coast Guard place all of its smaller vessels in Massachusetts out of the water or behind the hurricane dike in New Bedford in preparation for the hurricane? What would have happened if an emergency had arisen in a harbor where a Coast Guard vessel is normally based?

Admiral GRACEY. The ones seeking safety behind the dike would have come out from behind the dike.

I don't know of a fleet in the world, including merchant fleets, that do not have a hurricane procedure and run for cover. The worst place you can possibly be in a hurricane is bottled up against an unprotected dock somewhere where you are going to get battered to death. Your boat won't do any good if it is punctured and sunk. You get it out of the way until the major part of the storm goes through. It is usually just a matter of hours before the intensity of the storm has gone by, and then you return to normal operational status. After a hurricane that usually means a lot of extra operation, and you can't do it with damaged boats.

What we are trying to do is protect our assets and keep them available for the work that is going to have to be done after the storm. In a hurricane, even in relatively major ships, it is everybody for himself. It is a matter of keeping yourself afloat somehow, some way. At sea, for example, you are just not likely to be able to tow or put over a lifeboat in 100-knot winds.

The small boats, our 41-footers for example, simply aren't designed to sail around in hurricanes. We get them out of the way to protect them, so if anything goes wrong we can get out there as soon as the storm gets by, and help. If someone gets caught out there in the middle of a hurricane, the odds are you are not going to be able to do anything about it anyway.

Mr. STUDDS. I appreciate that. I think you know the source of these questions.

A lot of our smaller harbors, you know, the fishing fleet rode out the storm and the Coast Guard left. Obviously, people asked ques-

tions: Where are they? When they found out where you had gone, they asked me the questions.

I want to be sure we can speak to the satisfaction of the folks who have ridden out a great many storms about the appropriateness of the Coast Guard action.

Admiral GRACEY. We have always argued that when everybody else is coming in, we are going out.

Mr. CALLAHAN. Mr. Chairman.

Mr. STUDDS. The Chairman is going to yield to the gentleman from Alabama. It is your time.

Mr. CALLAHAN. I want to make an observation here about your concern for hurricanes is somewhat concerning to me. Maybe we ought to divide the Coast Guard up based upon the number of hurricanes they have. We had four of them in Alabama this year, and the Coast Guard did a great job initially, in preparing, both before and after.

But I am happy to see that now the people in Massachusetts recognize the tremendous problem we have in the South with hurricanes.

Mr. STUDDS. Don't tell me the Coast Guard stayed with the hurricane.

Mr. CALLAHAN. Oh, yes, they did.

Mr. STUDDS. OK.

The gentleman also has an icebreaker, which is an obvious thing to have in Alabama.

Mr. CALLAHAN. If you are talking about hell freezing over, and hell may be.

Mr. STUDDS. The gentleman has 5 additional minutes. The gentleman from New Jersey.

Mr. HUGHES. Thank you, Mr. Chairman.

I would like to pick up just briefly on my colleague from Florida, Mr. Hutto's line of questioning with respect to posse comitatus. I think the admirals know I am supportive of modifying it, but have some concerns about the practical limitations. I wonder if you would just share with me what you envision to be the practical limitations in placing Coast Guard taclet units on board Navy vessels.

Naturally in the Congress we look upon modifying posse comitatus as a reason not to give the Coast Guard any more resources.

The human criteria around this institution is we will give the Navy more authority, get the Navy more directly involved, get the Air Force involved, start shooting down some of the planes and start ramming some of the destroyers.

But there are obvious limitations, obviously. For instance, I have some concerns and maybe you can share your concerns with me about tying up Navy vessels for long periods of time and having a vessel immobilized while you try to shove a vessel back to shore. I have concerns about the cost effectiveness of using some of these vessels.

I wonder if you could share what you envision as some of the practical limitations about bringing more deeply the military into law enforcement?

Admiral GRACEY. I think the kinds of things you have cited, Mr. Hughes, are good examples of the concerns that have been expressed by the Navy, and I certainly understand them.

In terms of the use of the Coast Guard law enforcement teams aboard, obviously a Navy ship has to stand by while we have a boarding party over there and wait for it to be done, and sometimes it takes some considerable number of hours.

The Navy is concerned about the drawdown in readiness. I think the point to be remembered is that the drawdown in readiness is considerably less under this alternative than it would be if they were doing the whole job themselves.

They would then have to have their people go into court, they would have to take the seized vessel back. Essentially, the program is one of Coast Guard people riding the vessel wherever it is going and if something suspicious spotted to check it out.

In some cases, as at present with the major winter operation we have going on, Navy vessels are actually attached to the overall task force under Coast Guard operational control as part of the program. Some other kinds of things that must be considered involve foreign sensitivities as they see a Navy vessel stopping foreign ships. Coast Guard ships stop foreign ships all the time, but that is what we do.

We say, "Coast Guard" in big letters on the sides of our ships. There is some potential sensitivity about foreign vessels being stopped by Navy vessels not operating under the aegis of the Coast Guard.

Mr. HUGHES. Are you aware of any protests by—

Admiral GRACEY. No; I am not aware of any. Part of that is they have been very arms-length as to how we have dealt with that kind of thing. Scheduling of the ships, training, as you said, these are expensive programs. Those are the kinds of practical limitations I see.

Mr. HUGHES. What do you do when you don't have a cutter close to the Navy vessel and you stop and you board, a Coast Guard unit boards, and you determine there is contraband on board, and let's say the cutter is 6 or 7 hours away? What occurs under those circumstances?

Admiral GRACEY. There is a variety of things done even when we make a seizure. Sometimes we put a custody crew aboard; sometimes we take the other crew off and put them on our ship and we put the custody crew on alone. Sometimes we do all of that and just take the seized vessel in tow. Sometimes we wait for a passing cutter of opportunity. We have had Navy vessels escort seized vessels back to port with a Coast Guard custody crew on the seized vessel, if the Navy ship was going someplace we could deliver the seizure.

Mr. HUGHES. Would a Navy ship ever use a custody crew on board and leave the facility?

Admiral GRACEY. That happens if we consider the situation safe and the vessel is not one about to sink out from under our crew and it is not a beligerent kind of situation. Yes, that happens. We do that ourselves.

Mr. HUGHES. How about on the larger vessels where you have 12 or 15 people on board and you have a Coast Guard crew of 7 or 8? What do you do in those circumstances?

Admiral GRACEY. The same range of kinds of things I mentioned. It depends how far they are from port and so forth. Ideally what

we would do is hold it, the Navy vessel would stand by until they get a Coast Guard cutter there or both or something that could escort it back in.

Mr. HUGHES. Have the tactics been successful on all types of naval vessels?

Admiral GRACEY. No, sir.

Mr. HUGHES. What ships are particularly adaptable?

Admiral GRACEY. Let me retract. The type of vessels doesn't make any difference. As long as we can put a small boat over—and we use inflatable boats—as long as they can put something like that over to do the boarding, and I don't know of any Navy ship that doesn't have a boat, then we can do it.

When I said no, I meant some areas in which we have sailed have not been particularly productive.

Mr. HUGHES. Would it make sense to put a taclet on board an aircraft carrier?

Admiral GRACEY. Probably not.

Mr. HUGHES. How about a destroyer?

Admiral GRACEY. Yes. One of the first seizures was made by a Coast Guard taclet from a Navy ship, and I think the first example of a Navy vessel firing into a drug smuggling vessel under the conditions that we allow under our rules, was a guided missile cruiser.

Mr. HUGHES. Once an arrest is made do you ever bring the suspects on board the Navy vessel?

Admiral GRACEY. I would have to provide that for the record, Mr. Hughes. I don't know the answer. If they are sinking or something like that obviously we would.

[The following was received for the record:]

PRISONER TRANSPORT

The Navy has provided some prisoner transport and towing assistance. The prisoners, in Coast Guard custody at all times, have mostly been U.S. citizens, but foreign prisoners have also been transported.

Mr. HUGHES. I would think if the ship is on a training mission and can actually go into any part of the Caribbean that would be a logical candidate for a taclet.

Admiral GRACEY. That is one. They may be on an exercise, although depending on the nature of the exercise that sometimes works and sometimes doesn't.

It may just be deploying from one place to another.

Mr. HUGHES. Have any defense attorneys subpoenaed any military personnel as yet to your knowledge in any cases where a Navy ship was involved in an intercept?

Admiral GRACEY. They subpoena people all the time. Coast Guard people are always going to court.

Mr. HUGHES. I am talking about the other personnel, the other group.

Admiral GRACEY. I don't know the answer to that. I don't think so. It is a Coast Guard action and it is clearly under our jurisdiction as a Coast Guard action.

Mr. HUGHES. Are any of the other military, the Navy personnel, do they become members of the boarding party at any time?

Admiral GRACEY. Yes, sometimes. They run the boat over and back but they don't actually do the boarding.

Mr. HUGHES. That is the extent of their participation, is just operating the boat, they don't board the vessel itself?

Admiral GRACEY. No, not normally. They do provide backup.

Mr. HUGHES. Which means they are armed when they operate the vessel?

Admiral GRACEY. If the thing blows up in the face of the Coast Guard men aboard, there has been an attack on U.S. citizens, so posse comitatus doesn't apply any more.

Mr. HUGHES. I suspect a lot of success of a taclet depends on the attitude of the Navy vessel.

Admiral GRACEY. A good deal does. And we have had some policies—there were some conservative policies at the outset. They went in very slowly because they didn't want to get into something in the heat of the moment, they decided they didn't want to be in or shouldn't be in.

Mr. HUGHES. What is the procedure when the flag is—when the vessel is not flying, let's say, an international flag, when you can't determine—

Admiral GRACEY. And you are on a Navy vessel?

Mr. HUGHES. Navy vessel.

Admiral GRACEY. We follow essentially the same process we do with our own. The first thing we do is contact the vessel and try to get them to agree to a consensual boarding, and many of them do. If it is not flying any flag at all and we can't establish the flag, then we go aboard to check it out. If they claim registry we go back through an established process and check with the flag state and see if they can verify the registry.

If they can't, we treat it as a stateless vessel and just take action. If it is verified as a bona fide ship of the country it claims to be, then we seek a cooperative agreement with the other country as to how we should go. Most often they say board it, and sometimes take action in our behalf or take whatever law enforcement action you normally would.

Usually that doesn't come about unless we have intelligence this person is carrying something. By the time we get there we usually know what it is.

Mr. HUGHES. Thank you. I appreciate that, and as I say, I am very supportive of what we are doing. I think that taclets have added a great deal to the enforcement effort. I just worry that we over emphasize the importance of that component, however, as an excuse for not providing resources to the Coast Guard as a substitute for proper resources and that is my major concern.

I don't want to minimize the effectiveness of the taclets, because I think that they can be extremely helpful, particularly when it makes sense on training missions or exercises to have taclets on board Navy vessels in strategic areas.

But I am not sure I would agree in every instance it is going to be cost-effective. It certainly is no substitute for providing adequate resources for the agency that needs to do the work. That is how I envision a lot of support for military participation.

Admiral GRACEY. I think, Mr. Hughes, if this 500-person thing goes through we will be able to get some additional benefit out of it. These people will not all be able to stay on Navy ships all the time. We do not plan to assign people to Navy ships on a perma-

nent basis. Their schedules are such that we would wind up with a couple of factlets out somewhere where we have no hope of ever seeing anybody and wouldn't try to enforce it even if we did.

We plan to keep those 500 people as a deployable asset and the rest of the time they will work within the Coast Guard.

Mr. HUGHES. If it makes sense to do that we ought to be funding that. Through the Coast Guard budget, it seems to me.

Admiral GRACEY. Amen. That is in addition to all the other priority things, not instead of, please, sir.

Mr. STUDDS. On May 8 of this year an engine room fire on the cutter *Chase* resulted in a death. What is the result of the Coast Guard inquiry into that incident?

Admiral GRACEY. We call it a Mishap Board, Mr. Chairman. There are two boards. One would be required by the Uniform Code of Military Justice and then there is one that is just to find out what happened and never mind the legal technicalities. We treat the latter—the Mishap Board—as confidential, as we do with our aviation accidents.

The status with *Chase* is that the district commander has just about wrapped up his review and we expect to see the approved version soon. We have had an advance copy of the report for about a month now.

Mr. STUDDS. What is the status of the repair aboard the *Chase*? When will she be operational again?

Admiral GRACEY. She is due to be operational in the next 10 days or so.

Mr. STUDDS. I want to insert at this point in the record a letter I received from Comdr. K.L. Ray of the Facilities Engineering Department at Coast Guard Air Station Cape Cod. He writes about a serious problem that has resulted with respect to the handling of construction problems, which he defined as those within the \$2,000 to \$20,000 range.

He says the major cause of the problem is the requirement that any project above \$2,000 be subject to formal bidding procedures made necessary by the requirement under the Davis-Bacon Act, labor must be hired at prevailing wage rates.

The \$2,000 threshold for these projects has not been increased since it was enacted. Would the Coast Guard favor an increase in the threshold value above which procurement actions are subject to Davis-Bacon.

Would such an increase improve contracting for construction and maintenance?

Admiral GRACEY. Yes, sir, it would. We recommended it in the past and it would increase efficiency. It would cut down contracting time.

Mr. STUDDS. I have one question about the deployment of Coast Guard aircraft. As you know I have been concerned in the past about the adequacies of the number of aircraft assigned to Air Station Cape Cod, which is the only facility providing air search capability in the northwest. My question is whether the Coast Guard has any plan to increase the number of fixed wing aircraft and if so, when?

Admiral GRACEY. Yes; we have plans to do that, Mr. Chairman. Assuming our operating expense budget is restored, we plan to have an additional aircraft there probably late next summer.

Mr. STUDDS. If it were possible to increase the passion with which I am defending your operating budget, I would have done it.

Admiral GRACEY. We couldn't have asked for any more passion than you have already applied.

Mr. STUDDS. You have earned the right to be asked the question I was going to ask before. Let me first say just in case there was any doubt in your mind or anyone else's with regard to my question regarding the disposition of Coast Guard vessels, none of the constituents, fishermen and otherwise, bombarding me with those questions were suggesting for one moment any question about the courage of the Coast Guard personnel. There were some salty observations about the observation of the hurricane, as you can imagine. I want to make it abundantly clear that was the nature of the question.

Now, to the real question of the hearing. This thing—I am sure you have a very fancy name, and may even have an acronym. It strikes me as a metallic medallion, I think. It sticks to microphones for example.

This is not in the shape of a toilet seat or hammer or coffee pot, it is a little seal, it is rubber, metallic, I understand you want to be asked why it is you spent over \$5,000 on acquiring this.

Admiral GRACEY. Well——

Mr. STUDDS. If you don't, I certainly withdraw the question.

Admiral GRACEY. I will give you a relatively short answer. You gave me an opening. I couldn't let it get away.

