

**The Subcommittee on Coast Guard & Maritime  
Transportation**

**Hearing on United States Coast Guard FY 2001 budget  
request  
(outside witnesses)**

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## PURPOSE

The purpose of this hearing is to receive testimony from a variety of witnesses about the Administration's fiscal year 2001 budget request for the U. S. Coast Guard. A detailed background memorandum on the Coast Guard's fiscal year 2001 budget request was distributed in preparation for the Subcommittee's first hearing on the Coast Guard's fiscal year 2001 budget held February 29, 2000.

## BACKGROUND

### THE FISCAL YEAR 2001 COAST GUARD BUDGET REQUEST

The Administration requests \$4.6 billion for fiscal year 2001 for Coast Guard activities that are subject to appropriation. This request is \$429 million (10.3 percent) more than the amount appropriated for the Coast Guard in fiscal year 2000.

The following table compares the fiscal year 2000 Coast Guard appropriations, the fiscal year 2001 Coast Guard authorization (passed by the House), and the fiscal year 2001 Coast Guard budget request (in millions of dollars):

<b>Major Coast Guard Account</b>	<b>Fiscal Year 2000 Enacted</b>	<b>Fiscal Year 2001 House-passed Authorized</b>	<b>Fiscal Year 2001 President's Budget Request<sup>2</sup></b>
Operating Expenses	2,939 <sup>1</sup>	3,207.8	3,199.0 <sup>3</sup>
Acquisition, Construction, & Improvements	387.5	792.0	520.2
Environmental Compliance and Restoration	17.0	21.0	16.7

Alterations of Bridges	15.0	11.0	0.0
Retired Pay	730.3	785.0	778.0
Reserve Training	72.0	N/A	73.4
Research, Test, and Evaluation	19.0	23.0	21.3
<b>TOTALS</b>	<b>4179.8</b>	<b>4839.0</b>	<b>4608.6</b>

1. Includes the \$160 million from the FY 99 Kosovo Supplemental.
2. Includes a \$212 million offset for proposed user fees. Section 207 of P.L. 105-383, prohibits new maritime user fees through September 30, 2001.
3. Includes \$341 million from budgetary function "054" which would allocate funds from the defense budget to support the Coast Guard's military readiness.

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## ISSUES OF INTEREST TO OUTSIDE WITNESSES

### DEEPWATER CAPABILITY REPLACEMENT PROJECT

The President has requested \$42.3 million in fiscal year 2001 to continue the analysis of the Coast Guard's long-term capital needs for operations which occur fifty nautical miles beyond U.S. shores ("deepwater"). Coast Guard activities in this zone typically require either extended on-scene presence, long transit distance to reach the operating area, forward deployment of forces, or a combination of these approaches. The Coast Guard has identified fourteen missions in this zone, including alien migration interdiction operations, drug interdiction, and fisheries law enforcement.

As the Coast Guard considers replacing the ships and planes used in the deepwater mission zone, it seeks to achieve long-term savings through a coordinated procurement process. To accomplish this, the Coast Guard is searching for options which employ a complementary system of assets that can be operated with fewer personnel and lower costs, without compromising overall performance.

The \$42.3 million requested for the Deepwater Project in the President's budget will continue to fund three industry teams that were awarded contracts to develop competing proposals for the project. The winning team is to be selected in fiscal year 2002, and the first Coast Guard assets are to be in service by fiscal year 2005. The total cost of the project is still to be determined by the three industry teams. Through the end of fiscal year 2000, \$73.9 million has been spent on the project.

The General Accounting Office (GAO) and the Department of Transportation's Inspector General's Office have raised concerns about the Coast Guard's Deepwater Capability Replacement Project.

On October 26, 1998, the GAO released a report to Congress on the Coast Guard's Deepwater Capability Replacement Project. The GAO found that the Coast Guard's justification for the Deepwater Project, particularly its conclusion about the expected life of its current aircraft assets, could not be validated from the information available. The GAO concluded that proceeding without this key data increases the risk that the contractors will develop alternatives that are not the most cost-effective to meet the needs of the Coast Guard. The Coast Guard and its contractors are currently developing the updated justification information, but some of the data may not be available until after key procurement decisions are made.

The GAO has also questioned the Coast Guard's ability to afford the high cost of the Deepwater Project. Initial estimates of \$500 million annually would consume more than the agency now spends for all its capital projects.

The Department of Transportation Inspector General (IG) reviewed the Deepwater Project at the request of the Coast Guard Commandant. The IG has found that the Coast Guard's Deepwater planning process is sound and innovative. The IG also found that the Coast Guard had strengthened its Deepwater planning process following IG and GAO recommendations. The IG reported that the Coast Guard plans to request approximately \$350 million to begin acquisition of Deepwater assets in fiscal year 2002. The IG is concerned that the Coast Guard plans to submit this budget request to Congress in February, 2001, before the Deepwater planning process is completed in July, 2001.

Like the GAO, the IG questions the feasibility of funding such a costly multi-year project in a tight Federal budget environment.

In anticipation of Coast Guard budget requests for the Deepwater Project, the President established the Interagency Task Force on the Roles and Missions of the United States Coast Guard in 1999. This Task Force reviewed the future roles and missions for the Coast Guard and supported the current Coast Guard roles and missions, including the national defense mission. The Task Force also endorsed the Deepwater Project's process and timetable.

## BOATING SAFETY GRANTS

The National Association of State Boating Law Administrators (NASBLA) is an association of state officials who are responsible for administering and enforcing state boating laws. NASBLA will testify in support of additional funds for the Federal Boating Safety Grant program.

In 1984, the Wallop-Breaux amendments to the Deficit Reduction Act of 1984 created the Aquatic Resources Trust Fund. The Wallop-Breaux Trust Fund consists of two accounts, the Sport Fish Restoration Account and the Boat Safety Account. Annually, up to \$70 million of the motorboat fuel taxes paid by recreational boaters are deposited in the Boat Safety Account to fund state boating safety grant programs coordinated by the Coast Guard.

Subtitle D of title VII of the Transportation Equity Act for the 21st Century, P.L. 105-178, is the Sportfishing and Boating Safety Act of 1998. This legislation amends the Recreational Boating Safety Program, administered by the Coast Guard. The new law set up a formula under which states may receive \$59 million from the Wallop-Breaux Trust Fund annually without appropriation. Additional boating safety funds may be appropriated for state boating safety grants from the Coast Guard's budget.

## COAST GUARD MILITARY ENLISTED PAY

The Fleet Reserve Association is a Congressionally chartered nonprofit organization which represents the enlisted personnel of the U.S. Navy, Marine Corps and Coast Guard. The Fleet Reserve Association will testify about its study on pay reform for mid-career noncommissioned and petty officers.

The U.S. Department of Defense Authorization Act for fiscal year 2000 provided a 4.8 percent military pay raise on January 1, 2000, as well as a system of future percentage pay raises in addition to the traditional cost of living military pay raise. This legislation also reforms certain rates of monthly basic pay for members of the uniformed services within each pay grade. The Fleet Reserve Association's study concludes that this reform of the military pay tables fails to adequately compensate mid-career petty officers and noncommissioned officers and has been a growing concern within the enlisted ranks. The study further finds that these mid-career enlisted personnel are integral to training both enlisted and officers and are a key pathway for bringing people into the enlisted ranks of the Armed Forces.

### NATIONAL DISTRESS AND RESPONSE SYSTEM MODERNIZATION PROJECT

Boat U.S. is the largest organization of recreational boaters in the United States, representing over 500,000 members. Boat U.S. will testify about its concerns over the Coast Guard's outdated and inadequate marine distress communications system.

Last November, the Subcommittee held a hearing on the sinking of the MORNING DEW off the coast of South Carolina, and the need to replace the National Distress System. The National Distress System provides two-way voice communications coverage for the majority of Coast Guard missions in coastal areas and navigable waterways where commercial and recreational traffic exists. The Coast Guard's system monitors the international VHF maritime distress frequency (Channel 16) and acts as the primary command and control network to coordinate Coast Guard search and rescue response activities.

The secondary function of the system is to provide command, control, and communications for Coast Guard missions involving National Security, Maritime Safety, Law Enforcement, and Marine Environmental Protection. The national distress and communication capability of the existing communications system, built in the 1970's, is inadequate. The current system is unable to accommodate the significant growth in maritime commerce and recreational boating.

The President's request provides \$22 million to fund the initial procurement costs for the NDRSM project. This project will fully modernize the existing VHF-FM National Distress System and provide improved distress alerting and response

coordination capability, along with improved command and control for all Coast Guard missions. The new system will include direction finding, asset tracking, digital selective calling, and multi-channel transmitting and receiving capability.

The future cost of the National Distress System project is estimated at \$220 million. The project is to be completed in fiscal year 2006. There is concern that the implementation time for the project is too long, since there is a vast disparity between the communications capability that the public thinks is in place and the actual capabilities of the current communications system.

H.R. 820, the Coast Guard Authorization Act of 1999, provides for the implementation of the improved National Distress System by the end of fiscal year 2001. Specifically, this House-passed bill authorizes an additional \$100 million in fiscal year 2000 and \$110 million in fiscal year 2001 above the President's budget request for this system.

