

**U.S. COAST GUARD'S FISCAL
YEAR 1993 BUDGET**

HEARING
BEFORE THE
**COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION**
UNITED STATES SENATE
ONE HUNDRED SECOND CONGRESS
SECOND SESSION

APRIL 8, 1992

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U.S. COAST GUARD'S FISCAL YEAR 1993 BUDGET

WEDNESDAY, APRIL 8, 1992

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The committee met, pursuant to notice, at 10:15 a.m., in room SR-253, the Russell Senate Office Building, Hon. Ernest F. Hollings (chairman of the committee) presiding.

Staff members assigned to this hearing: J. Michael Nussman, senior professional staff member; and John A. Moran, minority staff counsel.

OPENING STATEMENT OF SENATOR HOLLINGS

The CHAIRMAN. Admiral, do not worry about being out of position. I got up here a little over 25 years ago and came to a hearing and the Coast Guard, with all that brass, was outside the door, and I said "You all are confused, Armed Services is down there on the first floor."

I sent them all down there and Senator Magnuson says, "We are now having the confirmation hearings of the Coast Guard, where are they?" He could not find them. I knew where they were.

Admiral KIME. I am glad you brought us back up here, sir.

The CHAIRMAN. Today, the committee will review the funding needs of the U.S. Coast Guard for fiscal year 1993.

I want to welcome Admiral Kime as he comes before the committee to present the Coast Guard's budget and to discuss the future of the Coast Guard. As we review the Coast Guard budget and activities we are reminded that the mission of the Guard is a varied one.

When it first was established in 1790, its job seemed fairly straightforward, preventing smuggling and collecting tax revenues. Today, in addition to its critical role in national security and defense, the Coast Guard has been assigned a number of other responsibilities including search and rescue, fisheries law enforcement, drug interdiction, aids to navigation, marine safety, marine environmental protection. The diversity among the Coast Guard missions is apparent when you look at its recent involvement in events ranging from the blockade of Iraq to the Haitian interdiction.

The evidence shows that the Coast Guard has been performing its missions fully. For instance, from 1987 to 1991 the Coast Guard seized 604 drug smuggling vessels, confiscating 1,100 tons of marijuana and 106 pounds of cocaine. On another front during the same

years, it conducted over 47,000 fisheries boardings and issued 2,700 citations under the Magnuson Fisheries Act. Most recently, the Coast Guard has been responsible for enforcing U.S. immigration law and late last year rescued 16,253 Haitians from unsafe vessels. The Guard appears to be meeting its diverse mandate in an effective manner.

The budget request for fiscal year 1993 is \$3.817 billion, an increase of 6 percent over last year's appropriated level. The increase appears to be spread throughout the Coast Guard to adjust for inflation and continue several major initiatives.

Such important initiatives which are ongoing this year include replacement of the Coast Guard oceangoing buoy tenders, coastal buoy tenders and 44-foot motor life boats. Significant progress has been made on the replacement of the Coast Guard's older patrol boats with new 110-foot *Island* class vessels.

Further, I am pleased to see progress being made toward establishing vessel traffic service systems around the Nation. But there are other matters that also need to be explored. I want to learn about the decisions to cancel the *Heritage* class patrol boat project and the icebreaker solicitation. In addition, the administration's budget proposes to cut the Coast Guard reserve by 6 percent next year which would have consequences that must be fully examined.

Let me, Admiral Kime, first hear your statement, the opening statement will be included in its entirety in the record. You can deliver it as you wish or highlight it as you wish.

STATEMENT OF ADM. J. WILLIAM KIME, COMMANDANT, U.S. COAST GUARD; ACCOMPANIED BY, CAPT. JOHN E. SHKOR, CHIEF, PROGRAMS DIVISION, U.S. COAST GUARD; AND CAPT. ROY J. CASTO, CHIEF, BUDGET DIVISION, U.S. COAST GUARD

Admiral KIME. Thank you, Mr. Chairman, and it is a pleasure to appear before you and the committee this morning to talk about the Coast Guard's 1993 budget and other issues that are of interest both to the committee and the Coast Guard.

I want to thank you for your tremendous support in the past, and your kind words today, and I would like to make particular note of your statements about the Coast Guard during the confirmation hearing of Secretary Card. I appreciated that very much and so did the young men and women who work for me.

Let me thank you again for having the confirmation hearing this morning for Admiral Nelson who is the President's nominee to be the new Vice Commandant of the Coast Guard. I am certain that he will serve with distinction.

I appreciate your offer to summarize my testimony, I would like to do that. I have with me on my right Capt. John Shkor who is Chief of our Programs Analysis Division; and on my left, Capt. Roy Casto who is Chief of our Budget Division.