My courage in suggesting you ask that question is perhaps only exceeded by the courage of the coastguardsmen who sail out in your part of the world. If they happen to be caught out on Georgia's Bank in a hurricane, I guarantee you they are going to ride it out too.

Mr. STUDDS. I hope to God they have one of these if they are.

Admiral GRACEY. If there is a fisherman who got himself into a vulnerable position, then I would be willing to bet we would be digging him up out of the bottom of the bay the next day.

As to this emblem, yes, we spent \$5,000, but that is not a \$5,000 emblem. \$5,000 bought 26,000 of them. I would submit to you that is pretty cheap advertising. When you compare that with \$25,000 to \$40,000 for a 30-second spot in a football game on Sunday afternoon, I tell you that 19 cents is not bad.

Mr. STUDDS. That is a decision you made rather than advertising at the Super Bowl?

Admiral GRACEY. That is a part of it, Mr. Chairman. That is a part of it.

Mr. STUDDS. Do I dare ask where whatever this is was made?

Admiral GRACEY. No; you don't—I haven't the slightest idea. I don't know. It is a standard item.

Mr. STUDDS. I didn't mean whether it was made in Alabama or Massachusetts, although that would be of some interest. I am overwhelmed. I assume—19 cents each?

Admiral GRACEY. 19 cents.

Mr. STUDDS. So we can inform members of the committee that—I assume plus postage—they would be entitled to one of these?

Admiral GRACEY. I notice there were about what, six people here this morning? I will personally invest \$1.14 to be sure you all have one, sir. I am sure you would like to have it.

Mr. STUDDS. We were lucky this time for not being interrupted by votes on the floor, given the nature of votes on the floor in recent times we may be doubly lucky not to have been interrupted.

I want to thank you for your patience not only this morning for fielding these questions but in the uncertainty of the past 6 weeks. I know this has been one of the most difficult times for you and the Coast Guard. We can only hope, as we began the hearing, that uncertainty will not last too much longer, the resolution will be a happy one.

I thank you, I thank the people for whom you speak, and you should feel, if nothing else, you should feel very good indeed about the magnitude of the vote of confidence in this institution.

Admiral GRACEY. You took the words right out of my mouth. I know I expressed to you earlier, but I want to say on the record, and had intended to say when your colleagues were here—when I was talking about heart-warming things in this whole budget business and the response of the public and so forth—that the 400 to 6 vote on the floor of the House is something that just made us all feel very good indeed. I wanted to express my gratitude for that kind of statement of support, sir.

I thank you and your colleagues.

Mr. STUDDS. Thank you, sir.

The subcommittee is adjourned.

[Whereupon, at 12:10 p.m., the subcommittee adjourned, subject to the call of the Chair.]

[The following was received for the record:]

NOVEMBER 18, 1985.

Hon. WILLIAM LEHMAN,
*Chairman, Subcommittee on Transportation,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Senate Appropriations Committee Report 99-82 on the Fiscal Year (FY) 1985 Supplemental Appropriations Bill directed that the Office of the Secretary (OST) and the Coast Guard report on steps taken to comply with the recommendations of the Department of Transportation (DOT) Inspector General's report issued on May 28, 1985, on the Coast Guard's procurement program. This letter is in response to that direction.

Since the issuance of the Inspector General's report, OST and the Coast Guard have been working to identify the specific actions which would lead to improvements in the Coast Guard's major acquisition process, the oversight responsibilities of OST, and the effectiveness of the working relationship between our organizations.

We have made some progress, and the recommendations from the recently completed Logistics Management Institute (LMI) study, which have been provided to you, and the preliminary management recommendations of an in-house Coast Guard acquisition study are now being reviewed. We anticipate that significant improvements will be made in the Coast Guard's internal planning and management of major systems acquisitions. These include:

Improved personnel management practices designed to promote more effective project management and procurement practices;

More formalized planning, with increased emphasis on integrated logistics support;

Integrating the Coast Guard budget process with the acquisition process and "streamlining" the existing internal Coast Guard review process to improve timeliness;

Initiating a process, similar to that in the Department of Defense (DoD), of reviewing specifications for major programs to ensure increased use of performance specifications and to reduce the use of specifications which could be considered restrictive;

Providing draft Request for Proposals on major programs to industry for comment;

Evaluating the feasibility of acquiring DoD supportable aircraft in future fleet replacements, such as the medium range search helicopter, now reaching the end of its useful life; and

Evaluating the feasibility of utilizing off-the-shelf and DoD supportable subsystems in new ship construction projects.

The Coast Guard is also actively reviewing organizational options to enhance the authority of its project officers and its contracting personnel.

A number of additional changes are planned in fiscal year 1986. They include:

Regularly scheduled OST/Coast Guard program reviews on major programs, similar to those conducted with the Federal Aviation Administration, will be initiated.

A schedule for the Coast Guard to submit major systems acquisition programs to OST will be developed, and standard review times will be implemented.

The threshold for the procurement prenotification review in the Office of the Secretary, currently set at the \$100,000 level, will be increased to \$500,00 for construction procurements and \$200,000 for other procurement actions.

The "lessons learned" reports from completed Source Evaluation Board procurements will be provided to all new Source Evaluation Boards to ensure that previous mistakes are not repeated.

We would be happy to discuss these initiatives with you or your staff. In February 1986 we will provide an update to you of further actions we have taken, with consideration of the additional guidance contained in Senate Report 99-152 on the fiscal year 1986 DOT Appropriation Bill, and a report of the effects these actions are expected to have on the procurement process.

An identical letter has been sent to Senator Hatfield.

Sincerely,

JON H. SEYMOUR.

U.S. DEPARTMENT OF TRANSPORTATION,
OFFICE OF THE SECRETARY OF TRANSPORTATION,
October 7, 1985.

To: Adm. James S. Gracey, Coast Guard Commandant.

Subject: ACTION: Small Waterplane Area Twin Hull Program.

From: THE DEPUTY SECRETARY, JIM BURNLEY.

I have reviewed carefully your request to procure a 138 foot 600 ton Small Waterplane Area Twin Hull (SWATH) vessel for evaluation and demonstration. I do not believe that there is adequate justification to proceed with the SWATH program at this time, but will consider your request when (1) there is an operational need for a new class of cutters, (2) an assessment of the operational utilization of SWATH vessels in the Navy and elsewhere indicates that building a vessel for Coast Guard evaluation and demonstration is prudent, and (3) proceeding with SWATH, if (1) and (2) are satisfied, is consistent with other priority program needs in the Coast Guard.

However, I believe it would be advantageous for you, with assistance from my staff, to explore fully the development of a joint program with the Navy on SWATH technology, and the operational utilization of SWATH vessels. Given the recent interest of the Navy in SWATH vessels, I believe a joint program could be advantageous to both organizations, and could provide additional technical resources to the Coast Guard in exploring the use of the SWATH vessel form before the need for a new class of helicopter capable cutters is required. Please coordinate with the Assistant Secretary for Administration and report back to me the results of your discussions with the Navy.

DELIVERY SCHEDULE PERFORMANCE OF SELECTED ACQUISITION

1. *SRR (HH-65A) Helicopter*—contract awarded 14 Jun 1979.

a. *Original Delivery Schedule.*

1 SRR/mo for 6 months starting Nov 81.

2 SRR/mo thereafter (except 2 months per year when only 1 would be delivered).

Final aircraft delivery expected Jan 86.

Current Delivery Schedule.

1 SRR/mo for 6 months starting Nov 84.

2 SRR/mo for 15 months.

3 SRR/mo until complete.

Final aircraft delivery expected Mar 1988.

b. Reasons for delays between original and actual delivery schedules:

Aircraft performance problems . . . required development of larger fenestron.

Technical problems (weight growth and high altitude engine performance) slowed progress.

Environmental control unit and engines snow/ice problems surfaced during environmental testing.

2. *Medium Range Search (MRS) HU-25A aircraft*—contract awarded 7 Jan 77.

a. *Original Delivery Schedule.*

Commence in Jul 79 at rate of HU/25A per month for 14 months (receive last one in Nov 82).

Actual Delivery Schedule.

41 aircraft delivered in 22 months starting Feb 82; ending Dec 83.

b. Reasons for delays between original and actual delivery schedule are:

ATF-3 engine failed to meet FAA birdstrike requirements.

Complete design of the ATF-3 fan, fuel control and inlet guide vanes was required before the engine would pass the birdstrike test.

3. *Island class WPB Procurement*—contract awarded 8 Aug 84.

a. *Original Delivery Schedule.*

One WPB ever 45 days commencing 3 Aug 85.

Final WPB delivery (16) June 87.

Current Delivery Schedule.

—First WPB delivered 11 Nov 85.

—Specific delivery date for subsequent WPB's under negotiation.

—Final delivery (16) still expected from Jun 87.

b. Reason for delays between original and actual delivery schedule are (see attached for detailed schedule):

Difficulty with sub-contractors in sub-assembly work; termination of sub-contract requirement.

Delayed delivery of production material (steel).

Longer than anticipated learning curve.

Delivery back on schedule by 10th cutter.

Delivery of final WPB remains same.

High quality product delivered.

4. *Surface Effect Ship*—contract awarded 18 Jun 82

a. *Original Delivery Schedule.*

First two by 1 Nov 82.

Third by 15 Jun 83.

b. Delivery schedule met.

Actual Delivery Schedule.

—First two delivered 29 Oct 82.

—Third delivered 18 Jun 83.

5. *Aerostat Procurement*—contracts awarded to RCA and TCOM Jul 85 to lease/buy one system with option for seven more.

a. *Contract Delivery Schedule.*

—First system Jan 86.

Exercise of option for two systems by 31 Sept 86, remaining five by Sept 87.

Current Delivery Schedule.

—2nd qtr fiscal year 86 delivery expected.

6. *270' Medium Endurance Cutters, "B" Class*—Jan 81 contract awarded for nine cutters.

Contract delivery

Current schedule

Spencer, June 16, 1984

Seneca, Oct. 14, 1984

Escanaba, Feb. 11, 1985

Tahoma, June 11, 1985

Campbell, Oct. 9, 1985

Thetis, Feb. 6, 1986

Forward, June 6, 1986

Legare, October 4, 1986

Mohawk, February 1, 1987

December 1985

May 1986

September 1986

January 1987

May 1987

September 1987

January 1988

May 1988

September 1988

Reasons for delivery delays:

Litigation coincident with contract award; delayed start until Jun 81.

Contract modifications (237), some of which have caused delay . . . delay claims a complex issue, will entail substantial time to resolve.

7. *CG Icebreaker Procurements*—Polar Class (WAGB) and 140' Icebreaking Tug (WTGB)

Vessel	Original contract award	Original contract delivery	Actual delivery
WAGB-10	Aug. 24, 1971	Aug. 24, 1974	Jan. 17, 1976
WAGB-11	Jan. 15, 1973	Jan. 15, 1976	Jan. 19, 1977
WTGB-101	Sept. 15, 1976	Sept. 15, 1978	December 1978
WTGB-102	Sept. 15, 1976	Apr. 5, 1979	May 1979
WTGB-103	Sept. 15, 1976	May 21, 1979	November 1979
WTGB-104	Sept. 15, 1976	Aug. 21, 1979	November 1979
WTGB-105	Nov. 17, 1978	July 9, 1980	September 1980
WTGB-106	Nov. 17, 1978	Oct. 7, 1980	March 1981
WTGB-107	Sept. 25, 1982	Sept. 29, 1984	Dec. 12, 1984
WTGB-108	Dec. 2, 1983	Dec. 11, 1985	Dec. 12, 1984
WTGB-109			

* Still negotiating award of contract

Reasons for delay in cutter delivery:

WAGB—variety of factors including shipyard's learning curve problems (welding of high tensile steel), material receipt delays, changes (mods) to the contract.

WTGB—minor delay for selected vessels . . . overall relatively excellent contract performance.

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
Washington, DC, January 8, 1985.

HON. CHARLES A. BOWSER,
Comptroller General of the United States.

DEAR MR. BOWSER: The Subcommittee on Coast Guard and Navigation is undertaking an informal review of the Coast Guard's procurement practices. As part of our review, we are interested in the protests filed with the General Accounting Office against the Coast Guard in response to procurement actions taken by the agency. Can you please supply for the Subcommittee the number of procurement related protests filed with the GAO against the Coast Guard since January 1981, and the number of these protests that were upheld by GAO? We are interested in comparing the number of successful protests against the Coast Guard with those against other agencies with similar types of procurement. For this reason, I would appreciate it if you could also supply the number of protests filed with, and upheld by, the GAO since 1981 with respect to the other four armed services, the National Oceanic and Atmospheric Administration, the Federal Aviation Administration, and the National Aeronautic and Space Administration.

I would also appreciate any general observations you might feel able to provide concerning the Coast Guard's responsiveness to GAO recommendations pertaining to efficiency and integrity in procurement policy.

Thank you in advance for your time and effort in responding to this request.

Sincerely,

WALTER B. JONES,
Chairman, Subcommittee on Coast Guard and Navigation.

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
Washington, DC, January 9, 1985.

ADM. JAMES S. GRACEY,
Commandant, U.S. Coast Guard, Washington, DC.

DEAR ADMIRAL GRACEY: As you know, the Subcommittee on Coast Guard and Navigation is conducting an informal review of the Coast Guard's procurement policies and practices. Toward this end, I recently submitted a list of questions to ship-

building and repair firms that have done business with the Coast Guard during the past three years.

You will be pleased to learn that many of the twenty-five replies received by the Subcommittee included highly complimentary statements about the professionalism and efficiency of Coast Guard procurement personnel. Coast Guard officials were variously described as professional, fair, businesslike, competent, dedicated, and honest. The majority of the responses indicated a general satisfaction with the operations of the Coast Guard's procurement office. The replies also contained some constructive suggestions and criticisms to which I would appreciate your reaction, as part of the Subcommittee's review.

The following questions were prompted, for the most part, by specific comments received from past or present Coast Guard contractors:

1. (a) One response we received suggested that the Coast Guard has contracted with firms that are not sufficiently qualified: "In many instances, work is often contracted with bidders, especially those claiming to be small businesses, which we feel are not qualified to perform the work." Do you believe present Coast Guard procedures are sufficient to guarantee the technical and financial responsibility of contractors?

(b) The suggestion has been made that the Coast Guard follow the Navy's practice of using the Master Ship Repair Contract for certain large or complex contracts in order to be certain that contractors will be capable of performing the work on which they bid. What would be the advantages and disadvantages of using the Master Ship Repair Contract?

2. (a) Several contractors expressed dissatisfaction with the level of specificity of the FRAM solicitation. It was suggested that this solicitation was too vague to allow for a realistic fixed price bid to be offered. The bidder either had to bid very high to allow for the most extensive and expensive repair requirements, or to take the risk that the repair requirements would not be as extensive, and lower the bid accordingly. Some bidders felt that the degree of ambiguity in this contract was significantly higher than in other solicitations, including other Coast Guard solicitations, and that the risk placed on the contractor was unacceptably high. Does the Coast Guard believe, in retrospect, that the solicitation was sufficiently detailed to give contractors enough information upon which to submit firm offers?