## **WITNESSES**

### **PANEL I**

[The Honorable Bart Stupak \(D-MI\)](#)

### **PANEL II**

[John H. Anderson, Jr.](#)

Director  
Transportation Issues  
General Accounting Office

[Thomas J. Howard](#)

Deputy  
Assistant Inspector General for Maritime and Departmental Programs

Department of Transportation

**PANEL III**

[Charles L. Calkins](#)

National Executive Secretary  
accompanied by Joe Barnes  
Director  
Legislative Programs  
Fleet Reserve Association

[Paul Donheffner](#)

President  
National Association of Boating Law Administration

[Michael G. Sciulla](#)

Vice President and Director of Government and Public Affairs  
Boat US

Testimony of Rep. Bart Stupak

Hearings of the Transportation Subcommittee on Coast Guard and Maritime  
Transportation

United States Coast Guard FY 2001 budget request

March 15, 2000

Mr. Chairman, thank you for the opportunity to submit testimony to the Subcommittee on the Coast Guard Fiscal Year 2001 budget request. I appreciate your willingness to allow me to discuss issues that are extremely important to the people of my district.

***Asbestos Removal on Former Coast Guard Property in Traverse City, Michigan***

I would like to ask the Subcommittee to authorize legislation requiring the Coast Guard to demolish and remove former Coast Guard buildings that are contaminated by asbestos. These buildings are on property that was transferred from the Coast Guard to the Traverse City Area Public Schools (TCAPS) in the 104th Congress. The school system uses the property for soccer fields for the local recreational league. While the Coast Guard has agreed to clean-up some of the asbestos on the site and is currently doing so, they say they do not have the authority or money to demolish the structures.

Unfortunately, the TCAPS faces an extreme annual budgetary shortfall in the upcoming years in excess of \$2 million and does not have the funds to demolish and remediate the buildings. In addition, the soccer fields have been entirely funded by donations from the community and there are no extra funds for the removal of the buildings.

Without the removal of the buildings, the TCAPS will be unable to expand seating for the main field which draws 2,000 people during tournaments. In addition, plans to add three community fields and a stadium have been put on hold until the situation with the buildings is resolved.

While this property was transferred to the TCAPS and is now under their control, the local citizens believe, and I think rightfully so, that since the Coast Guard contaminated the buildings, the Coast Guard should be responsible for the clean-up. The local community has worked well with the Coast Guard in the past, and I believe the federal government should continue this good will and provide \$200,000 to remediate this environmental hazard.

### *Replacement of Coast Guard Cutter Mackinaw*

As you know, Mr. Chairman, the Great Lakes are one of the most important waterways in our nation, and of utmost importance to my district. Each year, more than 200 million tons of cargo cross the Great Lakes, including iron ore for the steel industry, coal for power generation, and limestone for the construction industry. Shipping on the Great Lakes faces a unique challenge because the season begins and ends in ice. Plate ice, 3-4 feet thick, is commonplace. Windrows (slabs of broken ice piled atop each other by the wind) can reach 15 feet in thickness. Heavy icebreaking is vital to maintaining maritime commerce on the Great Lakes, of which three surround my district.

I would like to ask the committee to provide \$118 million to replace the Coast Guard Cutter Mackinaw in Fiscal Year 2001. The Administration's fiscal 2001 request provides only \$110 million, deferring \$8 million in Administrative costs, inspections and licensing to the fiscal 2002 budget. This 10,000 horsepower, 290-foot-long vessel ports in my district, and has kept commerce in the Great Lakes moving under the most trying conditions since its christening in 1944. The Mackinaw is scheduled for decommissioning in 2006 and notably has never failed to break through an ice formation.

The Mackinaw, however, must be replaced because of age and discontinued production of necessary equipment and engines. It has a larger crew and annual operating cost than a new vessel. While it has been dependable, a replacement is necessary. The new vessel will be extremely versatile, performing duties such as buoy tending, search and rescue missions, oil spill skimming, and ice breaking. These extra capabilities will make the Great Lakes a safer, more accessible, and more economically feasible area than ever before.

In addition to the economic need for icebreaking on the Great Lakes, it is also necessary for our national defense. The Mackinaw entered service in 1944 to ensure that this country's wartime need for iron ore was met. Today, more than 70 percent of our nation's steelmaking capacity is located in the Great Lakes basin and it is imperative that our country be able to transport this product through the Lakes during periods of ice cover. This factor exemplifies the importance of full funding for the replacement of the Mackinaw.

Mr. Chairman, thank you for this opportunity to submit testimony regarding the United States Coast Guard FY 2001 budget request. I appreciate any help that you and the Subcommittee can offer to include these important projects.

# COAST GUARD

## Budget Challenges for 2001 and Beyond

Statement of John H. Anderson, Jr.,  
Director, Transportation Issues,  
Resources, Community, and Economic  
Development Division



Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss challenges that the Coast Guard faces in its fiscal year 2001 and future budget requests. For fiscal year 2001, the Coast Guard is asking for \$4.7 billion, representing a 14-percent increase over this year's appropriations. Over the last 4 years, we have issued a series of reports and testified before this Subcommittee and others on budget challenges facing the agency. A major budget challenge facing the Coast Guard involves its Deepwater Project—an effort to replace or modernize the Coast Guard's cutter and aircraft fleets and their associated support systems. This project could cost about \$10 billion or more over the next 20 years. The Coast Guard is asking for \$42.3 million in fiscal year 2001 for the Deepwater Project, in part to pay three teams of contractors that are developing proposals for the agency's next generation of ships and aircraft. About a year from now, in its fiscal year 2002 budget request, the agency plans to ask for \$350 million for this project. Beginning in fiscal year 2003 and throughout the remaining life of the project, annual funding requests exceeding \$500 million are expected. Although large in its scope, the Deepwater Project is by no means the only budget issue that the Coast Guard faces. As we have reported previously, the Coast Guard has a number of opportunities to improve the efficiency and cost-effectiveness of its operations. Taking advantage of these opportunities will require the Coast Guard to make some tough decisions and reconsider some fundamental positions about its operations.

My testimony today, which is based on recently completed and ongoing work, addresses two topics: (1) the Coast Guard's progress in justifying and managing its Deepwater Project and (2) opportunities for improving the Coast Guard's operating efficiencies.

In summary, our work shows the following:

- Our prior report on the Deepwater project questioned its justification and affordability. For example, the Coast Guard had significantly understated the remaining useful life of its aircraft and ships. In response to our report, the Coast Guard is addressing many of our concerns regarding the justification for the project by gathering additional data on the condition of its existing ships and aircraft. However, the Coast Guard plans to request

significant funds—starting with \$350 million for fiscal year 2002—before the planning phase of the project is completed and without having some other key issues resolved. For example, the Coast Guard will ask the Congress to approve funding for the program before it has developed and proven the effectiveness of new technologies, such as the development of software used in communications equipment, and received assurance that the contractor can successfully produce a product on time and at cost. Experience has shown that when projects are undertaken before major uncertainties like these are resolved, cost, schedule, and performance risks increase. How the Coast Guard manages risks in the acquisition process—particularly in the next 12 to 18 months—is critical to the success of the program. At the request of this Subcommittee, we will examine the revised justification for the project and the Coast Guard’s management of the acquisition process and report to you early next year.

- The Coast Guard has opportunities to improve the efficiency and cost-effectiveness of its operations. Past studies by us and others have recommended cost-cutting measures, such as consolidating or closing training centers and other facilities, lengthening rotation periods for military personnel, and more efficiently managing the spare parts inventories for cutters and aircraft. The Coast Guard has not taken action on many of these recommendations, although it is working on systems to improve the management of its spare parts inventories.
- In a report we issued earlier this month, we identified another area that would save money for the federal government, although not have a major effect on the Coast Guard’s budget. It involves the potential conversion of commissioned officer positions in administrative and support positions to civilian positions. The Coast Guard has agreed to examine whether conversions of the military officer positions that we identified are possible.

### **The Coast Guard Is Addressing Our Concerns on the Deepwater Project, but Key Questions Remain as It Seeks More Funding**

The Coast Guard is addressing many of our previous concerns about the justification of the Deepwater Project. However, numerous uncertainties still exist, including the project’s affordability, the accuracy of estimates for project costs and delivery, the adequacy of management controls in place to oversee the project, and the contracting strategy to be used. These challenges must be addressed both before and after it awards a contract for its Deepwater system in January 2002.