This past year, Mr. Chairman, has been one of significant historic events that have permanently altered both the national and the international landscape. But, in the midst of these events, the Coast Guard is going to hold its course, focusing on performing our traditional missions, many of which you articulated in your opening statement, and we are going to do this in conjunction with the

priorities that are set by the American public, by the Congress and by the administration.

I remain committed to my three basic watchwords that I began this job with: "balance," "people," and "excellence." The budget request that we have before you for fiscal year 1993, the President's budget request is linked very closely to the Department of Transportation national transportation policy—NTP—and I think our activities in search and rescue, commercial vessel safety, the vessel traffic systems that you mentioned, and aids to navigation—specifically our efforts with the Differential Global Positioning System—will figure prominently in the NTP's goals, as will many of the initiatives under the Oil Pollution Act of 1990—OPA-90.

Our maritime law enforcement role is shaped very largely by the national policy put out by the Office of National Drug Control Policy, basically holding the line in what we are doing in conjunction with the other law enforcement agencies and DOD in the drug interdiction effort.

Mr. Chairman, to achieve the goals that we set for ourselves, and that the Congress and the public have set for us, and to respond to national priorities, I do seek your support for full funding under the President's budget.

I would also request your assistance in passing additional legislative proposals that we have forwarded for your consideration. Those are briefly: input to the Coast Guard authorization bill; authority for the Coast Guard to withhold documents for vessels for nonpayment of fines; command pay for our junior officers and warrant officers; and reimbursement for overseas inspection.

Those have already been delivered, and we hope very shortly, certainly well before markup, to deliver two others: one on clarifying our authority for inspection of foreign passenger vessels, and one revising the definition for passengers aboard U.S.-flag vessels.

Environmental protection, Mr. Chairman, is an area of great concern to the Coast Guard. It remains a very highly visible function and we currently have over 80 projects underway as a result of OPA-90. We have made great strides in implementing OPA-90. We have established a new strike team in Ft. Dix, NJ. We have established the National Strike Force Coordination Center in Elizabeth City, NC, and we are well on the way toward procuring and delivering pollution response equipment for the 19 prepositioned sites around the country.

We also are looking at money for a Marine Safety Training and Assist Team, and money for creation of the VTS in New York and expanding some other VTS's that we have and to begin survey work on others.

In addition, maritime law enforcement is extremely important, as I indicated, and there we are trying to maintain a dynamic balance in three areas: drug interdiction which I have touched on already; fisheries enforcement which is something which is taking on increasing importance, and on which we are spending significant additional resource hours and dollars; and finally, the question of the steady stream of refugees that are fleeing Haiti. So far, the Coast Guard has rescued over 17,000 Haitian refugees since the coup in September 1991.

Let me say I am very proud of the young Coast Guard men and women on the scene down there. They have performed admirably. They are very empathetic to the plight of the people involved, and at the same time they have managed to perform admirably. There has been no loss of life and as I say, I am extremely proud of what they not only have done, but what they are continuing to do.

I was talking about our operating missions where I am concerned about a balance, beginning with marine environmental protection.

Let me shift now to national security, also an area of significant concern. When I was before you about a year ago I spoke of the outstanding job that our people had done in the Persian Gulf. I think the efforts that we put forward in military readiness paid big dividends for us in Operations Desert Shield and Desert Storm.

We are very, very pleased with the performance of our people, our regulars, our Reserves, our men and women, in the very unique role that we played. And in addition to that, let me say that our people are still in the Persian Gulf assisting in the enforcement of the U.N. embargo.

In maritime safety, the third mission area, our efforts in aids to navigation, commercial vessel safety, VTS's and recreational boating, where we seek to prevent accidents, are progressing very well. We look forward to continued support in some of these areas where we hope to expand our efforts, especially in commercial vessel safety, fishing vessel safety and improved navigation—especially through the Global Positioning System, and upgrading some of our search and rescue stations.

Now, Mr. Chairman, let me shift to the people aspect. That is an area where because our people are our most important asset, I felt we in the Coast Guard needed to do more to support our people and I think we have made some significant strides in that area.

I am very pleased that our first-term reenlistment rate has gone up in the last year from 42 to 55 percent. This allows us not only to save money but to retain some very, very talented people.

We are making strides to diversify the Coast Guard so that its makeup is parallel with that of the population of this country. We are making great strides in attracting and retaining women and minorities, but we still have a long way to go. There are things in this budget that talk about this.

There are provisions in this budget, Mr. Chairman, to continue our effort to provide enhanced medical services to our people and to implement the Work Life Study that we have recently completed.