(b) The Coast Guard stated in answers to questions submitted for the record of the Subcommittee's oversight hearing of July 25, 1984, that "our [Coast Guard] major contracts for shipbuilding and major modifications are much fewer and further between than those of the Navy," and "our Naval engineers and contracting personnel meet frequently with their Navy counterparts to take advantage of their expertise." What type of assistance, if any, was solicited from the Navy in developing the specifications for the FRAM? Would additional assistance from the Navy have permitted the Coast Guard to develop more precise specifications?

3. (a) One response the Subcommittee received noted that the Coast Guard and the Navy's Small Craft Section of the Naval Sea System Command deal with construction of similar vessels and craft. In the experience of this respondent, the Coast Guard had been superior to the Navy with respect to administration of overhaul and repair contracts. However, with respect to new construction, he found the Navy to be superior. He recommended that a study be made of the efficiencies that could result from assigning all such new construction responsibilities to the Navy. What is the Coast Guard's reaction to that suggestion? To what extent does the Coast Guard currently consult with the Naval Sea Systems Command in its design and procurement of vessels?

(b) A related area of interest is the use by the Coast Guard of the Navy's Supervisor of Shipbuilding, Conversion, and Repair (SUPSHIP). I understand that the Coast Guard has employed SUPSHIP to manage certain Coast Guard procurement contracts including the renovation of the UTE, ESCAPE, and LIPAN. When did the Coast Guard begin utilizing the Navy's SUPSHIP? What other Coast Guard contracts have been managed by SUPSHIP? Please describe the factors that determine whether SUPSHIP will be used with respect to a particular contract, and evaluate the advantages and disadvantages of using SUPSHIP in light of past contracting experience.

4. (a) The Subcommittee received the following comments addressing the issue of small business set asides:

"An inordinate amount of work is specified as limited to small business [in the Coast Guard]."

"An aspect of Coast Guard procurement that may warrant attention is the large percentage of Coast Guard bids that are small business set aside."

"Shipyards which do not qualify [as small businesses] are put at a disadvantage [because of small business requirements] and the Coast Guard receives lower quality work than is otherwise available."

What is the Coast Guard's reaction to these comments?

(b) The Small Business Administration has informed the Subcommittee that, with respect to contracts valued at \$10,000 or more, 72 percent of Coast Guard contract dollars in 1984 went to small businesses, while only 2.6 percent were formally "set aside" for small businesses. In 1983, the corresponding figures were 52.5 percent to small business and 7.4 percent "set aside" for small business. Can you confirm the accuracy of these figures and supply the corresponding figures limited to Coast Guard shipbuilding and repair contracts in 1983 and 1984?

5. The suggestion has been made that the Coast Guard should require a bid bond from bidders. This proposal came from a company which complained that under current procedures, "a contractor can 'throw in a flyer' and if it is close, he can accept the job. If he is way low, he can just refuse to accept the contract or he can claim an error. This is unfair to a serious qualified bidder." Is it accurate to state that this problem has indeed arisen on at least two occasions in recent years [repairs to the *Mackinaw* (June, 1983) and the *Acacia* (September, 1984)]? Has this happened with respect to other Coast Guard contracts? What is the Coast Guard's response to the suggestion that bid bonds be required?

6. What is the status of the review of the Coast Guard's procurement operation that is being done by the Logistics Management Institute? What is the scope of this review and when will it be completed? Have recommendations yet been made regarding the optimum grade structure and resources dedicated to the procurement office?

7. We have received the comment that Coast Guard vessels on the Great Lakes are required to be maintained in a condition which may be appropriate for ocean-going vessels, but which may be excessive for vessels that operate only in fresh water. Please state whether or not the following work is required on Great Lakes vessels, and if so, whether this work is logically necessary to maintain a vessel for use on the Great Lakes: Sandblasting and painting of the anchor chain; Disassembling, inspecting, and reassembling cranes every few years; Use of five coats of paint; and A requirement for wood decks.

8. Please provide the Subcommittee with a copy of the criteria established by the Commandant for issuing a contract under the home port philosophy. Has any occasion arisen in which the home port philosophy has come into conflict with instructions from DOT or SBA to set aside a contract for small business? How would the Coast Guard resolve a case in which no eligible small business operated within the area covered by the home port philosophy?

9. Please provide the Subcommittee with an evaluation of the performance thus far of the following four items of major equipment recently procured by the Coast Guard: (a) The 270' medium endurance cutter; (b) The HU-25 medium range surveillance aircraft; (c) The Surface Effect Ships; and (d) The 140' icebreaking tug.

In providing these evaluations, please include relevant statistical information reflecting the extent to which the vessels and aircraft mentioned have met targets for operational availability, and please describe instances where significant unforeseen maintenance or repair work has been required.

10. Please respond to the following comments the Subcommittee received in response to its solicitations of industry views on Coast Guard procurement practices:

a. "One particular practice that is especially galling . . . results from situations in which we are required to perform our work with a crew living either onboard or close to ship, and having daily access to the ship. The . . . Coast Guard seems to feel that there are advantages to the program, however, the result is disruption for the contractor and a very definite increase in his costs. We feel that, if the government is to gain by having these sailors onboard, then the government should pay the bill."

b. "The tendency of the Coast Guard, and other government agencies, is to drag claims out interminably until the contractor is forced to settle, since he is incurring additional costs of the money where the government is holding. It is very definitely to the government's advantage to withhold payment from a contractor until the entire job is settled."

c. "The routine practice of offering drydocking separate from other repair work, rather than as a combined work package, is considered to be inefficient. While this bidding practice encourages competition for the other repair work by allowing shipyards without drydocking facilities to bid, there are two drawbacks:

The two repair packages—one for drydocking and one for the balance of the work—are under contract sequentially, rather than concurrently, often resulting in a longer out-of-service period for the ships concerned.

Drydock owners are in the long term discouraged from continuing operation with the limited work prospects from narrow-scope, drydocking-only offerings. This then reduces the competitive base of those choosing to bid on drydocking work."

d. "There are two aspects of Coast Guard new construction procurement practices which warrant consideration when ships of a new design are to be built: [provision] for contractor participation in the development of the design. This leads to efficiencies in design tradeoffs because the producibility of the design is considered; and [procurement of] the lead ship on a cost basis with follow-on ships being fixed price contracts. This approach is particularly important for designs which incorporate unique concepts or combinations of equipments."

e. Coast Guard "software acquisition skills appear to be limited."

11. In an answer submitted for the record of the Subcommittee's July 25, 1984, procurement hearing, Admiral Gracey stated that the Coast Guard does use "incentive contracts." What specific types of incentive contracts does the Coast Guard use?

Thank you in advance for your time and effort in responding to these questions.

Sincerely,

WALTER B. JONES,

Chairman, Subcommittee on Coast Guard and Navigation.

U.S. DEPARTMENT OF TRANSPORTATION,
U.S. COAST GUARD,

Washington, DC, March 4, 1985.

Hon. GERRY E. STUDDS,
Chairman, Subcommittee on Coast Guard and Navigation, Committee on Merchant Marine and Fisheries, House of Representatives, Washington, DC

DEAR MR. STUDDS: This is in reply to your letter of January 9, 1985, concerning letters the Subcommittee has received from shipbuilding and repair firms that have done business with the Coast Guard. I was very pleased to hear of the complimentary statements about Coast Guard procurement personnel in those letters.

Our responses to your questions are enclosed. I appreciate your continuing interest in Coast Guard activities and this opportunity to provide additional information concerning our procurement procedures.

Sincerely,

J.S. GRACEY,

Admiral, U.S. Coast Guard Commandant.

Encl: (1) Responses to Questions.

Question: Please provide the Subcommittee with a copy of the criteria established by the Commandant for issuing a contract under the home port philosophy.

Answer: The criteria used for issuing a contract under the home port philosophy are found in Volume VIII of the Coast Guard Comptroller Manual. The applicable portions are attached.

Home port philosophy refers to various rulings by the Government Accounting Office (GAO) supporting the restriction of the geographical limits from a vessel's home port when determining which commercial shipyards will be invited to bid on a ship repair contract. Thus, a contract issued under the home port philosophy would be one which excluded from the bidding process commercial firms beyond a certain distance (usually not more than 50 miles) from the vessel's home port.

The Commandant also issues "Cutter Employment Standards," which define how cutters are to be used. They set the maximum number of days a cutter may be operated (not available for maintenance) and the maximum number of days it can be away from home port (AFHP). The former is guided by Coast Guard naval engineering experience which establishes the number of days of maintenance per year necessary to maintain the ship's physical plant. The latter is based upon a standard of providing at least 135 overnight liberties a year in the home port for each crew member, assuming a four-section watch organization.

According to the "Cutter Employment Standards," shipyard days away from home port (AFHP) are added to other (underway, port visit) days AFHP. A day AFHP in a shipyard or maintenance status is a day not available for operations. The limit on days AFHP for a high endurance cutter (WHEC) is 185. With a 60-day shipyard availability beyond the 50-mile radius from the vessel's home port, there would be only 125 days available for operations (185 - 60 = 125). In the extreme, a polar class icebreaker going through a major repair period of 150 to 180 days beyond

the 50-mile radius would have virtually no days available for operations without exceeding the established AFHP limit. Looking at it another way, such an action would result in crew members having virtually no time at home in a year (since operating commitments must be met).

Attachment.

125-2.201. Preparation of Invitations for Bids. To preclude misunderstandings regarding bid acceptance periods when bid acceptance time longer than the standard 60 days, specified on the SF-33 is required, IFB's should be marked as indicated on the following sample: The asterisk in the blank should be off-centered; the "60" should be crossed out and the appropriate number of days typed in directly above it; and the asterisk reference to the appropriate solicitation provision should be typed below the blank.

[illegible]

"L" Bid Acceptance Period.

128-Z.201-80 Ship Repair, Alteration or Conversion Contracts.
Invitations for bids for ship repair, alteration or conversion shall
contain the following provision:

"The contractor must furnish ship repairer's legal liability insurance in the amount of \$ _____ (see 128-10.8001).

12B-2.201-81 Bid Solicitation Areas for Commercial Shipyard Overhaul.

- (a) Geographical Restrictions. In determining the area for which bids will be solicited for commercial overhaul of vessels, district commanders, subject to the requirements of the Federal Procurement Regulations as implemented and supplemented by the Department of Transportation Procurement Regulation, will be guided by the following criteria:

12B-2.201-81(cont'd)..

- (a) (1) Regular commercial shipyard availabilities of vessels having crews attached shall be accomplished within an area determined in writing by the cognizant district commander to be reasonable, and in which adequate competition has been historically available, after taking into consideration such factors as:
- (i) Class of vessels and operating schedules.
 - (ii) Retention of personnel with skills and experience critical to the Coast Guard.
 - (iii) Availability of local Government medical and dental facilities as opposed to overhaul in areas where such facilities do not exist.
 - (iv) Safety of personnel commuting to and from vessel's home port area while on authorized liberty.
 - (v) Loss of productive time during extended periods of authorized liberty.
 - (vi) Other valid factors.
- (2) Where the contracting officer believes that the restriction mentioned in CGPP 12B-2.201-81(a)(1) above will prevent the obtaining of adequate competition in any single prospective procurement, or a solicitation results in inadequate competition, he shall so inform the cognizant district commander and recommend that the area of competition be extended.
- (3) The contracting officer shall thoroughly document contract files to support actions taken.

(b) Foreseeable Costs.

- (1) Foreseeable costs may be evaluation factors that must, in accordance with FPM 1-2.407-5(a), be considered in addition to the bid prices in making an award. These are costs which, although not included in the contract price, must be borne by the Government in the event of award to a particular contractor. Accordingly, when applicable, foreseeable costs are computed separately for each contractor and applied to the bid in order to determine the lowest overall cost to the Government.

12B-2.201-81(cont'd)..

- (b) (2) Foreseeable costs must be evaluated under both formally advertised and competitively negotiated procurements.
 Only in this way can many cost differentials be equitably reconciled and reflected in the award of contracts.
- (3) The foreseeable costs to be evaluated will be at the discretion of the contracting officer. Among the foreseeable costs that may be considered by the contracting officer are:
- (i) Travel and per diem.
 - (ii) Fuel.
 - (iii) Berthing and/or messing shipboard personnel.
 - (iv) Minimal messing facilities as a contractual requirement.
 - (v) Family separation allowance (Comptroller Manual, paragraph 2E01035).
 - (vi) Transportation during overhaul away from homeport (Joint Travel Regulations, Chapter 6, Part 0).

(c) Inclusion of Foreseeable Costs (Evaluation Factors) in the Solicitation.

- (1) When the contracting officer determines that foreseeable costs will apply to a given procurement, he shall as required by FPR 1-2.201(a)(20), indicate this fact in the solicitation. He shall also spell out the elements of foreseeable cost which will be used in the evaluation in particular locales and the formula or rates which will be used in each case. Costs shall always be "priced out" for each geographical area - such as a city - in which solicited contractors are located rather than for individual contractors.
- (2) The practice of spelling out the foreseeable costs in the solicitation is necessary because it permits all firms solicited to understand clearly the basis on which their bids will be evaluated.

12B-2.201-81(cont'd)..

- (d) Notification of Unsuccessful Contractors. In the notification of unsuccessful contractors, the contracting officer shall specify the elements of foreseeable costs which were considered in making the award. In addition, in cases where an apparent low bidder did not receive the award due to the application of foreseeable costs, the letter shall be accompanied by a breakdown and shall show how the application of foreseeable costs resulted in award to other than the apparent low bidder.
- (e) Unusual Situations or Problems. When unusual situations or problems are encountered under the foregoing criteria that could lead to disputes or protests, contact Chief, Procurement Division.

12B-2.201-82 Preference for Labor Surplus Area Concerns. For supply and services contracts, the clause in CDPF 12B-7-2003-80, which provides for a preference for labor surplus area concerns, shall be included in invitation for bids which do not involve set-asides for labor surplus area concerns.

12B-2.204 Records of Invitations for Bids and Records of Bids. One complete copy of IFB's and RFQ's of \$10,000 and above for ship repair, alteration or conversion contracts, will be forwarded to G-ENE and above \$50,000 for construction contracts, will be forwarded to G-ECV. Include one copy of all applicable forms, referenced forms, clauses, amendments, plans and specifications. Copies are to indicate estimated cost.

12B-2.205-2 Removal of Names from Bidders Mailing Lists. Bidders mailing lists shall be reviewed annually to ensure that they contain only accurate and current information which is consistent with the needs of the procurement office.

Question: One response we received suggested that the Coast Guard has contracted with firms that are not sufficiently qualified: "In many instances, work is often contracted with bidders, especially those claiming to be small businesses, which we feel are not qualified to perform the work." Do you believe present Coast Guard procedures are sufficient to guarantee the technical and financial responsibility of contractor?