Last year, we testified before this Subcommittee and others that the Coast Guard lacked accurate and complete data as a basis for justifying the Deepwater Project, including information on the useful life, performance shortfalls, and capability gaps of the Coast Guard's existing fleet of aircraft and ships. According to Department of Transportation guidelines, these data should have been available before the Coast Guard had its contractors design a new deepwater system starting in August 1998. Two important actions have occurred since we testified before this Subcommittee last year:

- First, in December 1999, an Interagency Task Force on U.S. Coast Guard Roles and Missions—spearheaded by the Office of Management and Budget (OMB)—concluded that there is a national interest in having the Coast Guard continue its maritime and national security responsibilities. The Task Force also stated that planning for the modernization of the Coast Guard's Deepwater ships and aircraft is a national priority. The Coast Guard has contracted with the Center for Naval Analysis (a nonprofit research and analysis organization) to use the findings of the Task Force to revise its justification for the Deepwater Project. The Coast Guard expects to issue its revised justification later this year.
- Second, the Coast Guard has developed additional data on the condition of its ships and aircraft and has provided this information to its contractors. For example, an October 1998 study on the condition of Coast Guard aircraft concluded that with appropriate maintenance and upgrades, these aircraft would be capable of operating to 2012 and beyond. Also, a September 1999 study on the condition of Coast Guard cutters concluded that assuming maintenance support remains at current levels, Coast Guard cutters have a service life until 2007 and beyond. Having these data available before contractors begin designing the overall Deepwater system would help ensure that contractors design systems that fully utilize existing assets and that they develop realistic implementation plans and cost estimates. However, three teams of contractors are well along in developing separate Deepwater proposals, and the Coast Guard estimates that they have completed more than half of their basic designs for the system. The Coast Guard acknowledges the importance of providing contractors with accurate data on the need to replace or modernize deepwater ships and aircraft and has done so as the data have been developed.

Three areas critical to the ultimate success of the Deepwater Project still need to be addressed and monitored closely as the project proceeds:

- First, the affordability of the project is a major concern. The Coast Guard may be asking the Congress for levels of funding for its capital projects that far exceed historical funding levels. For example, last year we estimated that the Coast Guard's total capital budget needs will be about \$700 million annually beginning in fiscal year 2003, including about \$500 million for the Deepwater project. This is almost twice the average annual capital funding it has received in recent years. To help agencies like the Coast Guard that face large capital expenditures, OMB calls on them to prioritize their planned capital projects. To be in a position to fund the Deepwater project, the Coast Guard has begun to do this. For example, the Coast Guard has established an "Investment Board" composed of senior agency managers who evaluate the agency's assets and assign priorities to capital acquisition projects. In addition, the Congress has required the agency to build a 5-year capital investment plan as a means of managing its budget within future funding constraints. Recognizing that affordability will be a major factor in the project's success, the Coast Guard has asked its contractors and a third-party consultant to explore alternative implementation and spending plans for the project. For example, the evaluation by contractors will include identifying the optimum and minimum funding streams for building the Deepwater system.
- Second, uncertainties on cost, schedule, and the performance of the overall Deepwater program will likely remain when it is launched next year before the planning phase of the project is completed. The Coast Guard plans to request \$350 million for the Deepwater Project in February 2001, but it will not complete its planning process until contractors submit their final proposals in July 2001 and it awards the contract for the Deepwater Project in January 2002. Beyond the issue of asking for funds that may not be fully supported by a completed planning process, the federal government's implementation of many major acquisition projects has not been good and provides some lessons for the Deepwater Project. For example, our prior work on other major acquisition projects such as those undertaken by the Department of Defense (DOD), Federal Aviation Administration, and Department of Energy shows that projects are often undertaken despite uncertainties regarding engineering designs, software development, the compatibility of different components in the system, manufacturing

processes, affordability, and assurance that contractors can successfully produce a product on time and at cost. When this happens, experience shows that cost increases, schedule slips, and production problems can occur. The Coast Guard faces similar uncertainties and must take care to avoid problems that have beset these other programs. Clearly, the Coast Guard needs to modernize its cutter and aircraft fleets in the future but must do it right and minimize the risks associated with the program. How well the Coast Guard identifies and manages its risks will be a key to its success.

- Third, the Coast Guard's current acquisition strategy is unique, and its success may not be known for some time. The agency's strategy calls on three teams of contractors—which have been working on the project for about the last 18 months—to propose designs and schedules to replace or modernize all of the Coast Guard's deepwater ships, aircraft, and associated systems. Each contractor team is composed of a consortium made up of an aircraft manufacturer, a shipyard, and manufacturers of radars, communications, and other types of equipment. The Coast Guard expects to award a contract to only one of the contractor teams in January 2002 to modernize or replace all deepwater ships, aircraft, and systems over the next 20 years. Initially, the Coast Guard expects that competition among the three teams of contractors to design the system will help to control costs and produce the best design. However, because the Deepwater Project will involve the same contractor team delivering different components (for example, ships, aircraft, and communications equipment) at different times over the 20-year period, a key question is how costs will be controlled and performance ensured once the contract is awarded in 2002. Because the Coast Guard will be "locked-in" to a single contractor team, the Coast Guard's strategy must incorporate ways to ensure that it procures technologically up-to-date equipment at a fair and reasonable price.

### **Coast Guard Has Opportunities to Improve Its Efficiency**

The Coast Guard carried out a series of actions to streamline its operations and achieved significant cost-savings from fiscal years 1994 through 1999. While a number of issues were addressed, others were not, and we believe that the Coast Guard has additional opportunities to improve its operating efficiencies. At the request of this Subcommittee, we have studied cost-cutting options for the Coast Guard. Many of these options, which are still relevant today, have not been adopted. Following are several examples of these options:

- Lengthen periods between assignment rotations for military personnel. In general, the Coast Guard rotates its officers and enlisted personnel every 2 to 4 years. Past studies by groups outside the Coast Guard have pointed out that lengthening periods between reassignments could substantially reduce transfer costs, which now amount to more than \$75 million annually. Moreover, the Coast Guard's relocation costs for officers is higher than the costs for DOD officers. The Coast Guard thinks its current rotation policies are appropriate and does not plan to study the issue further. Coast Guard officials said that changing current practices would have several undesirable effects, including reduced opportunities to command a variety of units or vessels and lower morale among personnel assigned to undesirable locations for extended periods of time. However, the agency has offered no data or analyses to support these claims.
- Consolidate functions or close facilities. Previous studies by the Coast Guard have identified this as another option to reduce expenditures. For example, several years ago, the Coast Guard identified a cost-cutting option that would consolidate its training facilities, a move that would have resulted in annual savings of about \$9 million, by closing the facility at Petaluma, California. Fearing opposition by the local community, the Coast Guard postponed taking this step. The possible closure of some boat stations and the Coast Guard's Shipyard near Baltimore, Maryland, have also been discussed in the last several years, but no action has been taken.
- Consolidate cutter and aircraft spare parts inventory systems. Coast Guard officials have stated that the consolidation of information systems for cutter and aircraft spare parts could save money. The Coast Guard is currently developing independent

systems for its cutters (Fleet Logistics System) and its aircraft (Aviation Logistics Management Information System). These officials indicated that it is too late to achieve any savings by consolidating the systems at this stage in their development. However, they plan to explore the potential for consolidating the systems after both systems are operational.

The Coast Guard has not implemented many of these efficiency-enhancing options

because they are controversial, require cultural changes within the Coast Guard, or are not popular with the public. We have suggested several possible strategies and approaches for encouraging the Coast Guard to be more proactive in pursuing efficiency measures. One approach to help the agency identify and implement facilities' consolidations and closures is to institute a facility closure approach similar to the one DOD used to evaluate base closures. Under this approach, an independent commission would be given the authority to recommend the closure of some of the Coast Guard's facilities. To date, such a commission has not been established.

Another area that would not provide significant budgetary savings for the Coast Guard, especially in the short-term, but would save money for the federal government over the longer-term involves the use of civilian rather than military personnel in some administrative and support positions. As we reported earlier this month, we believe that about 800 commissioned officer positions in administrative and support positions have potential for conversion to civilian positions. Doing so could result in long-term potential savings that amount to about \$15 million annually for the federal government because the salary and benefits of a commissioned officer are, on average, approximately 21 percent more expensive than those of a civilian employee in the same position. To its credit, the Coast Guard has agreed that additional conversions, in addition to those it has made in the past, are possible and that it will examine each of the positions we identified for conversion.

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In conclusion, the Deepwater Project will be at a critical juncture in the next 12 to 18 months because once the project is launched and a major infusion of funding occurs, it will become more difficult to change the project's course. Completing project planning, adopting a sound acquisition strategy, and providing effective oversight of contractors are vital elements to the project's success. The Coast Guard's plan to request significant funds for the project next February while many uncertainties still remain should be closely examined. At the request of this Subcommittee, we are currently evaluating this issue and other aspects of the project, including how well the Coast Guard is positioning itself for the challenges ahead. We will report to you before budget hearings next year on this important matter. Even though the Deepwater Project may be the most significant single budget challenge that the Coast Guard faces, we believe the agency should

vigorously explore any opportunities to improve its operational efficiency, including the potential conversion of certain commissioned officer positions to civilian positions.

Mr. Chairman, this concludes my testimony. I will be happy to respond to any questions you or other Members may have.

Before the Subcommittee on  
Coast Guard and Maritime Transportation,  
Committee on Transportation and Infrastructure,  
U.S. House of Representatives

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## U.S. Coast Guard: Deepwater Capability Replacement Project

Statement of  
Thomas J. Howard  
Deputy Assistant Inspector General for  
Maritime and Departmental Programs  
U.S. Department of Transportation



Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to discuss the Coast Guard's Deepwater Capability Replacement Project. The Project represents the largest capital improvement effort ever undertaken by the Coast Guard. It has been estimated that the Project may take 20 years to complete and require an additional \$500 million per year in funding. We completed a

review of the project at the request of the Commandant.

The Project is intended to replace or modernize all assets used in Deepwater missions, which generally occur more than 50 miles offshore. These missions include search and rescue, drug interdiction, alien migrant interdiction, and fisheries law enforcement.

The Coast Guard began planning for the replacement of its existing Deepwater assets in 1996 because these assets are approaching the end of their projected service lives. The Deepwater assets include 206 aircraft, 93 vessels, and related sensor, communications, and navigation systems. This represents 99 percent of the Coast Guard's aircraft and 100 percent of vessels 110 feet and longer, excluding buoy tenders and icebreakers.

The Coast Guard is planning for the replacement of its Deepwater capability as an integrated system rather than a series of distinct procurements. For example, rather than specifying that it wants a medium endurance cutter or long-range helicopter, Coast Guard is asking industry teams to propose vessels and aircraft that can work together to meet mission needs.

The Coast Guard expects to spend \$117 million to develop a plan for replacing or modernizing existing assets. To date, the Congress has supported the planning phase of the Project by authorizing \$75 million. For Fiscal Year 2001, the Coast Guard is requesting an additional \$42.3 million to complete the planning process and develop an acquisition strategy.

Our testimony today addresses three issues:

- First, the Deepwater planning process is comprehensive, sound, and innovative. The process is using competition to identify assets that will best meet mission requirements, enhance interoperability, and minimize costs. When completed, this planning process should provide Coast Guard a good base for establishing needs and developing an acquisition strategy.
- Second, the Coast Guard strengthened its implementation of the planning process in response to its own assessments and recommendations by the Office of Management and Budget (OMB) and the General Accounting Office (GAO). However, the planning process will not be completed until July 2001. The Coast Guard is still responding to recommendations by OMB and GAO and major gaps need to be filled. For example, the Coast Guard needs to complete condition assessments and update its Project justification
- Third, the Coast Guard plans to request \$350 million in the Fiscal Year 2002 budget to begin the Deepwater acquisition. This will be in addition to the normal acquisition request that has averaged about \$400 million for the last 5 fiscal years. However, the President's budget for Fiscal Year 2002 will be submitted to the Congress in February 2001 while the Coast Guard's planning process is ongoing. The planning process will not be completed until July 2001.

Coast Guard will have to reconcile how it can proceed with a budget request in advance of completing the planning process. An important subsidiary issue is how priorities will be established within annual fiscal limitations. If the Coast Guard does not want to defer the anticipated \$350 million Fiscal Year 2002 Deepwater budget request until the results of the planning process are known, it will need to decide how to justify that budget. The issue is not whether Deepwater assets need to be replaced or modernized over the next 20 years, but how it will be done, what assets need to be acquired, what it will cost, and when funding will be needed.

### **The Deepwater Planning Process Is Sound**

The Congress has been supportive of the Project, authorizing \$75 million for the planning phase. The Coast Guard is using this funding to have three industry teams develop proposals for assets that will provide the capability to carry out

its Deepwater missions. The industry teams will propose which assets should be replaced or modernized and when that should occur. The Coast Guard is also contracting for an independent assessment of its needs and will use the results to evaluate the industry teams' proposals. This process will provide the Coast Guard a good base for establishing its needs and developing an acquisition strategy.

In the past, Coast Guard acquired individual systems without a focus on interoperability. Now, to its credit, the Coast Guard is planning for the replacement of its Deepwater assets as a coordinated system rather than as a series of distinct procurements. For example, rather than specifying that it wants a medium endurance cutter or long-range helicopter, Coast Guard is asking industry teams to propose vessels and aircraft that can work together to meet mission needs. This comprehensive approach is intended to enhance interoperability. Coast Guard also hopes that it will be able to reduce operating and personnel costs through the use of technology and common maintenance requirements.

### **Implementation of the Planning Process Has Been Improved, But Major Gaps Need to Be Filled**

In 1998, the GAO expressed concern about the Project's justification, and the accuracy and reliability of data provided to the industry teams. Over the past year, the Coast Guard made progress in developing better data and providing the data to the teams. For example, the Coast Guard assessed the remaining useful life for all of its aircraft and larger vessels. The new data show that the assets will not begin to reach the end of their useful lives as early as the Coast Guard originally estimated. Specifically, existing aircraft will last 11 or more years longer and larger vessels an additional 5 to 10 years. This should have an impact on budget requirements in the early years of acquisition.

Accurate and reliable data on the condition and cost of operating existing assets are critical for industry teams. The teams will use these data to identify relative priorities and develop their proposals for replacing or modernizing assets. It is important, therefore, that the Coast Guard complete its outstanding commitments to develop better data. These are:

- Completing current condition and remaining useful life assessments for the 110-foot cutters. These cutters represent 53 percent of the Deepwater vessels and are currently valued at \$185 million. The Coast Guard plans to complete its engineering evaluations, but does not plan to provide for an independent assessment of condition and remaining useful life as was done with all the other classes of Deepwater vessels. This is important because these vessels are used extensively in law enforcement missions. These vessels were acquired at a cost of \$276 million, but the cost of replacing this capability will be significantly more.
- Updating the condition assessment for existing sensor, communications, and navigation systems to reflect planned improvements. These systems include things such as radar detection equipment, signal transmitters and receivers, and computer systems. Although the Coast Guard provided condition assessments to the industry teams at the start of the planning process, it did not include the impact of already planned improvements that will reduce capability shortfalls.
- Correcting inaccuracies in data already provided to the industry teams on the cost of operating existing Deepwater assets. The operating cost data provided to the industry teams in February 1999 contained significant omissions and errors. For example, the data understated the cutter maintenance backlog by \$400 million and excluded \$427 million of overhead expenditures for vessels and aircraft from the operating costs.
- Using the report by the Interagency Task Force on Roles and Missions to revise the Project justification. Coast Guard withdrew the original justification because OMB requested additional information on why the Project was needed. The justification is currently being revised based on the Task Force report that was released in February 2000.

### **Anticipated Fiscal Year 2002 Budget Request Will Present a Challenge**

The Deepwater Project envisions a long-term commitment of funds to acquire and/or improve a wide variety of assets over a 20-year period. Based on the original cost estimate for the Project of \$9.8 billion, the Coast Guard expects to

request \$350 million in Fiscal Year 2002 and \$500 million annually for the next 19 years. While the Project employs a sound process to identify needs and alternatives, *it is too early to determine with any degree of precision what the Project will cost or how long it will take to complete.*

Although the Coast Guard received preliminary information on concepts from each of the industry teams in December 1999, their proposals for an integrated system are not due until April 2001. The Coast Guard will decide what assets it will replace or modernize, and when that will occur, after evaluating the systems proposed by the teams. This decision, scheduled in July 2001, will form an acquisition strategy.

According to the Commandant, the acquisition strategy could be based on an integrated system proposed by one of the industry teams, a combination of those proposals, or some other alternative developed by the Coast Guard. The Commandant has emphasized that he is not required to select one of the industry teams' proposals intact, and will consider all possibilities before deciding on an acquisition strategy.

The Coast Guard plans to request \$350 million in Fiscal Year 2002 to begin procuring or modernizing Deepwater assets. However, the planning process for the Project will not be completed in time to support the budget request. The President's budget for Fiscal Year 2002 will be submitted to the Congress in February 2001 and has to be approved by DOT and OMB prior to this time. The Coast Guard is not scheduled to decide what and when it will procure or modernize until July 2001.

The Coast Guard's Deepwater assets will reach the end of their useful lives over the next 30 years. So the question is not whether they have to be replaced or modernized, but how and when. However, the Coast Guard will have to reconcile how it can proceed with a budget request in advance of completing its comprehensive planning process. Three options it can consider are to:

- Defer the anticipated \$350 million Fiscal Year 2002 Deepwater budget request until the results of the planning process are known.
- Expedite the planning process to identify the most critical Deepwater needs and justify the Fiscal Year 2002 budget request on that basis.
- Use information available from the industry teams to develop a current cost and schedule estimate for the Project that identifies anticipated acquisitions and justify the Fiscal Year 2002 budget request on that basis.

## **WHAT IS THE DEEPWATER PROJECT?**

The Deepwater Capability Replacement Project (Project) is the largest capital program ever proposed by the Coast Guard. The Project is estimated to take 20 years to complete and cost between \$9.8 and \$15 billion. Its purpose is to identify vessels, aircraft, and related sensor, communications, and navigation systems that work together to accomplish mission objectives. The Coast Guard will consider procuring new assets and modernizing existing assets.

Deepwater operations involve missions that occur 50 miles or more offshore. The primary Deepwater missions include search and rescue, drug interdiction, alien migrant interdiction, and fisheries law enforcement. These four missions account for about 93 percent of the total operating hours for Deepwater vessels and aircraft. Deepwater ships comprise 100 percent of the Coast Guard's vessels 110 feet and longer, excluding icebreakers and buoy tenders. Similarly, Deepwater aircraft comprise 99 percent of the Coast Guard's aircraft fleet, currently consisting of 30 C-130 cargo aircraft, 41 Falcon jets, and 135 helicopters.