Answer: It is doubtful that any procedure can guarantee contractor responsibility. We have made good use of the techniques available under current regulations, such as Certificates of Competency from the Small Business Administration and preaward surveys. One measure of our success is that in the past year, out of 2194 total contracts, we have had to default only 15 contractors.⁹

Question: The suggestion has been made that the Coast Guard follow the Navy's practice of using the Master Ship Repair Contract for certain large or complex contracts in order to be certain that contractors will be capable of performing the work on which they bid. What would be the advantages and disadvantages of using the Master Ship Repair Contracts?

Answer: The Master Agreement for Repair and Alteration of Vessels (MARAV) is advantageous in situations requiring a quick award such as: (1) when a vessel, its cargo, or stores would be endangered by delay in the performance of necessary repair work, or (2) when military necessity requires immediate work on a vessel.

Disadvantages are that competition is limited to firms who have agreed to the terms of a MARAV; and the MARAV by itself is not an indicator of a firm's capability to perform, especially in a large or complex contract.

Question: Several contractors expressed dissatisfaction with the level of specificity of the FRAM solicitation. It was suggested that this solicitation was too vague to allow for a realistic fixed price bid to be offered. The bidder either had to bid very high to allow for the most extensive and expensive repair requirements, or to take the risk that the repair requirements would not be as extensive, and lower the bid accordingly. Some bidders felt that the degree of ambiguity in this contract was significantly higher than in other solicitations, including other Coast Guard solicitations, and that the risk placed on the contractor was unacceptably high. Does the Coast Guard believe, in retrospect, that the solicitation was sufficiently detailed to give contractors enough information upon which to submit firm offers.

Answer: The work to be done in the FRAM is extensive and complex. We made the solicitation as specific as practicable and we answered all questions prior to submission of firm fixed price offers. The offers received are still under evaluation but they appear to be responsive and precise.

Question: The Coast Guard stated in answers to questions submitted for the record of the Subcommittee's oversight hearing of July 25, 1984, that "our [Coast Guard] major contracts for shipbuilding and major modifications are much fewer and further between than those of the Navy," and "our Naval engineers and contracting personnel meet frequently with their navy counterparts to take advantage of their expertise." What type of assistance, if any, was solicited from the Navy in developing the specifications for the FRAM? Would additional assistance from the Navy have permitted the Coast Guard to develop more precise specifications?

Answer: The Supervisor of Shipbuilding Conversion and Repair, USN Boston, Massachusetts, wrote a significant portion of the FRAM specification. We do not believe additional assistance would have resulted in a more precise specification.

Question: One response the Subcommittee received noted that the Coast Guard and the Navy's Small Craft Section of the Naval Sea Systems Command deal with construction of similar vessels and craft. In the experience of this respondent, the Coast Guard had been superior to the Navy with respect to administration of overhaul and repair contracts. However, with respect to new construction, he found the Navy to be a superior. He recommended that a study be made of the efficiencies that could result from assigning all such new construction responsibilities to the Navy. What is the Coast Guard's reaction to that suggestion? To what extent does the Coast Guard currently consult with the Naval Sea Systems Command in its design and procurement of vessels?

Answer: We do not reject any suggestion which might lead to increased efficiency, but our expectation is that turning Coast Guard new construction over to the Navy would result in a loss of control over our unique requirements and would not generate monetary savings. We work closely with the Naval Sea Systems Command in design and procurement, especially in developing price and schedule estimates.

Question: A related area of interest is the use of the Coast Guard of the Navy's Supervisor of Shipbuilding, Conversion and Repair (SUPSHIP). I understand that the Coast Guard has employed SUPSHIP to manage certain Coast Guard procurement contracts including the renovation of the Ute, Escape, and Lipan. When did

the Coast Guard begin utilizing the Navy's SUPSHIP? What other Coast Guard contracts have been managed by SUPSHIP? Please describe the factors that determine whether SUPSHIP will be used with respect to a particular contract, and evaluate the advantages and disadvantages of using the SUPSHIP in light of past contracting experience.

Answer: The renovation of Escape, Ute and Lipan is our first use of SUPSHIP to manage a complete contract. We have recently reached agreement with SUPSHIP to manage the contract for the WMEC 210 B class renovation. Prior to these, we frequently used SUPSHIP in a lesser support role. Factors considered in particular contracts include availability of Coast Guard personnel and the degree of Coast Guard control and involvement deemed essential. Advantages of using SUPSHIP are decreased procurement lead-time due to fewer review requirements and lower level of decision authority and freeing-up of Coast Guard personnel for other priority work. The main disadvantage is loss of direct control.

Question: The Subcommittee received the following comments addressing the issue of small business set asides: "An inordinate amount of work is specified as limited to small business (in the Coast Guard)." "An aspect of Coast Guard procurement that may warrant attention is the large percentage of Coast Guard bids that are small business set aside." "Shipyards which do not qualify (as small businesses) are put at a disadvantage (because of small business requirements) and the Coast Guard receives lower quality work than is otherwise available." What is the Coast Guard's reaction to these comments?

Answer: The comments reflect the highly competitive atmosphere in which many of our procurements are made. Small business set asides are but one example of socio-economic decisions imposed on the procurement process by law. We do not agree that quality of work is determined by the size of a firm.

Question: The Small Business Administration has informed the Subcommittee that, with respect to contracts valued at \$10,000 or more, 72 percent of Coast Guard contract dollars in 1984 went to small businesses while only 2.6 percent were formally "set aside" for small businesses. In 1983, the corresponding figures were 52.5 percent to small business and 7.4 percent "set aside" for small business. Can you confirm the accuracy of these figures and supply the corresponding figures limited to Coast Guard shipbuilding and repair contracts in 1983 and 1984?

Answer: In fiscal year 1984 we awarded 73.4 percent of our contracts over \$10,000 to small businesses, after having set aside 33.5 percent.

In fiscal year 1983 the corresponding figures were 74.9 percent and 8.3 percent. We do not maintain separate totals for shipbuilding and repair contracts.

Question: The suggestion has been made that the Coast Guard should require a bid bond from bidders. This proposal came from a company which complained that under current procedures, "a contractor can 'throw in a flyer' and if it is close, he can accept the job. If he is way low, he can just refuse to accept the contract or he can claim an error. This is unfair to a serious qualified bidder." It is accurate to state that this problem has indeed arisen on at least two occasions in recent years (repairs to the Mackinaw (June, 1983) and the ACACIA (September, 1984))? Has this happened with respect to other Coast Guard contracts? What is the Coast Guard's response to the suggestion that bids bonds be required?

Answer: In the contracts mentioned, offerors were allowed to withdraw bids after a determination in accordance with the procurement regulations that a "mistake in bid" had occurred. We do not believe that those bids were "flyer." "Mistakes in bid" have occurred in other contracts. We do not feel that the bid bonds would be an improvement to the current procedures which are set forth in Federal Acquisition Regulations (FAR) 14.406-3(c).

Question: What is the status of the review of the Coast Guard's procurement operation that is being done by the Logistics Management Institute? What is the scope of the review and when will it be completed? Have recommendations yet been made regarding the optimum grade structure and resources dedicated to the procurement office?

Answer: The Logistics Management Institute (LMI), is still in the process of reviewing our procurement organization. The scope of the review is as follows:

(1) Analyze the present organization and compare it to other procurement organizations that are similar in size and types of procurements undertaken.

(2) Provide conclusions and recommendations as to how to improve efficiency by examining the organization to determine if it is structured properly and if present employees are being used effectively.

A draft report of the firm's findings is to be delivered March 1, 1985. The final report is due April 15, 1985. No recommendations as to grade structure and resources have yet been made.

Question: Please state whether or not the following work is required on Great Lakes vessels, and if so, whether this work is logically necessary to maintain a vessel for use on the Great Lakes: Sandblasting and painting of the anchor chain; Disassembling, inspecting, and reassembling cranes every few years; Use of five coats of paint; and A requirement for wood decks.

Answer: Generally the Coast Guard does not custom fit maintenance actions for our cutters or boats to a given geographic area. Coast Guard cutters currently operating in the Great Lakes have or will at some point in their service life be called upon to operate at sea. For example, this past summer a number of our icebreaking tugs (140' WTGB) homeported in the Great Lakes were effectively utilized in law enforcement activities off the New England coast. The need for the specific maintenance actions cited is as follows:

Sandblasting and painting of the anchor chain. To ensure the safety of the cutter, the anchor chain must be visually inspected for cracks, wear and elongation at periodic intervals leading to the requirement for sandblasting. Anchor chain is mild steel and is subject to deterioration (rust) if left uncoated. Safety considerations lead to the requirement for painting.

Disassembling, inspecting, and reassembling cranes every few years. This requirement exists for all weight handling equipment in the Coast Guard (even shore based equipment) for the safety of personnel who work with or near the cranes. There is also a rigorous "proof" test of the equipment following reassembly to ensure that no potentially fatal errors were made during the reassembly process. This requirement is not unique to the Coast Guard as any facility, public or private, with weight handling equipment must perform similar inspections and tests to comply with the standards of OSHA, International Cargo Gear Institute, American Petroleum Institute and others.

Use of five coats of paint. Assuming that the paint in question is bottom paint, the most common bottom coating in use by the Coast Guard today is a vinyl system consisting of a primer, used as a "tie" coat between bare steel and the remainder of the coating system to ensure proper adhesion; an anti-corrosive, used to maximize the life of the steel by reducing or eliminating the corrosive effects of water; and an anti-fouling, used to minimize growth on the hull which increases the resistance of the ship and reduces speed and fuel economy. Anti-corrosive and anti-fouling coatings are most effective at specific thicknesses and are usually applied in two applications each, hence the five coats of paint.

Requirement for wood decks. The only remaining Coast Guard cutters with wood-clad decks are icebreakers and one class of high endurance cutters (327' WHEC) built in 1935. The wood covering on the decks of ships was common practice in pre-World War II construction to provide insulation for interior spaces and reduce the hazards of wet steel decks. It is expensive to maintain the wood deck covering on the few remaining cutters. However the cost of renovating these older cutters to accommodate modern insulating materials is even higher and has been determined not to be economically feasible.

Question: Has any occasion arisen in which the home port philosophy has come into conflict with instructions from DOT or SBA to set aside a contract for small business? How would the Coast Guard resolve a case in which no eligible small business operated within the area covered by the home port philosophy?

Answer: We are not aware of any instances of conflict between home port and small business set asides policies. If the repair were a priority, we would probably proceed with the procurement on a competitive basis with large business. If the repair were routine and appeared to be sole source, we would consider expanding the geographic area of solicitation after including crew morale and economic weighting factors.

Question: Please provide the Subcommittee with an evaluation of the performance thus far of the following four items of major equipment recently procured by the Coast Guard: (a) The 270' medium endurance cutter; (b) The HU-25 medium range surveillance aircraft; (c) The Surface Effect Ships; and (d) The 140' icebreaking tug.

Answer: (a) 270' Medium Endurance Cutter: To date, the 270' Medium Endurance Cutters (WMECs) have performed exactly as planned. All four of the currently commissioned 270' WMEC cutters completed a transit from Tacoma, Washington to the East coast. These cutters have performed well in transit, successfully completed shakedown training, and participated in law enforcement and search and rescue missions.

Bear was the first 270' WMEC to complete its post-delivery retrofit and shakedown period and to be considered fully certified for operations. Since becoming fully operational, *Bear* has successfully completed Refresher Training with the U.S. Navy at Guantanamo Bay, Cuba achieving outstanding scores in all four training categories.

ries: operational readiness, damage control, engineering, and weapons. BEAR has also conducted a Haitian Migrant Interdiction patrol. No unforeseen maintenance problems experienced by any of the 270' WMEC's have been attributable to spare parts shortages. In no instances have equipment casualties prohibited Bear from performing any of its assigned missions.

(b) HU-25 Medium Range Surveillance Aircraft: During fiscal year 1984, the HU-25A averaged 563 flight hours per aircraft or 70.4 percent of the interim program utilization rate of 800 annual flight hours. The trend indicates steady improvement as air stations develop operational experience and the unit-level maintenance expertise is established. For example, during the second half of fiscal year 1984 the HU-25A aircraft flew 73.4 percent of program utilization or an annualized rate of 587 flight hours per aircraft. Furthermore, our most recent statistical information indicates that the HU-25A aircraft flew 81 percent of their program utilization rate for the month of November 1984.

Several major maintenance problems have been experienced with the Garrett ATF-3 engine. We are working with the manufacturer to solve the present technical problems which include: 1. Low pressure compressor (LPC) corrosion. 2. Fuel nozzle design deficiency. 3. High pressure turbine nozzle deterioration.

The low pressure compressor corrosion problem was first encountered in May 1983, and since then 22 of 75 unscheduled engine removals have been caused by this deficiency. We expect that most of our engines (91 total) will be affected over the next two to three years. Due to warranty, the Coast Guard cannot yet perform repairs to the LPC, thus the entire engine must be removed from the aircraft and returned to the manufacturer for repair at no cost (except for shipping) to the Coast Guard. But with only 12 spare engines currently in Coast Guard inventory, this failure rate creates a critical shortage of operational engines. Short term solutions include more frequent washing of the engines and the use of a preservation procedure. These are preventative measures and are expected to slow the corrosion process. Additionally, the manufacturer has developed a protective coating which further slows the corrosion rate. The long term solution involves use of a new, more corrosion-resistant material in the LPC. The manufacturer has completed preliminary testing. We expect release of the first two ATF-3 engines with the material change during February 1985 for operational flight evaluation.

The other technical problems identified requires increased inspections, engineering modification/redesign, and retrofit of defective components. Redesign has been completed and retrofit will commence as the modified components become available over the next 12 months. Even then, the reduced maintenance requirements and resultant increased aircraft availability will not be immediate but will occur progressively over the next 24 months.

Original provisioning plans and supporting budgetary strategies had to be developed without the benefit of operational experience. We have been redefining our provisioning requirements based on HU-25A implementation experience and a better knowledge of the technical problems faced during maturation. Fifteen additional spare ATF-3 engines are under contract with first deliveries (four) scheduled for May 1985.

(c) Surface Effect Ship: The SES Division has fully implemented a successful, functioning multiple crew program. The SES's spend 85% of their underway time on law enforcement and have established an impressive record of success in drug interdiction, despite falling short of anticipated underway time.

The Coast Guard started the SES procurement process in March 1982. The first two vessels were delivered 2 November 1982 and commissioned and ready for sea 16 days later. The third SES was delivered on 18 June 1983 and was commissioned and ready for sea on 8 July 1983. This achieved the goal of immediately obtaining resources.