The Coast Guard is using an innovative approach to plan for the replacement of its Deepwater assets. In the past, the Coast Guard acquired individual systems without a focus on interoperability. Now, to its credit, the Coast Guard is planning for the replacement of its Deepwater assets as a coordinated system rather than a series of distinct procurements. For example, rather than specifying that it wants a medium endurance cutter or long-range helicopter,

the Coast Guard is asking industry teams to propose vessels, aircraft, and sensor, communications, and navigation systems, that can work together to meet mission needs. This comprehensive approach should enhance interoperability. The Coast Guard also hopes that it will be able to reduce operating and personnel costs through the use of technology and common maintenance requirements.

The Coast Guard has contracted with three industry teams to develop proposals on which assets can best provide the capabilities needed to perform its Deepwater missions. The Coast Guard will also conduct its own assessment of needs for use in evaluating the industry teams' proposals. This should provide the Coast Guard a variety of options for developing an acquisition strategy.

According to the current Project schedule, the industry teams will complete their proposals in April 2001. The Coast Guard will decide what assets it will replace or modernize, and when that will occur, after evaluating the systems proposed by the teams. This decision, scheduled in July 2001, will form an acquisition strategy.

Through Fiscal Year 2000, a total of \$75.1 million has been appropriated for Project planning and preliminary design. The President's Budget for Fiscal Year 2001 includes a \$42.3 million request to complete planning and prepare a strategy for acquiring or modernizing Deepwater assets. If appropriated, this will bring total funding for the planning phase of the Project to \$117.4 million.

The Coast Guard currently plans to request \$350 million in Fiscal Year 2002 and \$500 million annually over the next 19 years to implement its acquisition strategy. This plan is based on Coast Guard's initial estimate that the Project would cost \$9.8 billion and take 20 years to complete.

### **IMPLEMENTATION OF THE PLANNING PROCESS HAS BEEN IMPROVED, BUT SIGNIFICANT GAPS NEED TO BE FILLED**

In October 1998, the General Accounting Office (GAO) reported that the Coast Guard did not have sufficient, complete, and accurate service life and cost data for its Deepwater assets to justify proceeding with the Project. The Office of Management and Budget (OMB) and internal Coast Guard assessments also raised questions regarding the Project's justification. In response to these concerns, the Coast Guard planned a number of actions intended to improve the planning process including:

- Contracting for assessments to determine the condition and expected service life of all existing Deepwater vessels, aircraft, and sensor, communications, and navigation systems.
- Compiling data on the cost to operate existing Deepwater assets.
- Revising the Project justification after an independent review of its roles and missions.

Accurate and reliable data on existing assets are critical for industry teams to correctly identify relative priorities and develop proposals for replacing or modernizing assets. Furthermore, the Coast Guard will use the information as criteria for assessing the industry teams' proposals and for developing an acquisition strategy.

To date, the Coast Guard completed condition assessments for all of its aircraft and three of the four classes of vessels. The Coast Guard also contracted with a consultant to compile data on the cost of operating current Deepwater assets. The completed condition assessments and the operating cost data were provided to the industry teams for use in developing their proposals.

The results of the completed condition assessments should be useful to the industry teams because they show that the Coast Guard's Deepwater aircraft and larger vessels will not begin to reach the end of their useful lives as soon as originally estimated. For example, based on improvements already planned or underway, the Coast Guard's fleet of aircraft will not begin to reach the end of their useful lives for an additional 11 or more years. The cutter assessments

completed to date show that they will not begin to reach the end of their useful lives for an additional 5 or more years.

Given these results, it is important that the Coast Guard complete its outstanding commitments to develop better data and provide the results to the industry teams in time for use in developing their proposals. These outstanding commitments are as follows:

- Completing current condition and remaining useful life assessments. The Coast Guard has not completed its assessments of the condition and remaining useful life of the 110-foot patrol boats, which comprise 53 percent of the Deepwater vessel fleet. Although the Coast Guard completed its engineering evaluations, a study on the structural integrity of vessel hulls is not scheduled for completion until the end of March 2000. Also, the Coast Guard has not scheduled an independent verification of its condition assessments as was done with the other three classes of vessels. This is important because condition assessments of the Coast Guard's other three classes of vessels have resulted in increased useful life projections.
- Updating the condition assessment for existing sensor, communications, and navigation systems. These systems include equipment such as radar sensors, signal transmitters and receivers, and computer systems. Although the Coast Guard provided information on the condition of existing systems to the industry teams at the start of the planning process, it did not include the impact of already planned improvements. These improvements are important because they will reduce capability shortfalls. For example, over \$25 million in sensor and communications capital improvement projects are ongoing. The Coast Guard plans to complete its update in July 2000 and provide the results to the industry teams.
- Correcting inaccuracies in operating cost data. The Coast Guard contracted with a consultant to compile the costs for operating existing Deepwater assets and provided the resulting data to the industry teams in February 1999. However, we identified significant omissions and errors in the data. For example, the consultant understated the cutter maintenance backlog by \$400 million and excluded \$427 million of overhead expenditures for vessels and aircraft from the operating costs. Using these data, the industry teams' proposals could understate the cost of operating existing assets. The Coast Guard told us it would correct these errors and omissions in its next update of the data, scheduled for March 2000.
- Using the report by the Interagency Task Force on Roles and Missions to revise the Project justification. The Coast Guard withdrew its formal Project justification at the direction of OMB. In March 1999, the President appointed an Interagency Task Force to provide advice and recommendations on the appropriate roles and missions for the Coast Guard through the year 2020. The Task Force's final report was released in February 2000. The Task Force determined that the Nation would continue to need the Coast Guard to perform all of its multiple missions. The Task Force also strongly endorsed the need for the Coast Guard's Deepwater Project. The Coast Guard is currently revising its Project justification, and plans to complete it in April 2000.

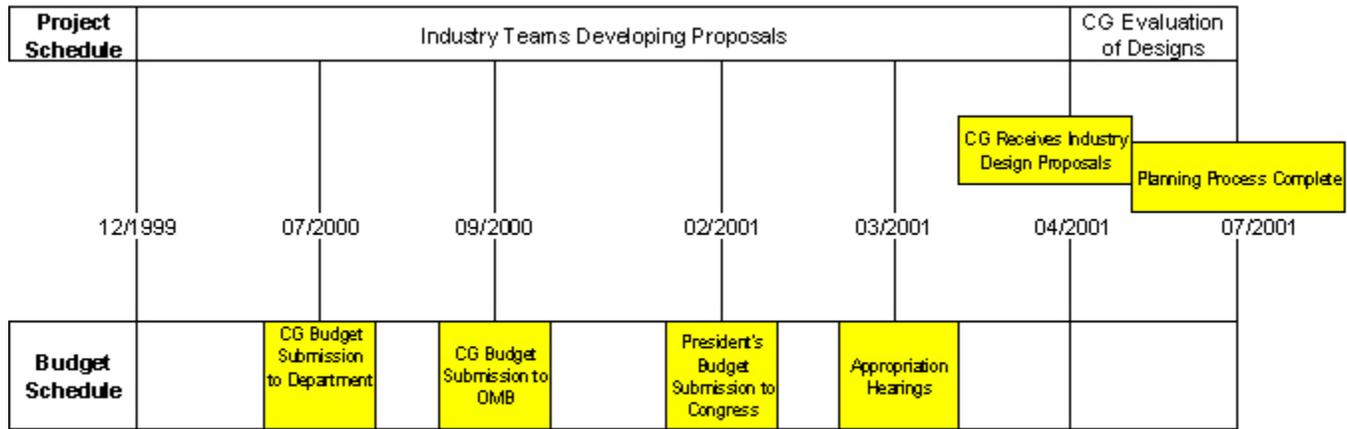
## **PLANNING PROCESS WILL NOT BE COMPLETED IN TIME TO PREPARE THE FISCAL YEAR 2002 BUDGET**

The Coast Guard received preliminary information on concepts from each of the industry teams in December 1999, but their proposals for an integrated system are not due until April 2001. The Coast Guard will decide what assets it will replace or modernize, and when that will occur, after evaluating the systems proposed by the teams. This decision, scheduled in July 2001, will form an acquisition strategy. While the Project employs an excellent process to identify needs and alternatives, it is too early to determine with any degree of precision what the Project will cost or how long it will take to complete.

According to the Commandant, the strategy could be based on an integrated system proposed by one of the industry teams, a combination of those proposals, or some other alternative developed by the Coast Guard. The Commandant has emphasized that he is not required to select one of the industry teams' proposals intact, and will consider all possibilities before deciding on a procurement plan.

The Coast Guard's Project planning process will not be completed in time to support its proposed Fiscal Year 2002 budget request of \$350 million. The President's Budget will be submitted to Congress in February 2001; however, the industry teams' proposals and the Coast Guard's Deepwater acquisition strategy are not scheduled for completion until April and July 2001, respectively.

### Comparison of Project Milestones and Fiscal Year 2002 Budget Milestones



The Coast Guard's Deepwater assets will reach the end of their useful lives over the next 30 years. So the question is not whether they have to be replaced or modernized but how and when. However, the planning process for the Project will not be completed in time to support the Fiscal Year 2002 budget request. Coast Guard will have to reconcile how it can proceed with a budget request in advance of completing the planning process. An important subsidiary issue is how priorities will be established within annual fiscal limitations. Three options are to:

- Defer the anticipated \$350 million Fiscal Year 2002 Deepwater budget request until the results of the planning process are known.
- Expedite the planning process to identify the most critical Deepwater needs and justify the Fiscal Year 2002 budget request on that basis.
- Use information available from the industry teams to develop a current cost and schedule estimate for the Project that identifies anticipated acquisitions and justify the Fiscal Year 2002 budget request on that basis.

This concludes our statement. We are prepared to answer questions.

Statement of the Fleet Reserve Association  
to the  
House Coast Guard  
and Maritime Transportation Subcommittee  
on the  
United States Coast Guard's  
Fiscal Year 2001 Budget

Presented by  
Charles L. Calkins  
National Executive Secretary  
Fleet Reserve Association

March 15, 2000 Charles L. Calkins  
National Executive Secretary  
Fleet Reserve Association

Charles L. Calkins is the National Executive Secretary of the Fleet Reserve Association (FRA) a 153,000 member national organization of active duty, reserve, and retired U.S. Navy, Marine Corps, and Coast Guard enlisted personnel. The FRA is Congressionally Chartered and represents the views and concerns of its members and their families to the U.S. Congress and works to enhance the career compensation, benefits, and entitlements, including veterans benefits, for Sea Service personnel.

As the FRA's senior salaried national officer, Mr. Calkins manages the National Headquarters in Alexandria, Virginia, is a member of the National Board of Directors, chairs the National Committee on Legislative-Service, and serves as the

senior lobbyist. In addition, he is the first President of the Military Coalition.

He retired in October 1978 as a Senior Chief Signalman after 21 years of naval service.

Mr. Calkins has been a continuous FRA member since July 1975, serving on Branch, Regional, and National Committees and as the New England Regional President from 1993 to 1994.

Mr. Calkins was a Human Resources Specialist with the U.S. Postal Service prior to his election as FRA's National Executive Secretary.

He is a member of the Greater Washington Society of Association Executives and the Board of Directors of the Navy Memorial Foundation.

He and his wife, Lynda, reside in Alexandria, Virginia.

#### Certification of Non-receipt of Federal Funds

Pursuant to the requirements of House Rule XI, the Fleet Reserve Association has not received any federal grant or contract during the current fiscal year or either of the two previous fiscal years.

#### The Fleet Reserve Association

The Fleet Reserve Association (FRA) is a Congressionally Chartered, non-profit organization, which represents the interests of U.S. Navy, Marine Corps, and Coast Guard personnel with regard to pay and benefits. The Association also assists its

153,000 members with career problems by maintaining close liaison with the Departments of Defense, Transportation and Veterans Affairs.

FRA was established in 1922 and it is the oldest and largest organization representing enlisted members of the Sea Services. Its legislative accomplishments include the establishment of the CHAMPUS Health Benefits Program and Military Survivor Benefits Plan (SBP). FRA was also the first organization to actively seek repeal of the Military Retirement Reform Act (Redux) of 1986 and was successful in urging members of Congress to introduce and/or sponsor legislation repealing the law in the 105th Congress.

FRA is a charter member and active participant in The Military Coalition, a group of 30 military, veterans and survivors organizations representing over five million members. In addition, the Association sponsors annual recognition programs honoring the Coast Guard Enlisted Persons and Recruiters of the Year, the Navy Sailors and Recruiters of the Year and the Marine Corps Recruiters and Drill Instructors of the Year. Introduction

Mister Chairman and distinguished members of the Subcommittee, the Fleet Reserve Association appreciates the opportunity to present its views with regard to important "people issues" addressed in the Fiscal Year 2001 Budget for the United States Coast Guard.

FRA's mission is focused on protecting and/or enhancing the pay and benefits for Sea Service enlisted people, and the Association thanks you and members of the Subcommittee for supporting the most significant pay and benefit improvements in nearly 20 years which were enacted by Congress during the First Session of the 106th Congress.

FRA also salutes you for your support, however, the Association is concerned about the availability of adequate funding for these improvements within the Coast Guard budget. FRA believes the Coast Guard should not be required to rely on emergency supplemental appropriations and/or the Department of Defense, or the shifting of precious funds from operations and maintenance accounts to cover these enhancements. As in the past, FRA remains totally committed to ensuring Coast Guard parity with all pay and benefits provided DoD uniformed personnel.

## Pay

FRA strongly supports the proposed 3.7 percent active duty pay increase included in the Administration's budget. This follows the higher than Employment Cost Index (ECI) pay adjustment for 2000 (4.8%) and subsequent higher than ECI pay adjustments through 2006. These increases are especially important to Coast Guard men and women and positively send a powerful message to service members about the importance and value of their service to our country. However, at the end of this six-year period, a pay gap in excess of 8% will remain between military and civilian pay levels.

Funding the pay increase along with pay table improvements which become effective on 1 July of this year, and the reform of the Redux retirement program so as to maintain parity with DoD is essential to the Coast Guard. FRA is pleased that funds are included in the Administration's budget plan to cover these improvements, however, it cautions that as with pay, these improvements mark a beginning and not the conclusion or solution to the recruiting and retention challenges which determine readiness.

An example of this is the widespread perception within the Uniformed Services enlisted ranks that the career petty officer communities were overlooked in the reform effort enacted as part of the FY 2000 National Defense Authorization Act (NDAA). Responding to concerns voiced by its members and other senior enlisted leaders, FRA examined the new pay tables and found that pay rates for grades E-5, E-6, and E-7 are undervalued compared to other pay grades. The Association studied this issue and recently released a report which is endorsed by seven other enlisted organizations and is available on request to FRA's Legislative Team at 703-683-1400, or via the Association's web site at [www.fra.org](http://www.fra.org).

It's especially noteworthy to spotlight the growing importance of enlisted leadership and management and the increasing reliance on enlisted personnel to serve in positions of significant responsibility. As is indicated in the FRA study, the Coast Guard has approximately 295 enlisted men and women in grades E-7 through E-9 assigned as Officers in Charge of cutters and stations. The value of these personnel to maintaining operational readiness cannot be overstated.

## Housing

As of 31 January 2000, there were 34,631 personnel on active duty in the Coast Guard and of this total only about 25 percent live in military housing. The remaining 75 percent reside in communities at or near their duty stations, many of which are high cost areas along our coastlines.

FRA is grateful that additional housing allowance funds were appropriated for FY 2000 to hasten the implementation of new BAH rates at various duty stations throughout the country. New rates were originally protected to prevent reductions during the remainder of current tours of duty. DoD, however, has recently reversed the plan and announced that an additional \$27 million will be allocated to the program to ensure that rates remain at, or in cases of rate increases above the 1999 levels.

Adequate funds are required in the Coast Guard budget to cover these unanticipated costs for not only this year but subsequent years. The cost projection for the current year (FY 2000) to pay for these improvements for Coast Guard members is \$15 million.

A DoD priority for FY 2001 is to further enhance the housing allowance and a request for this is included in the Administration's budget. The initiative includes paying down the average out of pocket cost from 19 percent to 15 percent - the contribution level intended by Congress - with a long term goal to eliminate the remaining 15 percent over the next several years at a cost of \$3 billion for DoD. FRA strongly supports this proposal and urges your support and the appropriation of adequate funds within the Coast Guard budget to cover these enhancements over the implementation period.

While these are solid improvements and funding is included in the Coast Guard's FY 2001 budget, they fail to address the lack of accurate housing cost data in many rural and high cost resort areas where nearly half of all Coast Guard personnel are assigned. The latter remains a significant challenge for all members of the Coast Guard.

Health Care

Access to quality and affordable health care is characterized by Vince Patton, the Master Chief of the Coast Guard, as "probably the most frustrating quality of life issue for U.S. Coast Guard personnel." FRA concurs and notes that this frustration is cited by some personnel choosing to end their Coast Guard service rather than reenlist for another hitch.

Despite the assumption (and recruiting promise) that all active duty personnel and their families will be provided with free health care, many Coast Guard members have limited access to government health care treatment facilities and face significant out-of-pocket expenses for health care. Only half of these personnel are able to participate in DoD's Tricare Prime managed care program because their duty location is close enough to a military treatment facility (MTF). Those who are not close to MTFs must select Tricare Standard for outpatient treatment needs which requires a 20% out of pocket cost share along with a \$300 annual family deductible.

Compounding the situation for the latter is the fact that most medical facilities charge more than the Tricare "allowable charge" for care, and service members must pay the difference on top of the deductible and 20% out of pocket cost.

A second DoD priority for FY 2001 is improving health care. Although the budget includes no additional funds to address significant health care problems facing military retirees, it does include expanded Tricare Prime Remote coverage for family members (following enactment of coverage for service members last year), and the elimination of co-pays required from active duty families who do not reside near MTFs. FRA strongly supports these enhancements.

The Tricare Prime Remote coverage is especially important to the Coast Guard because so many of its members serve in locations far removed from MTFs. Not only do these personnel face significant housing costs in many of these areas, but also the added burden of these health care costs.