The following is a summary of the average annual utilization of the SES's per hull and is based on data collected since the commissioning of the vessels through the first quarter of fiscal year 1985:

Total underway days	148
Import operational days	5
Total operational days	153
Boardings	52
Vessels seized	9
Pounds marijuana seized	43,142
Arrests	27

—Overall, the SES's have required more maintenance and have delivered less operational days than planned. All three SES's have undergone unscheduled maintenance.

nance periods to repair hull cracks, lift fan system failures, and main engine casualties. CGC *Petrel* (WSES 3) had 1744 hours of unscheduled maintenance in fiscal year 1983 shortly after it was commissioned. This was due to a main engine failure and the need to rebuild the engine due to a latent defect. Each cutter has spent 90-140 days undergoing scheduled retrofits during fiscal year 1984 and fiscal year 1985. For these reasons the above figures are not indicative of the SES's potential.

(d) 140' Icebreaking Tug: The performance of the 140' icebreaking tug has been excellent. The vessels have met all targets for operational availability. The vessels have had a total of 1530¹ unscheduled maintenance hours, which means that the unscheduled maintenance hours accounted for only 0.6 percent of the vessels' operating hours. No design flaws that affect operational capabilities have been discovered. The 140' icebreaking tugs have also exceeded all expectations in icebreaking capability. Designed to break 18"-22" making continuous headway, the vessels have broken 30" of level ice making continuous headway.

Question: Please respond to the following comments the Subcommittee received in response to its solicitations of industry views on Coast Guard procurement practices: "One particular practice that is especially galling . . . results from situations in which we are required to perform our work with a crew living either onboard or close to ship, and having daily access to the ship. The . . . Coast Guard seems to feel that there are advantages to the program, however, the results is disruption for the contractor and a very definite increase in his costs. We feel that, if the government is to gain by having these sailors onboard, then the government should pay the bill."

Answer: Coast Guard crews live on or near their ships during most contracts. For many Coast Guard men and women the cutter is home and we do not have the option of sending the crew home while the cutter goes through a shipyard period. Members of the crew act as inspectors for contract oversight reducing the need for additional shore-based staff to accomplish these tasks and they perform separate but concurrent maintenance work on the cutter. The location of the crew is specified in the solicitation which permits a contractor to include considered costs in his bid.

Question: Please respond to the following comments the Subcommittee received in response to its solicitations of industry views on Coast Guard procurement practices: "The tendency of the Coast Guard, and other government agencies, is to drag claims out interminably until the contractor is forced to settle, since he is incurring additional costs of the money where the government is holding. It is very definitely to the government's advantage to withhold payment from a contractor until the entire job is settled."

Answer: What may give the appearance of the government dragging out claims is the time necessary to investigate the merits of the claim, audit the claimed amount, and negotiate a settlement. If we are unable to reach agreement on the amount due, the contracting officer issues a final decision within the limits of the time frames established by the Contract Disputes Act. If this decision is appealed to the Contract Appeal Board, the board takes time to act on the appeal. Since interest accrues on claims, it is in the best interest of the government to settle claims in as timely a manner as possible.

Question: Please respond to the following comments the Subcommittee received in response to its solicitations of industry views on Coast Guard procurement practices:

"The routine practice of offering drydocking separate from other repair work, rather than as a combined work package, is considered to be inefficient. While this bidding practice encourages competition for the other repair work by allowing shipyards without drydocking facilities to bid, there are two drawbacks.

The two repair package—one for drydocking and one for the balance of the work—are under contract sequentially, rather than concurrently, often resulting in a longer out-of-service period for the ships concerned.

Drydock owners are in the long term discouraged from continuing operating with the limited work prospects from narrow-scope, drydocking-only offerings. This then reduces the competitive base of those choosing bid on drydocking work.

Answer: We do not dispute that there may be some inefficiencies to this method of ship repair; however, this procurement practice is far from "routine" throughout the Coast Guard, and is reluctantly utilized when adequate competition can not otherwise be realized. There are also occasions, albeit rare, when operational requirements necessitate "splitting" a ship repair contract due to conflicts between planned maintenance periods and unanticipated operational commitments.

¹ This covers the first six vessels, which have been in commission an average of five years. CGC *Penobscot Bay*, commissioned January 1, 1984, is excluded.

Question: Please respond to the following comments the Subcommittee received in response to its solicitations of industry views on Coast Guard procurement practices: "There are two aspects of Coast Guard new construction procurement practices which warrant consideration when ships of a new design are to built: [provision] for contractor participation in the development of the design. This leads to efficiencies in designs trade offs because the producibility of the design is considered; and [procurement of] the lead ship on a cost basis with follow-up ships being fixed priced contracts. This amount is particularly important for designs which incorporate unique concepts or combinations of equipments."

Answer: Contractor participation in design can act to restrict competition in construction unless the design contractor is not allowed to bid on the construction contract.

Procuring a "lead ship" on a cost basis increases overall costs because the contractor's incentive is to maximize costs on the initial vessel in order to establish a larger base for the fixed priced production run to follow. This practice restricts competition because the contractor for the lead ship has a large advantage over competitors in bidding for the follow-up ships. Cost contracts also delay delivery because the award for follow-up ships cannot be made until the lead ship is completed.

Question: Please respond to the following comments the Subcommittee received in response to its solicitations of industry views on Coast Guard procurement practices. "The Coast Guard Software acquisition skills appear to be limited."

Answer: Software acquisition has grown in both quantity and complexity. We have kept pace by concentrating procurement expertise in our Headquarters ADP Contracts Branch which draws heavily on other Coast Guard offices, other federal agencies and contractors for technical support.

COMPTROLLER GENERAL OF THE UNITED STATES,

• Washington DC, April 22, 1985.

Hon. WALTER B. JONES,

Chairman, Subcommittee on Coast Guard and Navigation, Committee on Merchant Marine and Fisheries, House of Representatives.

DEAR MR. CHAIRMAN, This responds to your letter dated January 8, 1985 in which you posed several questions concerning bid protests filed against Coast Guard procurements. Specifically, you ask how many protests were filed with our Office against Coast Guard procurements since January 1981 and how many of these protests were sustained. You also wish to know how many protests were filed with, and sustained by, our Office against procurements conducted by the other four armed services, the National Oceanic and Atmospheric Administration (NOAA), the Federal Aviation Administration (FAA), and the National Aeronautic and Space Administration. Thirdly, you request our general observations concerning the Coast Guard's responsiveness to our recommendations.

According to our records, 80 protests were filed against the Coast Guard during the period between January 1, 1981 and January 18, 1985; 74 of these cases were closed by January 18. Three protests were sustained.

We are enclosing a table summarizing the information you request regarding the Coast Guard and the other agencies. Our statistics are compiled on a fiscal year basis. For this reason, the fiscal year 1981 figures include protests filed between October 1, 1980 and December 31, 1980, as well protests filed after January 1, 1981. We do not separately compile statistics on the Marine Corps, FAA or NOAA. Protests involving the Marine Corps are included in the Navy figures; those involving the FAA are included in the Department of Transportation figures. NOAA protests are counted in Department of Commerce totals.

With regard to the Coast Guard's responsiveness to recommendations contained in protest decisions, the three protests which we sustained were decided after award under circumstances which precluded our recommending remedial relief. Similarly, the only audit report issued during this time frame, "Information on the Purchase of a Gas Generator Engine for a U.S. Coast Guard Cutter," GAO/RCED-84-115 (copy enclosed) contained no formal recommendations.

You should also be aware, that, at Chairman Roth's request, we are currently planning a major audit effort of the Coast Guard's procurement process. This effort will address, among other topics, the adequacy of management overview, cost and scheduling estimates, procurement justifications, and specifications. We will furnish you a copy of our report once the audit is completed.

Sincerely yours,

HARRY R. VAN CLEVE,

(For Comptroller General of the United States).

Enclosures.

Agency	Fiscal year 1981		Fiscal year 1982		Fiscal year 1983		Fiscal year 1984	
	Total closed	Sustained	Total closed	Sustained	Total closed	Sustained	Total closed	Sustained
Coast Guard ¹	6	0	13	1	22	2	26	0
Air Force	224	10	250	11	302	39	247	13
Army	413	18	532	22	573	22	481	18
Navy ²	244	14	308	8	373	12	304	13
NASA	20	0	26	2	21	0	29	0
Commerce ³	22	2	23	2	26	3	17	1
Transportation ⁴	50	3	43	1	59	3	50	1

¹ Fiscal year 1981 includes only Jan. 1, 1981 - Sept. 30, 1981; additionally, 7 cases were filed and closed between Oct. 1, 1984 and Jan. 18, 1985.

² Includes Marine Corps.

³ Includes National Oceanic and Atmospheric Administration.

⁴ Includes Federal Aviation Administration.

U.S. DEPARTMENT OF TRANSPORTATION,
U.S. COAST GUARD,
Cape Cod, October 17, 1985.

HON. GERRY E. STUDDS,
House of Representatives, Hyannis, MA.

—DEAR CONGRESSMAN STUDDS: I am the Facilities Engineer for the Coast Guard here at the Otis Air National Guard Base (Massachusetts Military Reservation) and as such am responsible for the maintenance of all the buildings and roads over which the Coast Guard exercises control. I have about 40 tradesmen, military and civil service, who perform the required maintenance tasks on the 340 buildings I am responsible for. I feel that I am adequately staffed and funded for the routine maintenance I am responsible for. Major maintenance work for Coast Guard facilities is provided through formal contract procurement procedures which are administered by the Coast Guard's First District Offices in Boston. The problem is that there is no way to provide for my intermediate level maintenance requirements. In general, these intermediate level maintenance requirements consist of projects which are large enough that they would require allocation of a disproportionate share of the maintenance resources which I control directly, if accomplished using in-house resources, but are too small to be accomplished at the district level because of the administrative overhead associated with formal contract procurement procedures. In general, any project which would cost less than about \$20,000 to contract is not worth the administrative overhead burden which accomplishes any formal contract procurement. My own contract procurement limitations for construction services is limited to \$2,000.00. In effect, I have no practical way to address maintenance needs whose contract cost would be between \$2,000.00 and \$20,000.00. The \$2,000.00 procurement limitation for construction services imposed upon this unit, and upon all Federal employees responsible for facilities maintenance, derives for the most part from the Davis-Bacon Act. The Davis-Bacon Act, passed in the 1930's, requires that for any federal construction endeavor over \$2,000.00, the contractor must pay his workers "prevailing wage rates". While the act does not specifically require formal contracting procurement procedures, the de-facto effect of the act is that any job over \$2,000.00 must go through formal contracting. Most of the intermediate level maintenance projects I have to address simply aren't worth the tremendous administrative cost associated with drafting detailed specifications and engineering drawings, developing bid documents, advertising in the Commerce Business Daily, etc., all of which is required for formal contracting. These formal contracting procedures not only cost the government more, they are unfair to the small contractors who are generally well qualified to do the work. These small contractors, some of whom we have been able to do business with, have low overheads and deliver excellent quality workmanship giving the government good value money spent, however, they are usually "scared off" by the formidable looking bid packages, bonding, and insurance requirements which result from formal contract procedures. There are many small contractors here on the Cape who would be willing and well qualified to execute our intermediate level maintenance projects but never get the opportunity to do so.

What's worse, and even more costly to the government, is that the "front end load" associated with developing formal contract bid packages discourages the address of intermediate level maintenance needs. It takes so much engineering and

administrative "energy" to develop these bid packages that there is simply not enough "energy" available to address all of the needs. Instead of correcting a problem while it is intermediate and could be solved quite cost effectively, many problems are allowed to deteriorate until they become major maintenance efforts, thereby incurring excessive costs to correct them.

\$2,000.00 worth of construction services in 1932 is equivalent to about \$55,000 today, based upon the Building Cost Index History construction in the March 1985 issue of Engineering News-Record, a construction industry periodical. What is desperately needed, not only here at Otis but throughout the Federal Government where government employees are responsible for maintenance of federal facilities is to raise the Davis-Bacon ceiling, above which Davis-Bacon wages must be paid, from \$2,000.00 to about \$20,000.00. This level would still be well below the 1932 equivalent ceiling. Even a \$10,000.00 ceiling would be a tremendous improvement.

It is my understanding that this problem with the Davis-Bacon Act was identified in the Grace-Commission Report and that efforts to amend the act have been vigorously opposed by construction industry unions. If opposition to amending the act is so strong that a nationwide change is impossible, I suggest that an amendment be pursued for only your Congressional District. While this approach would not help other Coast facility managers, it would at least help get Otis "out of the woods" and would provide opportunities for the small construction contractors which are not now available. The small contractors here on the Cape are family-owned businesses employing only a small number of people and in most cases are therefore non-union. Union opposition to an amendment of the act in only this small area may not be as aggressive as a proposed nationwide change. Perhaps attaching the amendment as a rider on another bill would be an appropriate means of implementing the change. Any relief from the tremendous waste and inefficiency imposed upon facilities maintenance managers by the Davis-Bacon Act's unnecessarily restrictive provisions would be appreciated not only by those managers, but also by the taxpayers who ultimately pay for the inefficiency and the small contractors who may potentially benefit from the change. If I can further clarify any of the points I have raised here, please contact me at (617) 968-5180.

A copy of the article from the March 1985 issue of Engineering News Record is attached.

Sincerely,

K.L. Ray,
Commander, U.S. Coast Guard,
Facilities Engineering Department.

Encl: (1) Article dtd March 1985.