### Recruiting, Retention and Reserve Training (RT)

Just as its sister services are struggling to make recruiting quotas, so too is the Coast Guard which despite the current environment, achieved its mission for recruiting last year. In 2000, Coast Guard recruiters are behind at the present time and must work hard to enlist 4,700 active duty, 1,100 reservists and around 500 officers. This is a difficult challenge given the state of the economy, declining unemployment

rates and the low propensity of young people to consider the uniformed services as an option in their life plans. Equally challenging is effectively competing with the Department of Defense and the individual services' larger advertising budgets.

The retention of seasoned mid-career and senior enlisted personnel is also especially important to sustaining readiness and mission capabilities. The thriving economy is a powerful draw to these service members, many of whom can earn considerably more in the civilian marketplace. This is not only a concern at the mid-career level, but also in the senior enlisted ranks at the 20-year or beyond point. Capable, experienced mid-grade petty officers and more senior chief petty officers are essential to the force and when their ranks are thinned by such departures, readiness suffers significantly. Therefore, it's essential to retain as many of these key personnel as possible through re-enlistment bonuses, benefit improvements and other career incentives.

Unfortunately, the Coast Guard can only offer a fraction of the bonuses and other benefits that the DoD services provide. For instance, the Coast Guard provides \$1,500 per year for individual tuition assistance whereas DoD service members can draw a maximum of \$3,500. Enlistment bonuses for Coast Guard recruits range from \$2,000 to \$12,000 and cannot be combined with a college fund stipend while DoD offers from \$2,000 to \$20,000 combined with college fund amounts that can total up to \$70,000. (Note that the USCG college fund maximum is \$30,000 and DoD's is \$50,000.) Finally, the Coast Guard can offer up to \$45,000 for selective reenlistment bonuses for key skill rates while DoD offers up to \$60,000.

Despite these variances, FRA notes progress in closing the gaps for these and other allowances in recent years, however more must be done to ensure parity.

During the past year Coast Guard recruiters also accessed adequate numbers of reserve personnel to achieve the 8,000 billet end strength - a major accomplishment given the environment discussed earlier. However, funding for reserve training only supports 7,300 personnel in the Administration's FY 2001 budget request. Without an additional \$7 million, the Coast Guard may be required to reduce on board selected reservists to match the funding level - an option FRA believes is unacceptable given the demanding operational requirements assigned to the Coast Guard and the increasing reliance on reservists to augment active duty personnel.

Funding shortfalls are troublesome and can lead to declining operational readiness

and capabilities not only in the reserve ranks but throughout the Coast Guard. Adm. James Loy, Commandant of the Coast Guard, stated in his recent State of the Coast Guard address (March 7, 2000), that " More than one quarter of our enlisted members at operational marine safety units have not received the entry-level marine safety course they need to perform their duties efficiently and (they) have not been scheduled to receive this training before the end of this year." Further, he stated that "Our vessel traffic services still face a 21% vacancy rate among the Quartermaster and Radarman ratings - a problem that cannot help but introduce excess fatigue to these safety sensitive positions."

## Conclusion

Again, Mr. Chairman, thank you for the opportunity to present the Association's views. FRA again salutes you for your commitment to the men and women serving today and also to those who've served in the past. As indicated above, the FRA strongly supports the Administration's budget proposal as the minimum necessary to sustain the Coast Guard's current capabilities and its personnel. The five percent increase over last year's budget is warranted and enthusiastically endorsed by FRA and is hopefully the beginning of a trend toward greater funding not only for compensation and other personnel benefits, but also for maintenance, training, recapitalization and other requirements.

The Coast Guard provides tremendous service to our Nation with a minimal investment of roughly one quarter of one percent of the Federal budget. The growth of responsibilities assigned to the service has not been matched with adequate resources and this is imposing an exhausting toll on its people who must sustain demanding operational commitments – often without adequate training and/or equipment maintenance.

A recently published opinion piece by Christopher M. Lehman in the Washington Times (Feb. 24, 2000) offers perspective on the current situation. He wrote, "Just like its sister military services...the Coast Guard has been asked to perform more and more missions with fewer resources. Aging ships and aircraft, increased operational tempo, fewer people, inadequate training, spare parts shortages, and insufficient funds for housing, pay and benefits - these are the symptoms of a weakened U.S. Coast Guard. The Coast Guard is losing its edge. It has been stretched to the limit."

This scenario is real. Please support funding to adequately compensate Coast Guard personnel for their tremendous and untiring service to our Nation and fully fund other benefits so as to achieve and/or maintain parity with those offered to DoD uniformed personnel.

Thanks for your strong commitment and continuing support of the men and women serving so magnificently in the United States Coast Guard.

Statement of the  
National Association of  
State Boating Law Administrators

before the  
Senate Appropriation Subcommittee for Transportation  
United States Senate

Boating Safety Trust Funds for FY2001

presented by

Paul Donheffner, Director

Oregon State Maine Board

and President, National Association of

State Boating Law Administrators

Mr. Chairman and Members of the Subcommittee:

I am Paul Donheffner, Boating Law Administrator for the State of Oregon and current President of the National Association of State Boating Law Administrators.

The National Association of State Boating Law Administrators (NASBLA) is a professional association consisting of state officials having responsibility for administering and/or enforcing state boating laws.

Our Association is recognized for its stewardship of "Recreational Boating Safety." We have, over the years, worked closely with the U.S. Coast Guard, the States, and others to insure that the intent of Congress to promote uniformity and reciprocity among the various states was given high priority. Testimonial of this are the many standards, resolutions and

model acts that have been generated by our Association and adopted by the majority of the states and territories. In doing this we bring to the table highly qualified personnel in the field of boating law enforcement, education, boating safety, and on the water search and rescue.

Our membership takes pride in their accomplishments and the many words of praise we have received from the Commandant, U.S. Coast Guard, and the Chairman, National Transportation Safety Board over the years.

My testimony today will focus on the Aquatic Resources Trust Fund (Wallop-Breaux) and more specific, the Boat Safety Account of this fund.

The boat safety account of the trust fund is derived solely from the tax boaters pay on their motorboat fuel. This user fee paid by the boaters, is returned to the States to help defray their cost for services provided to the recreational boater. We think this is indeed in keeping with the user fee concept, (ie) user pays-user benefits, thus not costing the general tax payer one cent and especially noteworthy, does not add one penny to the national debt. Allowing the States to recoup the federal marine gasoline tax that boaters pay on marine fuel used in motorboats is a prime example of the user fees helping the user.

The National Association of State Boating Law Administrators is asking this Subcommittee for \$70 million as authorized in Tea-21, the Transportation Equity Act for the 21<sup>st</sup> Century for fiscal 2001.

Our Association would emphasize that:

- States make the best use of these trust funds. The end product is a major contribution by the States to maintain an overall reduction in boating fatalities. Since the infusion of federal funds in the '70s, boating fatalities in the United States have dropped from 1,754 in 1973 to 815 deaths in 1998. This drop occurred despite more people using our waters in a wider diversity of craft than ever before.
- The appropriation of federal assistance to the states from this trust fund has resulted in a willingness on the States' part to assume a major share of what is logically and statutorily a joint responsibility.
- Stability in the appropriation process is very much needed to give the states the credibility, consistency and resources to reach the local boating public.
- The financial base provided by the federal government from this user fee generated trust fund allows the states to concentrate on establishing an administrative infrastructure, purchasing equipment and promoting education and enforcement techniques to stimulate increased boating awareness and decrease fatalities.
- The efforts of the states funded from this user fee generated trust fund should result in savings to the federal government rather than additional cost resulting from state curtailment, inaction or indifference.

- The States willingly picked up the additional responsibility when the Coast Guard removed their boating safety detachment teams some years ago for a savings to the federal government of \$10 million plus.
- The States have shown credibility, consistency and resources to reach the boating public with a positive boating safety program directed to make our waterways safer and the boaters experience more enjoyable.

There is no question that state program interventions, made possible with federal funds, are making a difference. Since 1973, when the program began, the Coast Guard estimates that over 23,000 lives have been saved. With full funding we will strive to keep up with the ever increasing demand to better educate the boaters and further reduce boating accidents and fatalities. The burden for boating safety has shifted from the U.S. Coast Guard to the states, but this would not be possible without federal assistance. We see the states being asked to take an even greater lead role in boating safety, education and boating law enforcement.

Congress is sometimes concerned over the use and effectiveness of these trust funds. Following is a comprehensive listing of how states use Federal Boat Safety Trust Funds:

- Develop new laws and regulations addressing key recommendations by the National Transportation Safety Board in such areas as:

- Boating while intoxicated.
- Mandatory wear of life jackets by children
- Mandatory education and boat operator proficiency
- Personal watercraft safety
- Increase boating safety patrols.
- Conduct better boating accident investigations. By better understanding accident causes, law enforcement and educational programs can effectively address them.
- Increase enforcement officer training.
- Purchase better communications and enforcement equipment.
- Reach more boaters with free education classes.
- Study the effects of alcohol and boating.
- Construct kiosks to provide boaters information on coastal bar crossings, navigation, equipment requirements, rules of the road and related information including charts.
- Provide weatherproof signage with boater safety information at boat launching ramps.
- Erect wind warning strobe lights across heavily used bodies

of water to warn boaters of impending high winds.