ENR

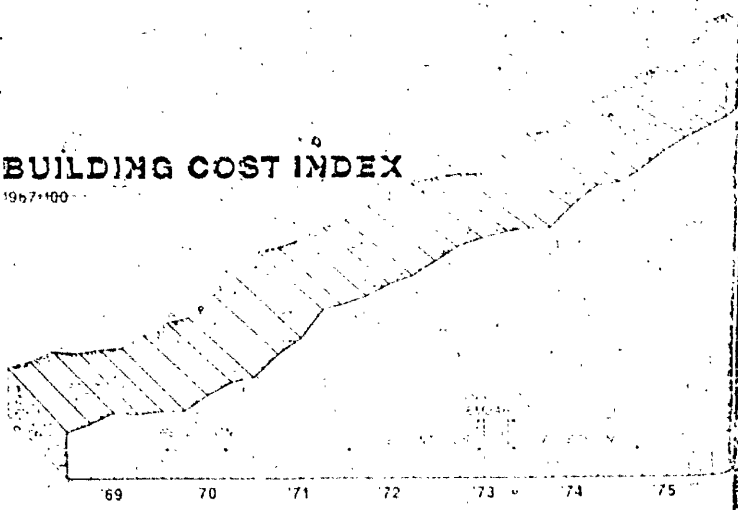
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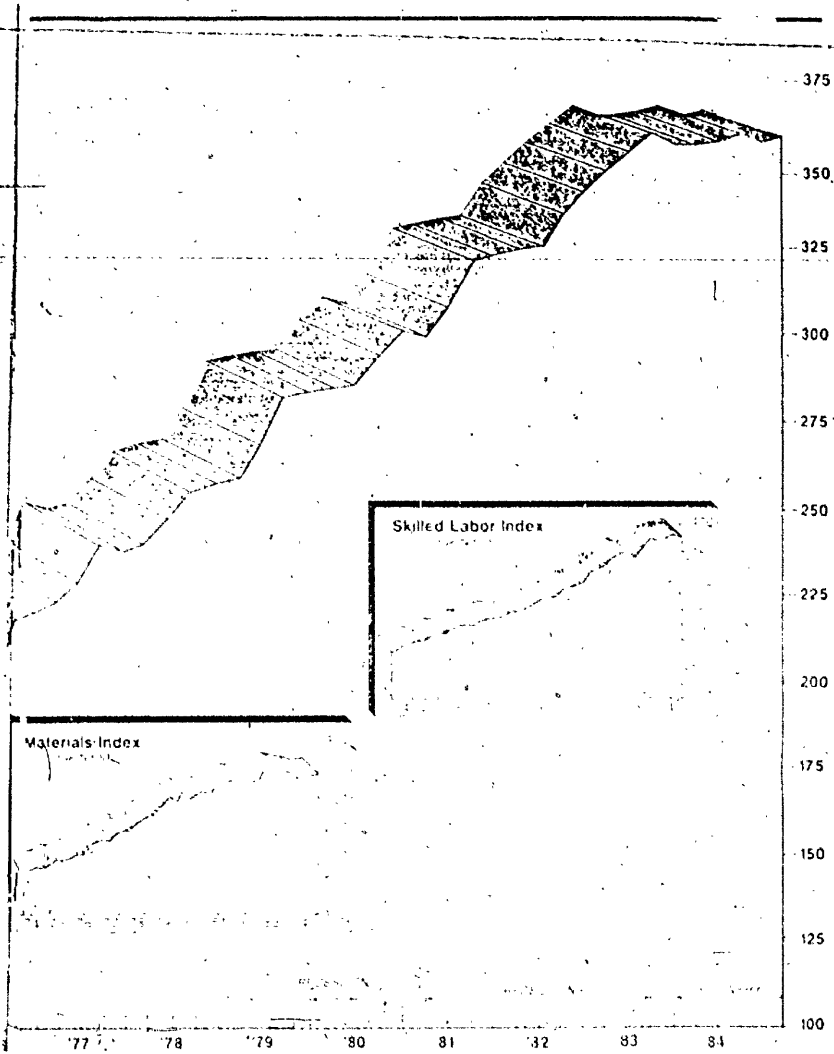
Construction costs tracked for U.S.

A

BUILDING COST INDEX

1967=100





of the western world. They are building a new factory to use their program, and use it constantly. Their country is important, as stated above, it is the best to be used.

On the first part of the day, the author and the other participants in the workshop discussed the importance of the role of the teacher in the classroom and the need for a more holistic approach to education. The second part of the day was devoted to a series of exercises and activities designed to help the participants develop their own teaching style and to create a more supportive and collaborative learning environment. The workshop concluded with a discussion of the challenges facing educators and the need for ongoing professional development and collaboration.

[illegible]

1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific requirements of the task.

A broad base. A 1987 study by the U.S. Census Bureau found that 70 percent of the nation's 100 largest corporations had a broad-based ownership structure, meaning that the company was owned by a large number of shareholders. This was a significant increase from 1970, when only 50 percent of the nation's 100 largest corporations had a broad-based ownership structure. The study also found that the average number of shareholders per company had increased from 1970 to 1987, and that the average size of the company had increased over the same period.

1. The first of these is the fact that the Government has not been able to secure the necessary funds to carry out its programme. This is due to the fact that the Government has not been able to secure the necessary funds to carry out its programme. This is due to the fact that the Government has not been able to secure the necessary funds to carry out its programme. This is due to the fact that the Government has not been able to secure the necessary funds to carry out its programme.

1. The first step in the process is to identify the problem or issue that needs to be addressed. This involves gathering information and understanding the context of the problem.

Number of students	115
Number of teachers	245
Number of schools	205
Number of districts	15

The percentages tabulated show that, on average, one-third of the respondents are female. The average age is 38.5 years. The average respondents' education is the college or graduate level. The majority of respondents are currently employed in a health care position. The majority of respondents are currently employed in a health care position.

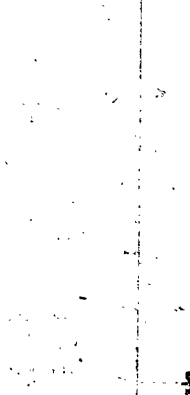
1. <i>Thymus serpyllifolius</i> L.	100%
2. <i>Thymus vulgaris</i> L.	100%
3. <i>Thymus praecox</i> L.	100%
4. <i>Thymus serpyllifolius</i> L.	100%

[illegible][illegible][illegible]

BEST AVAILABLE COPY

Keeping in touch

Construction cost components

[illegible]

U.S. DEPARTMENT OF TRANSPORTATION,
U.S. COAST GUARD,
Otis ANG, MA, November 14, 1985.

HON. GERRY E. STUDDS,
House of Representatives, Hyannis, MA.

DEAR CONGRESSMAN STUDDS: Thank you for your response to my inquiry regarding the procurement limitations for construction services imposed by the Davis-Bacon Act. Please feel free to use any portion of my previous correspondence which you may deem to be useful in the effort to resolve the problems created by the severely restrictive provisions of the Davis-Bacon Act.

Sincerely,

K.L. RAY,
Commander, U.S. Coast Guard,
Facilities Engineer.

ADDITIONAL QUESTIONS SUBMITTED BY MR. STUDDS AND ANSWERED BY THE COAST GUARD

Question. What steps will be taken to reduce the extremely high turnover of civilian personnel within the Coast Guard's procurement office? Do you have the legal ability and the resources necessary to upgrade civilian procurement positions?

Answer. The Coast Guard, aided by the Logistics Management Institute Study, has reviewed the perceived causes for the high turnover, especially the existing low procurement grade level structure. As a result we are currently restructuring the procurement office to improve work flow, and increasing the authority and responsibilities of contracting officers. A reorganization initiative that was recommended by the Coast Guard, the establishment of an Office of Acquisition, presently is pending approval in the Office of the Secretary. The Coast Guard anticipates that analysis and reclassification by personnel specialists of the reorganized procurement office will result in an improved career structure and grade levels. In addition, the reorganized office should improve the efficiency of the Coast Guard procurement process. The legal ability to accomplish this reorganization and any resulting up grading of positions currently exist.

Question. What steps have been taken to improve coordination between your office and the Office of the Secretary of Transportation? Since both offices will ultimately have to approve any major acquisition request, it makes sense does it not, for both offices to start working together at an early point in the process?

Answer. Early identification and a close working relationship have always been the goal of both the Coast Guard and the Office of the Secretary of Transportation (OST). Several steps have been taken recently to improve coordination between the two offices. A position has been established on the Office of Installations and Logistics staff in OST to deal with Coast Guard procurement issues, and the creation of an Office of Acquisition will focus procurement issues within the Coast Guard. Identifiable points of contact primarily responsible for Coast Guard procurement issues should facilitate communications between offices.

In addition, staff members from both offices have met on several occasions to develop procedures on how to coordinate better the planning, review and approval of major acquisition request. We are trying to involve OST staff members earlier in the planning process through informal briefings and advanced or draft copies of planning documents. We have established a formal program review schedule on major system systems where we meet with senior OST managers to review program progress. The OST staff has proposed a standard review schedule designed to obtain Secretary or Deputy Secretary approval or disapproval of major acquisition requests within an established period of time, so this time can be incorporated into the CG planning process.

Question. Federal procurement laws were recently changed to require a so-called "competition advocate" for every federal procurement activity. Who have been designated as competition advocates within the Coast Guard?

Answer. RADM W.P. Kozlovsky acted as the Competition Advocate for the Coast Guard. The Coast Guard has chosen to consolidate and centralize Competition Advocate screening rather than assign competition advocates at each district and Headquarters unit procuring activity. Current requirements dictate that all procurements over \$100,000 be approved by Coast Guard Headquarters. Since this requirement necessitates direct involvement by the Headquarters competition advocate in these procurement actions, involvement by another advocate at the field level would merely result in duplication of effort.

Question. Legislation has been proposed that would require DOD military officers who are designated as procurement program managers to serve in that capacity for a minimum of four years. Would the Coast Guard support a similar provision for its own officers? Does the Coast Guard designate civilians as procurement program managers? If not, why not?

Answer. The Coast Guard would not be in favor of similar legislation due to its small size and limited number of major procurements. Such a statutory requirement would severely limit our flexibility in assigning a small number of officers having procurement experience. Internal Coast Guard policy for assigning project managers, in concert with acquisition reorganization, is the better solution. The Coast Guard does not assign civilians as procurement project managers. Most major procurements directly support our operations and the Coast Guard feels it is important to have the operational and engineering experience of line officers as managers. The Coast Guard relies heavily on civilians to support major acquisitions, especially in contracting.

Question. The Commandant testified that the Coast Guard intends to establish an office of Acquisition and Contract Management to report directly to the Chief of Staff, as recommended by the report prepared by the Logistics Management Institute. What steps will be taken by the Coast Guard to make certain that this office will succeed in:

Reducing delays from unnecessary requirements for bureaucratic review; decreasing problems resulting from rapid turnover of procurement personnel; providing better coordination between procurement and program personnel; increasing the level of discretion, responsibility, and accountability of procurement personnel; and guaranteeing a high level of procurement standards and efficiency by the Districts and others to whom contracting authority has traditionally been delegated?

What statutory changes, or funding increases, if any, are necessary to help the Coast Guard achieve these goals?

Answer. The Coast Guard has reviewed the Logistics Management Institute (LMI) study and has reduced the number of review steps in its procurement process. We are working with the Office of the Secretary (OST) to streamline those review steps under its purview. The Procurement Division has been reorganized along the lines suggested by LMI so that a smooth progression of assignments is available for procurement personnel. Personnel training plans are being developed to insure the capabilities of personnel are adequate for tasks assigned and, many of our contracting officers and negotiators are participating in the EPA-DOT Procurement Training program.

The Coast Guard has requested approval from OTS to establish an Office of Acquisition, incorporating the present Procurement Division and project support personnel, to insure a coordinated approach to all acquisitions and procurements. This office will allow for timely and effective fulfillment of program resource needs by insuring requirements are streamlined and translated into cost-effective hardware. By insuring that the most and highest dollar value procurements, while assigning entry level procurement specialists to the least complicated purchases, the Coast Guard has been able to increase the level of discretion, responsibility and accountability.

In the restructuring of the Procurement Division a separate procurement policy group was formed to provide direct policy guidance and oversight to District and other contracting authorities.

No statutory changes are required to implement these changes. The initial additional funding and personnel resources will be requested in the FY 1987 budget submission.

Question. The Logistics Management Study concluded that "The combination of a civilian force that is inadequately trained and experiencing high turnover, and an officer corps that is inexperienced and untrained in contracting matters and rotating through contracting or program billets every two to three years, is in large measure, responsible" for the low productivity, and the length of time it takes the Coast Guard to award contracts. What is your reaction to this conclusion?

Answer. While the Coast Guard agrees that its civilian contracting force has high turnover and would benefit from additional training, it does not agree that its officer corps is untrained and inexperienced in contracting matters. For instance, of the eight military officers assigned to Coast Guard Headquarters procurement (of 105 total positions), all receive basic procurement training as well as more specialized training in addition to gaining procurement experience during the period of their assignment. The Coast Guard does not entirely agree with the low productivity conclusion, although turnover does contribute to lengthened procurement leadtimes and to the perception of lower productivity as new hires learn the Coast Guard, and

Department of Transportation regulatory systems, and take over complex procurements. The Coast Guard is addressing perceived causes for the civilian turnover and better training for its personnel.

Question. The Logistics Management Study concluded that the Coast Guard's procurement officers have "no formal training or career development program to make sure they have the skills, knowledge and attributes they need to make crucial acquisition decisions." In correspondence from the Coast Guard to the Committee last July, it was indicated that the Coast Guard was currently working with the training office to develop a plan for the attendance of Coast Guard personnel in the Acquisition and Contract Management Program of the Naval Post Graduate School in Monterey, California. What is the current status of that plan?

Answer. Arrangements have been finalized with the Naval Post Graduate School at Monterey and the plan for attendance of Coast Guard personnel is in place. Our first candidate in the Acquisition and Contracting Program will start in January 1986. Our second candidate will begin in the summer session of 1986.

Question. Given the relatively small size of the Coast Guard, how feasible is this study's recommendation that the Coast Guard follow the Navy's example of combining contracts and program management or related specialties into a new career specialty for its officers?

Answer. This recommendation has been considered, however, because of the small size of the Coast Guard's officer corps, a career specialty in this area is not feasible, nor is it necessary for effective management within the new Office of Acquisition. The majority of Coast Guard contracting personnel are civilians; military specialists are unnecessary. The Office of Acquisition will be adequately staffed by qualified officers from the engineering, comptroller and operations specialties.

Question. The Department of Transportation recently issued a report on the small purchase procedures of the Coast Guard. The report identified 1) a failure on the part of the Coast Guard to develop a "statement of essential need" for many purchases, as required by DOT; 2) a failure to provide justification for sole source selection of some contractors; 3) a failure to conduct an adequate analysis of price reasonableness on many procurements; 4) several instances of unauthorized ratifications of purchases made by Coast Guard program personnel, rather than by contracting officers; 5) unnecessary end of year spending for items such as briefcases, imprinted pens and pencils, a wallet, swivel chairs, equipment such as clocks, toasters, trays, and a ship in a bottle for the Admiral's mess, imprinted balloons, magnetic Coast Guard emblems, and an entry fee for a soccer league; 6) office furniture; and 7) inadequate price review of the purchase of medical equipment. Does the Coast Guard agree with the conclusion in the DOT report that the small purchase process requires more management attention?

Answer. We do not agree. The report covered only 2 months and is not representative of our small purchase office. Independent of this report and as a result of the recently completed Logistics Management Institute Study, the Coast Guard Headquarters procurement office has been restructured. As a part of this restructuring, the small purchase office is now part of an operational contracting branch. This position in the organization will provide more direct technical supervision by an operating contracting officer.

Question. Please provide a summary of the actions taken by Coast Guard to correct the deficiencies in small purchase procedures that were identified in this report.

Answer. The head of the small purchase office reviews all purchase requests to ensure they have an adequate Statement of Essential Need and if necessary, justification for other than full and open competition. For open market purchases, when there is not full competition, a statement giving the basis for determining that the price is reasonable is included in the contract file. All requests for office furniture are screened by the Headquarters Administration Services Division and similarly, requests for medical equipment are reviewed for mandatory sources and, when appropriate, a market search is conducted to obtain competition.

Question. Please summarize Coast Guard efforts to avoid paying unreasonable amounts for spare parts or other items of equipment associated with a major procurement. Please identify separately the steps that have been taken, and those that are planned to be taken.