- Conduct courtesy boat safety inspections.
- Conduct boating surveys, which provide critical data for assessing boat use, conflict areas and safety courses.
- Distribute free literature on boat noise, sailboarding safety, commercial vessel right-of-way, hypothermia, pleasure craft, use of life jackets (PFD's) and alcohol use.
- Create internet web sites with facilities access, rules, regulations, news, safety, funding, fees, boating and alcohol and other information.
- Mark hazards to recreational vessels.
- Develop school video curriculums and aids.
- Process regatta permits. Some states now process all such permits, completely relieving the Coast Guard of this responsibility.
- Provide boating safety services. States picked up the full responsibility for boating safety after the Coast Guard removed their Boating Safety Detachment Teams (BOSDET) from joint jurisdictional waters.
- Develop and make available boating safety home study courses.

- Develop and place boating information displays at marine dealers.
- Develop coloring books for elementary schools.
- Increase TV and radio public service announcements.
- Implement boating-while-intoxicated program, including purchase of portable testers, training classes and public awareness announcements.
- Computerize boat accident information and arrests, allowing states to respond to public, legislative and other inquiries regarding boating accident and water fatality statistics.
- Improve the integrity of boat registration systems.
- Expand our boating safety education capabilities.
- Purchase special search and rescue boats that are fully equipped for marine law enforcement.
- Add additional full-time and part-time marine patrol officers and boating safety educators.
- Implement special boating investigation teams to handle boat accident investigations.
- Improve cooperation with volunteer groups such as the U.S. Coast Guard Auxiliary by providing boat dock space,

communication stations, phone, utilities, etc. This has resulted in much more visibility of search and rescue units and free boat safety inspections.

- Bring together federal, state and local authorities in the interest of boating safety, law enforcement, training and equipment needs.
- Coordinate better with local governments to establish boating restricted zones in heavy activity areas that present safety hazards to the boating public.
- Update film and video libraries with additional programs and equipment to provide to the general boating community and to maintain literature dealing with safety equipment regulations, safe boating information, registration, titling and numbering requirements for statewide distribution. Make products visible and readily available to the boating public.
- Improve communications system to provide for better and extended coverage with waterway enforcement officers. The result is improved response time to marine emergencies and provides greater officer protection.
- Establish new aids to navigation and regulatory marker system for controlled areas.
- Construct and repair boat access ramps.
- Inaugurate programs designed to prevent boating accidents

by reaching new generations of recreational boaters in the public schools.

- Implement the Boating Accident Report Data Base (BARD) Electronic Data Transfer Program.

**Our joint efforts are paying off. We believe the Administration, Congress, State Legislators and most of all, the boating public that we serve, should recognize the benefits and dividends that are made possible with federal boating safety funds.**

In summary Mr. Chairman, We appreciate your continuing support

and again ask for your consideration for full funding of \$70 million as

authorized in TEA-21 for the states boating safety program for fiscal 2001.

Thank you,

Attachment:

# NTSB's "Most Wanted" Transportation Safety Improvements

Statement of

**MICHAEL SCIULLA, VICE PRESIDENT**

**BOAT OWNERS ASSOCIATION OF THE UNITED STATES  
BOAT/U.S.**

Washington National Headquarters  
880 S. Pickett St., Alexandria, Virginia  
703.461.2864

Before the

**Subcommittee on Coast Guard and Maritime Transportation**

of the

**U.S. House of Representatives**

**Re: U.S. Coast Guard FY 2001 Budget**

March 15, 2000

I am Michael Sciulla, Vice President of Boat Owners Association of The United States. With over 500,000 members, BOAT/U.S. is the largest organization of recreational boat owners in the country. With 35,000 members in Maryland, for example, nearly one out of every five boat owners in the state is a BOAT/U.S. member. We very much appreciate the opportunity to testify on the U.S. Coast Guard's budget for FY 2001.

Let me begin by commending you, Mr. Chairman, for taking the time last November to hold a hearing into the Morning Dew tragedy. If there is one lesson to be learned from this incident, it is that the lives of American citizens will be at

risk at sea unless and until the Coast Guard is provided with the up-to-date equipment and trained manpower to respond to calls for assistance - no matter how brief and early in the morning the call comes in.

Consequently, one of the most important provisions of this year's Coast Guard budget is funding for its National Distress and Response System Modernization Project (NDRSMP) which will compete with the Coast Guard's Deepwater Project within the AC&I account for scarce dollars and attention.

The National Distress and Response System Modernization Project will cost a fraction of the Deepwater Project. While I am sure that the Deepwater Project has considerable merit, the fact of the matter is that many more American lives are lost within five miles of our coast than out in blue water. The NDRSMP will give the Coast Guard the ability to get an electronic fix on a distress signal and allow watchstanders to do their job. It should help take much of the search out of search and rescue as well as some of the risk out of rescuing. It is also a sound investment that could ultimately end up saving the Coast Guard - and taxpayers - considerable sums of money.

We are concerned, however, with the length of time it appears that it will take to get this system up and running. It's time for Congress to kick-start the program, establish a definite and accelerated timetable for full implementation of the system in FY 2004, not FY 2006, and give the Coast Guard maximum flexibility to get the project completed without being constrained by overly restrictive annual appropriations.

Installing new equipment, however, is only one part of making the system work. The Coast Guard must also be provided with additional billets to fully operate the system. Otherwise, Peter will be robbed to pay Paul and somewhere else within the Coast Guard already scarce manpower resources will be stretched even thinner.

While I am on the subject of communications, the committee should know that there is a potential problem with implementing the Global Maritime Distress and Safety System (GMDSS), a fundamental component of the National Distress and Response System Modernization Project.

GMDSS relies on the issuance of Maritime Mobile Service Identity (MMSI)

numbers which will be employed by a new generation of VHF radios that will be equipped with Digital Selective Calling (DSC). These MMSI numbers are the equivalent of a telephone number for a DSC-equipped radio and it will give each radio a unique identifying number which - when broadcast in a mayday situation - will give the Coast Guard the identity, description and location of a vessel in distress.

Within a few short years, hundreds of thousands of these DSC-equipped radios could be on the market and in the hands of the nation's recreational boat owners. Some of the 188 lives that were lost at sea in 1998 - after the Coast Guard was notified of a distress situation - could have been saved if this system were fully operational. However, the only way for a recreational boater to obtain an MMSI now is to purchase a \$115 VHF radio station license from the Federal Communications Commission (FCC).

Mr. Chairman, it should not cost the FCC \$115 to issue an MMSI. Boaters should not have to obtain a VHF radio license and pay \$115 to have a MMSI number assigned and recorded - especially since Congress repealed the VHF radio license for recreational boaters in 1995. The fact of the matter is that the FCC does not want to be in this business and the Coast Guard does not have the manpower to do the job. We believe that the private sector could issue and record MMSIs for \$10 or less.

I urge you to take whatever steps are necessary to convince your colleagues who have jurisdiction over the FCC that the issuance of MMSIs to recreational boaters is a priority, that MMSIs are an integral part of the Coast Guard's new national distress and response system and that lives will be lost or saved at sea depending on how fast the FCC moves to partner with the private sector.

While I am on the subject of lives lost at sea, I could not leave this session without noting that some 8,259 Americans lost their lives in recreational boating mishaps during the ten years from 1989 through 1998. Far more Americans lost their lives while boating during this period than from commercial or general aviation, railroad or marine modes of transportation.

If 8,259 Americans lost their lives in airplane crashes during this period there would be a national uproar and Congress would demand action and hundreds of millions of dollars would be thrown at one federal agency, the FAA. It is difficult

for us to fathom why it is that only \$59 million of the \$174 million that recreational boaters pay every year in federal motorboat fuel taxes are returned to 56 states and territories for them to do the boating safety job that was once the purview of the U.S. Coast Guard - especially since the states are now authorized to receive up to \$71 million per year.

Mr. Chairman, something must be done to break the legislative logjam in which every Wallop/Breaux trust fund dollar that goes to the states for boating safety in effect comes out of the hide of the U.S. Coast Guard. If this problem is beyond resolution within the Coast Guard, perhaps funding for state boating safety programs should be transferred from budget function 400 to function 300 where the bulk of the Wallop/Breaux program now resides -while leaving administration of the program with the Coast Guard. We would be pleased to work with you to make this happen.

We would also be happy to work with you to secure for boating some of the tens of millions of dollars in new money that will be coming into the Wallop/Breaux Trust Fund between October 1, 2001 and October 1, 2003. Currently, only 11.5 cents out of every 18.3 cents in federal taxes per gallon paid by boaters is deposited in the trust fund. This will rise in stages to 13.5 cents in 2003, resulting in \$210 million per year being collected from boaters. These new user fee-generated revenues should be returned to boating to save lives and to provide boaters with federal programs that benefit boating.

Thank you, Mr. Chairman, for listening to our concerns. I will be glad to answer any questions that you or other members of the subcommittee may have.