Answer. We have established a spare parts task force to examine the experiences of other agencies, particularly the Department of Defense, and based on these findings develop policies and procedures for our use. In several areas action has already been taken. The Aircraft Repair and Supply Center has established a group dedicated to seeking additional sources for proposed sole source procurements as well as locating domestic sources for foreign parts. Also, we have a provision in our contract

for the 110-foot patrol boats that permits us to unilaterally withhold payment and reopen price negotiations if our inspection of a part suggests that it is over-priced.

Question. Please provide the original and delivery schedules for the nine 270-foot WMEC's being built by DERECKTOR shipyard. Explain the delays, list changes and their costs. What incentives or penalties exist in the contract?

Answer. The original production schedule and the current delivery schedule are shown below. Also shown is the initial revision to the delivery schedule that was envisioned in 1982. The delays to the delivery schedule are primarily due to Coast Guard modifications that were deemed necessary to the design after delivery of the first vessel from Tacoma Boatbuilding Corporation. The A-class retrofit installations became more extensive so that structural design modifications could be accomplished. The B-class contract with DERECKTOR was modified to include these structural changes as part of the original construction.

The net cost for all modifications and delay costs is \$22.5 million. The major design changes are the following:

Raise MK-75 gun mount foundation; rearrange auxiliary machinery space; redesign heating, ventilation and air conditioning system; redesign refrigeration system; redesign bilge/ballast system; redesign stem casting procedure; incompatible selection equipments; and install nuclear water washdown system.

No incentives exist in the contract, however, the contractor would suffer a cutoff of escalation and reduction of progress payments, plus liquidation damages of \$3200/day/ship for late delivery.

270 WMEC DELIVERY

Cutter		Original contract	Revised 1982 ¹	Expected as of Dec 1985
Derecktor of RI, Inc.:				
905	Spencer	June 16, 1984	June 1985	December 9, 1985. ²
906	Seneca	October 14, 1984	October 1985	May 1986
907	Escanaba	February 11, 1985	February 1986	September 1986
908	Tahoma	June 11, 1985	June 1986	January 1987
909	Campbell	October 9, 1985	October 1986	May 1987
910	Thetis	February 6, 1985	February 1987	September 1987
911	Forward	June 6, 1986	June 1987	January 1988
912	Legare	October 4, 1986	October 1987	May 1988
913	Mohawk	February 1, 1987	February 1988	September 1988

¹ To profit from lessons from Tacoma Boat contract for first four ships

² Actual delivery

Question. Please provide a general summary of the relative costs and benefits of—(a) completing the Service Life Extension Project (SLEP) for the Coast Guard's fleet of 180' seagoing buoy tenders.

Answer. Completing the Service Life Extension Project (SLEP) will provide 14 seagoing buoy tenders (WLBs) which can safely and reliably perform their assigned missions into the next century. The remaining WLBs scheduled for SLEP will all have reached the end of their service lives by the end of FY 1986. These cutters are becoming increasingly less reliable and more costly to support and operate. For example, maintenance for the last five vessels scheduled for SLEP was 35% higher than the WLB fleet average for FYs 1983 and 1984.

The other half of the SLB fleet, 14 Major Renovated WLBs, will reach the end of their service lives between 1989 and 1999. Because of the length of time a major systems acquisition process requires, we do not anticipate bringing the first replacements for these WLBs on line until the mid-to-late 1990s. To bridge the decade-long gap, these 14 SLEP renovated vessels are required. These vessels will maintain the integrity of the federal aids to navigation system during this transition time.

Another included benefit is that SLEP will upgrade habitability to current Coast Guard standards. Among other things, this will allow the cutters to accommodate female crew members.

Question. (b) purchasing new vessels capable of performing the aids to navigation duties currently handled by that portion of the 180' buoy tender fleet that has not yet participated in the SLEP program.

Answer. Given the generally sound condition of the hulls of the WLBs scheduled for SLEP and the fact that the capabilities required of seagoing buoy tenders are not projected to change in the foreseeable future, SLEP is clearly more cost effective than new vessel construction. By modernizing major machinery systems and up-

grading cutter habitability. SLEP produces a like-new cutter with an expected service life of 15-20 years at a cost of about \$10 million. A new vessel with similar capabilities and a 30 year service life would cost about \$32 million. Thus, for a third of the cost, SLEP yields a cutter with the required capabilities that will last from one half to two thirds as long as a similar new vessel.

Replacing WLBs with significantly smaller vessels is basically not technically feasible in coastal and offshore regions. The stability, weight handling and cargo carrying required of a vessel whose primary mission is servicing large aids to navigation in exposed waters dictates that a vessel the size of a WLB is necessary. This fact is attested to by the large buoy tenders of other maritime nations which generally are of the same size or bigger than WLBs. We are, however, monitoring the experience of the Canadians who are using a modified offshore supply vessel in the Great Lakes, as a possible alternative for Great Lakes use.

Question. Please respond to the following answer to this same question submitted for the record of the October 9 hearing by the Transportation Institute.

"There are numerous commercial vessels in the offshore servicing fleet capable of servicing large offshore navigational buoys, with modest modification. Our member companies estimate those vessel modifications involving a powered crane, two deck capstans and some deck and sideshell stiffening to cost between \$300,000 and \$1 million for each unit. The Coast Guard estimates of those modifications of more than \$4 million each are excessive. A substantial number of those vessels may now be under the control of the Maritime Administration due to owners defaulting on mortgage insurance payments. The procurement cost of these supply vessels, ranging from 180 to 200 feet in length, varies from \$800,000 to \$4 million depending on vessel sophistication and age. Because of excess vessels, 170' to 180' supply vessels of five years of age are currently available through one Gulf Coast broker for \$1.5 million each."

Answer. There are numerous problems with the idea of using modified offshore supply vessels (OSVs) to replace that portion of the WLB fleet that is scheduled for but has not yet undergone SLEP. The use of an OSV design as a seagoing buoy tender is still largely an unproven concept; no such seagoing buoy tender is in operation. With the launching of CCGS *Samuel Risley* in May 1985, Canada completed construction of the first of two buoy tenders built to a general OSV design. However, these vessels are designed to service aids to navigation in rivers, lakes or semi-exposed waters, not in an open ocean environment. CCGS *Samuel Risley*, homeported on Lake Superior, is currently being tested to determine the design's attributes and limitations. We are following the Canadian experience closely.

The degree of modification which would be required to a commercial OSV to adapt it for Coast Guard use as a possible replacement for a WLB is understated in the Transportation Institute's reply. Even with the extensive modifications noted, i.e. crane, capstans and deck and sideshell stiffening, an OSV would not have the capabilities required to perform as a WLB. Among the problem areas are:

a. OSVs do not provide for watertight subdivision of the hull. While this fact makes them relatively inexpensive to build, a high degree of hull subdivision and resulting damage stability is required for a WLB replacement. WLBs are designed to service aids to navigation in hazardous conditions (this is where most aids to navigation are placed) and to be capable of performing search and rescue, law enforcement and other Coast Guard missions in extreme conditions. Also, good damage stability is essential to military vessels such as WLBs. Incorporating these watertight subdivisions would be a major, high cost modification.

b. Without significant, costly modifications to accommodate and support additional crew members, an adapted OSV could not accommodate sufficient personnel to perform the wide variety of missions in support of nearly all Coast Guard programs as currently is done by WLBs. The crewing capacity of an OSV is generally from one third to one half that of a WLB.

c. Interior stowage on OSVs is inadequate to accommodate aids to navigation equipment, ship's maintenance equipment and parts and subsistence supplies for the crew. Space cannot easily be identified in an OSV design to meet these requirements.

d. Work boats and their handling gear would have to be added.

e. Freeboard (distance from waterline to main deck edge) would have to be increased to about seven feet to prevent seas from coming aboard on the buoy deck while working a buoy. This change affects ship structure, center of gravity, stability and ability to carry loads. It is a major and very high cost change.

The Canadian Coast Guard's experience provides a good perspective on the costs of adapting an OSV for use as a buoy tender. Attracted by some of the characteristics of OSVs used as primary SAR vessels in their fleet and the low acquisition cost of these vessels, the Canadian Coast Guard decided to evaluate the design's utility.

in an aids to navigation role. In June 1983, the Canadians awarded a contract for the design of a buoy tender using the ideas and concepts from their evaluation of the OSV. Construction costs were estimated at \$13 million (U.S.). By the time all necessary changes were made to adapt the OSV design to buoy tending and CCGS SAMUEL RISLEY was launched in 1985, construction costs had risen to \$26 million for a buoy tender not capable of replacing a WLB.

In summary, use of an OSV design as a seagoing buoy tender is an unproven concept. We estimate the cost to perform the very extensive modifications required to attempt to replace a WLB with an OSV design at between 4.5 and 7.5 million dollars. The result would be a vessel with considerably less than 15 years of remaining life (the economic life of the typical new OSV) which did not have the capabilities required of, and embodied in, a WLB. For about \$10 million each, SLEP provides a vessel with 15-20 years remaining life which has demonstrated its effectiveness and resiliency through 40 years of service in support of nearly every Coast Guard mission.

Question. The Coast Guard's Fleet of H-3 Medium Range Recovery Helicopters will reach the end of their service lives by 1988. What is the status of the plan to purchase replacements? How many helicopters will be required? Have specifications been developed? What is the rough estimate of the cost of obtaining a replacement fleet? Are there any legal barriers to a Coast Guard decision simply to "buy into" a Navy Helicopter procurement contract?

Answer. The Mission Needs Statement was approved by the Secretary on 5 October 1983. The Acquisition paper is currently in draft stage.

The required fleet size is under review. The present fleet consists of 37 helicopters.

Specifications consist of performance requirements from the Mission Needs Statement.

A Rough Order of Magnitude Cost of obtaining a replacement fleet is estimated at four hundred million dollars.

Any Coast Guard buy through the Navy will result from full and open competition on the part of the Navy.

Question. During the past several years the Coast Guard has studied the feasibility of adding a lighter than air vehicle—or blimp—to its fleet of aircraft. For what missions were the blimps being studied?

Answer. Enforcement of laws and treaties, search and rescue, port and environmental safety, marine environmental response, and defense readiness.

Question. How do the blimps compare with helicopters with regard to: Initial acquisition costs? Fuel efficiency? Operating costs? Range? Hovering capabilities? Speed? Capability to lift and carry heavy loads?

Answer. The airships appear to be best suited for loiter and surveillance. Helicopters are well suited for sprint and recovery. These different mission profiles are apparent when comparing the operating parameters of the envisioned airship with the HH-65 helicopter:

Characteristic	Estimated maritime patrol airship	HH 65 Dolphin helicopter
Initial unit cost	\$6 million	\$4 million
Operating cost (w/fuel)	\$636 per hour	\$791 per hour
Fuel Efficiency		
Hover	240 lbs/hr	880 lbs/hr
Average	320 lbs/hr	600 lbs/hr
Maximum speed	950 lbs/hr	750 lbs/hr
Range	1,400 nautical miles	400 nautical miles
Speed		
Cruise	50 knots	125 knots
Maximum	90 knots	165 knots
Endurance	72 hours	35 hours
Load handling		
Sling load	7,500 lbs	2,000 lbs
Hoist	600 lbs	600 lbs

Question. Is it true that the Coast Guard has recently terminated its own research into the feasibility of using blimps, and is monitoring the progress of the Navy studies? What does the Coast Guard hope to learn from the Navy studies, and how will this information help the Coast Guard hope to learn from the Navy studies, and

how will this information help the Coast Guard determine whether the blimps will be a useful piece of equipment to the Coast Guard?

Answer. We cancelled only the high endurance test, to avoid duplication with Navy work. We are maintaining close liaison with the Navy, hoping to learn about cost-effectiveness, survivability, avionics, airship systems, integrated logistics support, ground handling, and human factors associated with the operation of blimps.

Question. Does the Coast Guard intend to carry out the major maintenance availability (MMA) program for its 210 foot medium endurance cutter fleet at the Curtis Bay Shipyard, at a private shipyard under contract, or through a combination of the two? What is the rationale for the strategy chosen? Which approach would be least costly to the government?

Answer. Given the constraints of insufficient personnel and reduce FTE ceilings at the Coast Guard Yard and operational need for the 210' WMEC cutters, the current strategy is for a combination of Coast Guard and commercial shipyard. The program is underway on five "A" class cutters at the Coast Guard Yard. The eleven "B" class cutters are to be completed under a single commercial contract administered by the Navy. Increases in the scope of work and a reduction in authorized personnel levels at the Coast Guard Yard necessitated completion of the MMA program for the eleven "B" class cutters commercially. Until offers are received from industry, it will be impossible to determine which is least costly to the Government.

Question. Fiscal year 1986 budget documents indicate that over 500 Coast Guard positions are funded under the AC&I account. How many positions in the procurement office are funded under this account? Would it make sense to allow the entire procurement office to be funded under AC&I, in order to avoid delays in spending AC&I funds on equipment because of lack of operating funds for the procurement office?

Answer. The salaries and related costs of 35 of the 103 personnel assigned to the procurement divisions within the Office of the Comptroller are AC&I funded. These 35 AC&I funded personnel deal primarily with acquisitions for hardware, equipment, and facilities supported through the AC&I appropriation. Other personnel resources within the procurement office work primarily on non-AC&I procurements and are funded through the Operating Expense (OE) appropriation.

The execution of AC&I programs has not been delayed because of a lack of "operating funds" for the procurement office. Funding all 103 personnel under AC&I would not serve to reduce delays in spending AC&I funds but would divert AC&I funds away from AC&I requirements to non-AC&I work. The source of funding is not the key issue. What is crucial, is the total number of personnel authorized and available to execute both OE and AC&I procurements.

Question. According to information received by the Subcommittee earlier this year, the Coast Guard's new fleet of HU-25A medium range surveillance aircraft averaged 563 flight hours per aircraft during fiscal year 1984. This was only 70% of the planned utilization rate (of 800 flight hours). What are the comparable figures for fiscal year 1985?

Answer. Fiscal Year 1985 utilization of the HU-25A medium range search aircraft increased to an average of 641 flight hours per operational aircraft. This equates to 80.1% of the planned utilization rate of 800 flight hours per aircraft annually.

Question. Please provide the following information concerning the Coast Guard's fleet of Surface Effect Ships (SES), covering the period from the time of delivery of the first SES in 1982 until the end of the 1985 fiscal year:

(a) average annual utilization rate per hull; (b) planned utilization rate per hull; (c) number of days (or hours) of scheduled maintenance per vessel; (d) number of boardings; (e) number of vessels seized; (f) amounts of drugs seized; (g) number of arrests; and (h) estimated total cost of procurement and operation of SES fleet.

Answer. The following information applies for the period November 1982 through September 1985:

(a) 130 days annual underway per SES.
(b) Initially planned 240 annual underway days per SES with multiple crews. Now plan 150 annual underway days per SES with single crews.

(c) SESs averaged 996 annual unscheduled maintenance hours out of 5789 annual total maintenance hours (216 annual total maintenance days). 17% of all maintenance hours were unscheduled.

(d) All three SES totalled 369 boardings during the period.

(e) SESs seized a total of 53 vessels during the period (9.6% of Coast Guard total). Average of 6.4 vessels seized annually per SES.

(f) SESs seized a total of 149.5 tons of marijuana (4.2% of Coast Guard total) and 86 pounds of cocaine (1.1% of Coast Guard total) during the period. Average 18.1 tons of marijuana seized annually per SES.

(g) SESs made a total of 170 arrests (6.9% of Coast Guard total) during the period. Average of 21 annual arrests per SES.

(h) The total cost of procurement, outfit, purchase of initial spares and retrofit of the SESs was \$17.5 million. The total operating cost of the SESs and SES Division for the period was \$15.4 million, an average of \$5.13 million annually for the entire SES program.

Question. I understand that the Coast Guard has recently issued an Invitation for Bids for inflatable liferafts for use on search and rescue aircraft. The Subcommittee has been contacted by Mr. Gayle Parker who has made the claim that the type of liferaft the Coast Guard is planning to procure is equipped with an inadequate stability system, and cannot meet the Coast Guard's proposed regulations for stability of inflatable liferafts. He further suggests that the toroidal stability systems of these liferafts have never been tested in conditions of high winds and heavy seas, and are prone to buckling. Would you please respond to these claims of Mr. Parker?

Answer. The LRU-20/A life raft meets all of the survival and rescue operational requirements for Coast Guard aircraft. The LRU-20/A life raft will meet the proposed regulations for life raft stability installed on inspected vessels. In addition, the raft will be a stable platform for the Rescue Swimmer Program. The LRU-20/A is a military specification version of Switlik SAR 6 man life raft. The features considered most outstanding are the toroidal stability system, convertible canopy and lowered floor with removable insert. The toroidal stability system provides full life raft ballast in 30 seconds or less, which minimizes the effects from high winds and seas of driving the life raft away from survivors. The toroidal stability system of the Switlik SAR 6 man life raft has been extensively tested in the lab and ocean and is FAA and Coast Guard certified.

ADDITIONAL QUESTIONS SUBMITTED BY MR. THOMAS AND ANSWERED BY THE COAST GUARD

Question. Is the Coast Guard willing to take on added responsibilities in the maritime and airborne interdiction efforts?

If so, what is your estimate of increased resources, including personnel and operating expenses, in order to accomplish the goals of the Administration in the war on drugs.

Answer. Air smuggling is a problem that will continue to grow as the Coast Guard's pressure on maritime smuggling continues. We also expect that as the Customs Service clamps down on air trafficking across our land borders, instances of maritime airdrop shipments of marijuana and cocaine will continue to grow.

Current missions and present surface interdiction efforts have fully engaged all available ships and aircraft. Currently, few of our resources have the sensors necessary to contribute to the air interdiction mission. To provide any significant contribution would require air-to-air radars be installed on our aircraft, and air trafficking radars aboard all our major cutters (except on the 378 foot high endurance class, which already has this capability).

Air surveillance and tracking, as a secondary and simultaneous activity to the Coast Guard's maritime interdiction mission, could be an effective use of all U.S. Government resources and will support and not infringe on the responsibilities of any other agency. The Coast Guard already has an expertise in maritime surveillance and has an existing infrastructure to support long range surveillance aircraft, such as C-130's.

Additional aircraft would be necessary to assist in the detection, tracking and intercept phases of air interdiction. While enhancement of detection capability of existing ships and aircraft would appear to be cost effective and would help the Coast Guard pursue all its missions, the air interdiction problem isn't going to be solved by enhancing or adding a few aircraft.

The Coast Guard is certainly willing to take on added responsibilities for maritime interdiction, provided we have the appropriate additional resources and personnel.

Question. Have you considered improved electronic sensors for your LRS fleet to further enhance the drug interdiction effort?

Answer. The Coast Guard has already begun upgrading the electronic sensor package in its LRS (C-130) fleet. A multi-year procurement is underway that will equip all Coast Guard C-130s with state-of-the-art AN/APG-137 radars by the end of fiscal year 1990. This radar will provide greatly improved surface search capabilities (e.g., it has the capability to detect periscope size targets at distances of up to 28 nautical miles in moderate seas). Hence, it's not only an effective sensor for the drug interdiction effort, but will be equally valuable for Search and Rescue and po-

tential Maritime Defense Zone operations. Furthermore, a joint Coast Guard/Naval Air Development Center study has been initiated to determine an optimal C-130 sensor system, capable of supporting all Coast Guard missions.

ADDITIONAL QUESTIONS SUBMITTED BY MR. LENT AND ANSWERED BY THE COAST GUARD

Question. At the December 4th hearing of the Coast Guard and Navigation Subcommittee, Admiral Gracey stated that by the beginning of 1986 Coast Guard Headquarters would be reorganized to include an Office of Acquisition and Contract Management. Please describe the mission and structure of the new organization and provide brief resumes of the key personnel. What are the improvements in major system acquisitions and the overall procurement process that the Coast Guard expects from this organizational change?

Answer. The mission of the Office of Acquisition is to manage and control Coast Guard procurement, including major systems acquisition, to fulfill Coast Guard operational requirements through an effective acquisition network. The office will be headed by a Rear Admiral and will consist of a contracting division which will be responsible for all procurements at the Headquarters level; all major system project officers and their staffs; a project support group which will provide detailed project planning, guidance and assistance for project officers; and administrative groups to provide oversight, computer support, budget planning and execution assistance, and insure adequate training of acquisition personnel. A team has been established to implement the Office of Acquisition. It consists of personnel with requisite management, procurement, engineering and personnel backgrounds and is headed by two key leaders: (1) Captain Ronald M. Polant, Deputy Chief, Office of Acquisition. He holds Bachelor of Science, Master of Science in Electrical Engineering and Master of Public Administration degrees, and is a graduate of the Industrial College of the Armed Forces. He has extensive experience in major systems acquisition, including Patrol Boat Project Officer, and in the management and technical evaluation of R&D projects; and (2) Mr. Mordecai Z. Labovitz, Chief, Acquisition Management Staff. He holds a Bachelor of Arts degree in Political Science and is a graduate of the Industrial College of the Armed Forces. He has twenty years experience in acquisition, including major systems at both the Navy and Coast Guard. Mr. Labovitz participated in the drafting of Office of Management and Budget Circular A-109 while a member of the Office of the Secretary of Defense staff and drafted procurement legislation while assigned from the Navy to Senator Chiles' subcommittee. For the last eight years, he has been the senior civilian in Coast Guard procurement. The Coast Guard expects that the Office of Acquisition will improve the timeliness and effectiveness of acquisitions and procurements by uniting the procurement function, project officers and necessary support staff. This will improve initial planning, insure proper downstream policy guidance, and provide requisite follow on logistics support for acquired systems.

Question. Over the years projects in the R&D budget have emerged as fully developed major systems with many of the cost determining characteristics of the system locked in which effectively restricts further concept exploration. The transition of technology base efforts into a major system acquisition program, therefore, may occur without full or appropriate participation or review at OST and OMB levels in the early phases of a program. What are the roles of the engineering and acquisition organizations in major system planning and execution? Who will be the "acquisition executive" with oversight responsibility to see that the integration of these two organizations work? What process will the acquisition executive employ?

Answer. We know of no major systems that have emerged from Coast Guard R&D projects without having alternative concepts considered or full participation and review within the Coast Guard, OST, and OMB. The basic directive on the acquisition of major systems, OMB circular A-109, prescribes very explicit procedures and reviews that are required to be followed from the determination of a need to the final procurement of the production version of the "major system." OST has implemented this system through DOT ORDERS. No funds, from any appropriation, may be expended until the Deputy Secretary has approved the acquisition plan for each major system to be acquired. The first phase of this process deals with proposed plans and funding for exploration of alternative concepts. The results are reviewed by the Deputy Secretary who must approve the proposed plan for subsequent activities in the acquisition cycle. This basic process has been in place since the early 1970's.

Within the Coast Guard, an Acquisition Project Director and Project Officer are assigned to each major system acquisition. They are responsible for the overall man-

agement of the acquisition and receive support from the entire Headquarters organization. Engineering maintains an active role throughout the process. During the initial phases, they provide secondary support to the R&D efforts, becoming more involved as the R&D phase nears completion, and finally assume a primary role during the prototype/limited production phases. The Chief of Staff has, and will retain, oversight responsibility to ensure that the efforts of the two organizations are integrated. He will have more direct assistance in this oversight as the Office of Acquisition becomes established. The new office will streamline the process and allow for easier integration of work between the various parts of the organization.

Question. What other alternatives to an Office of Acquisition and Contract Management are being or have been considered? In particular, have you considered a separate logistics support office at the headquarters level which would incorporate or combine all logistics support functions including engineering, comptroller, procurement and acquisition, and research and development functions? If so, please describe the structure of this organization and the roles of key personnel. Would the establishment of the Office of Acquisition and Contract Management prevent or be inconsistent with this combination of functions?

Answer. The Coast Guard Acquisition Process Study considered three organizational alternatives, including an Acquisition Group, an Office of Acquisition, and an Acquisition System Directorate, which would be similar to the logistics support organization described above. While this alternative did offer some significant advantages, the implications of establishing such a directorate for the entire Coast Guard organization were so extensive that the study group did not recommend its adoption. Since all of the functions which will be managed by the Office of Acquisition would come under the responsibility of the Directorate, establishment of the Office of Acquisition at this time will not prevent the Coast Guard from adopting the more inclusive Directorate organization at some later date.

Question. DOD acquisition managers (contracting officers, program managers, logisticians, etc.) receive training both in specialty areas and in the overall acquisition process. The most prestigious of these programs are reported to be the courses at the Defense Systems Management College (DSMC). Is there comparable training available to the Coast Guard military and civilian acquisition professionals? If so, please describe that training in brief. If not, could the Coast Guard send their personnel to those DSMC courses?

Answer. The Coast Guard does not have comparable training to that offered by the Defense Systems Management College. The Defense Systems Management College has been contacted and we are evaluating the appropriateness of that training for Coast Guard civilian and military personnel.

Question. I understand that in January each executive agency is required to submit to Congress a report on the activities and results of their Competition Advocacy Program. Would you provide a brief description of the particular achievements of the Coast Guard's Competition Advocates especially with regard to the institutional barriers to competition that exist and the actions that have been taken to eliminate them?

Answer. The Department of Transportation (DOT) is responsible for submitting the annual report to Congress. As an operating administration in the Department of Transportation, the Coast Guard has submitted its input to the annual report to the Department's Senior Competition Advocate to be used in the formulation of a consolidated DOT report. Highlights of Coast Guard achievements contained in the report include: (1) establishment of a Source Review Branch at the Coast Guard Aircraft Repair and Supply Center with responsibility for "breakout" of spare parts in support of our aircraft; (2) designation of Specification Control Advocate with responsibility for reviewing Coast Guard specifications with emphasis in the areas of elimination of non-cost effective contract requirements, increased use of performance specifications and reduction of the use of specifications which could be considered unduly restrictive; (3) establishment of a Headquarters task force with responsibility for studying spare parts reprourement practices and developing recommended procedural guidance for the Coast Guard.

ADDITIONAL QUESTIONS SUBMITTED BY MR. YOUNG AND ANSWERED BY THE COAST GUARD

Question. The FY 1985 Department of Transportation Appropriations Bill directed the Coast Guard to expend \$500,000 to continue upgrading digital electronic water-side intrusion detection equipment. In addition to participating as a member of a DOD working group that is developing intruder detection systems for all the serv-

ices, what steps has the Coast Guard taken to comply with the spirit of the Committee Report on this legislation?

Answer. In March 1985, the Coast Guard advised the Appropriations Committee that at no cost to the Coast Guard, our research and development requirements in this area had been incorporated into Navy requirements. Subsequently, our requirements were included in the Joint Service Operational Requirements, and in the Navy's testing criteria used to evaluate underwater detection equipment during recent tests in their Waterside Security System Demonstration Project (Project Demo). Coast Guard personnel from the Office of Research and Development attended Project Demo tests to assess equipment performance and capabilities to meet the Coast Guard's port security needs. The results of Project Demo will be available in late summer 1986; at that point we will be in a position to determine what additional steps the Coast Guard may wish to take.

Question. In 1984 the Coast Guard purchased, and very effectively employed, computer-based sonar equipment to improve waterside security conditions at the Los Angeles Summer Olympics. Where and for what is this equipment being used presently to provide waterside security? What is the Coast Guard's plan for procuring additional equipment of this type?

Answer. The Coast Guard has used the computer-based sonar equipment purchased for the Los Angeles Summer Olympics several times. Mechanical problems and inadequate probabilities of detection have plagued the equipment both during the Olympics and in subsequent tests during an exercise named Solid Shield 85. This equipment was also evaluated in Jacksonville, FL and showed no improvement in performance.

The equipment is currently being used by the Coast Guard Reserve Port Security Group, Baltimore, Maryland. Due to the poor performance to date, the Coast Guard has no plans to procure additional equipment of this type.

Question. The Maritime Defense Zone concept gives the Coast Guard total responsibility for the defense of our coasts as well as our ports and harbors. Further, the Coast Guard is required to provide security for our nation's ports during peacetime and in times of war under existing law. In light of the marked increase in terrorist activities around the world, what is the Coast Guard doing to counter the threat to our national security posed by terrorist-based intrusion from the waterside? Specifically, in light of these responsibilities and the information gained by the Coast Guard's participation in the DOD waterside security working group, will there be reprogramming in FY 1986 to meet the research and development and procurement requirements for waterside security? What are the research and development and procurement requirements for waterside security in FY 1987?

Answer. The Coast Guard is currently involved in the development of numerous domestic and international policies to increase port and vessel waterside security. A number of recent incidents prompted the International Maritime Organization (IMO) to agree that improved port and vessel security measures were needed. The IMO Assembly directed the Maritime Safety Committee to develop internationally agreed security measures. As a primary sponsor of this effort, the United States agreed to develop a proposal on security measures. This proposal, developed by the Coast Guard and the Department of State, will be presented to the IMO Maritime Safety Committee meeting in January 1986.

The Coast Guard is currently developing port security training for Coast Guard personnel to improve performance of the waterside security duties. In addition, new equipment (weapons, small boats, personnel protection gear, and communications equipment) is being evaluated.

Considering our involvement with the Navy and the Department of Defense (DOD) waterside security working group, any reprogramming of FY 1986 research and development funds for a Coast Guard waterside security project would be duplicative and premature. The Navy has invested considerable funding in development of underwater detection systems. We could not complete this work as rapidly on our own. We will continue our involvement with the Navy in developing a joint system; that will ensure equipment commonality for readiness and mobilization missions. Until these (Project Demo) results are known, we cannot estimate total funds required.