Also, Mr. Chairman, I want to talk about our capital plant, something that we must maintain if we are going to provide the proper resources to our people. You touched on some significant initiatives we have ongoing: replacing the oceangoing buoy tender and also the coastal buoy tender; the replacement of the old 44-foot motor life boats; the continuing work on the major maintenance availability of our 210-foot cutters; and there are others. It is extremely important to us, Mr. Chairman, that we continue such activities.

There is one significant difference in the President's budget this year, Mr. Chairman, from past years. In the past, in referring to national security issues and defense readiness, the Senate has in-

serted money from function 50, the DOD appropriation, for Coast Guard funding.

This year, the President's budget for the Coast Guard includes \$203 million from function 50, recognizing the national security role of the Coast Guard. If we are to continue to do the things that we do, not only in national security but in our other missions, Mr. Chairman, I strongly seek your support for assuring that this money does remain in the Coast Guard budget.

Mr. Chairman, we have made significant progress in our acquisition program, and a great deal of that is due to the implementation of total quality management. We are ahead of schedule in training our people in the elements of total quality management. We had set a goal for this summer to have about 20 percent of our people, but we will be much closer to 50 percent, and we have done it with in a very modest budget we have established.

We have tangible results to indicate that the savings that we have accrued so far are in excess of the amount of money we have spent on it, and we think this is going to go a long way toward continuing to improve our service to the public in all of the missions that we do.

Mr. Chairman, in summary let me say that our 1993 budget reflects my continued emphasis on people, balance, and excellence. I also believe it takes into consideration the fiscal realities that are facing this country, yet it is responsive to the public we serve.

Finally, Mr. Chairman, let me say that I, in the time I have been Commandant, have tried to improve our communications with the committee and with the staff. I think they have always been good. We have tried to make them even better and I want to again thank the members of the committee and the members of the staff who have been so helpful in the relationship that we have with you.

That concludes my remarks, Mr. Chairman. I would be pleased to answer any questions that you have.

[The prepared statement of Admiral Kime follows:]

PREPARED STATEMENT OF ADM. J. WILLIAM KIME

Good morning, Mr. Chairman. It is a pleasure to appear before this distinguished subcommittee today to discuss the fiscal year 1993 authorization request and its impact on the current and future state of the Coast Guard.

We have all marveled at world events that have occurred over the past year—events of historic proportion which have permanently changed the international landscape; the liberation of Kuwait, end of the Cold War; demise of communism, and collapse of the former Soviet Union have given birth to new nations and new international policies. As these dramatic events make their impact on our nation, different threats and new opportunities have resulted in rapid and significant changes.

In the midst of these events, the Coast Guard finds it appropriate to hold its course—focused on traditional duties and performing our fundamental missions. As we have done for over 200 years, we remain flexible and responsive to changing national priorities and are providing strong leadership as the world's leading maritime humanitarian and safety organization. Because of increasing demands for our expertise, we face an expanding list of assignments and statutory responsibilities, which we will perform with our dedicated uniformed, civilian, active, reserve, and volunteer members.

As highlighted in my Strategic Agenda, which I presented to you last year, I remain committed to the concepts that will allow the Coast Guard to serve, protect, and enhance our nation's maritime interests today, and ensure we are prepared for the future: adequate support for our PEOPLE, our most important resource; strategic BALANCE, among our many roles and missions as well as between operational and support activities; and pursuit of EXCELLENCE through continuous improvement in the performance of all that we do. The President's 1993 budget request for

the Coast Guard reflects these basic themes. I feel that this budget request is realistic in that it recognizes the fiscal constraints we face as a nation, while maintaining essential services and addressing national maritime priorities.

The President's budget request for the Coast Guard in fiscal year 1993 is also shaped by factors external to the Coast Guard. Since we are an integral part of the national transportation infrastructure, the budget request is linked directly to the National Transportation Policy (NTP). Our initiatives to provide improvements to the maritime transportation system and to yield a safe, reliable national transportation program, clearly reflect themes of the NTP. Coast Guard activities and programs such as Search and Rescue (SAR), Commercial Vessel Safety (CVS), Passenger Vessel Security, Vessel Traffic Systems (VTS), Aids to Navigation (ATON), and the Differential Global Positioning System (DGPS) figure prominently in the National Transportation Policy's goal of ensuring public safety within the nation's transportation system. Likewise, traditional Coast Guard missions in Marine Environmental Protection (MEP) and pollution response, recently enhanced by initiatives in the Oil Pollution Act of 1990 (OPA-90), directly support environmental objectives of the NTP.

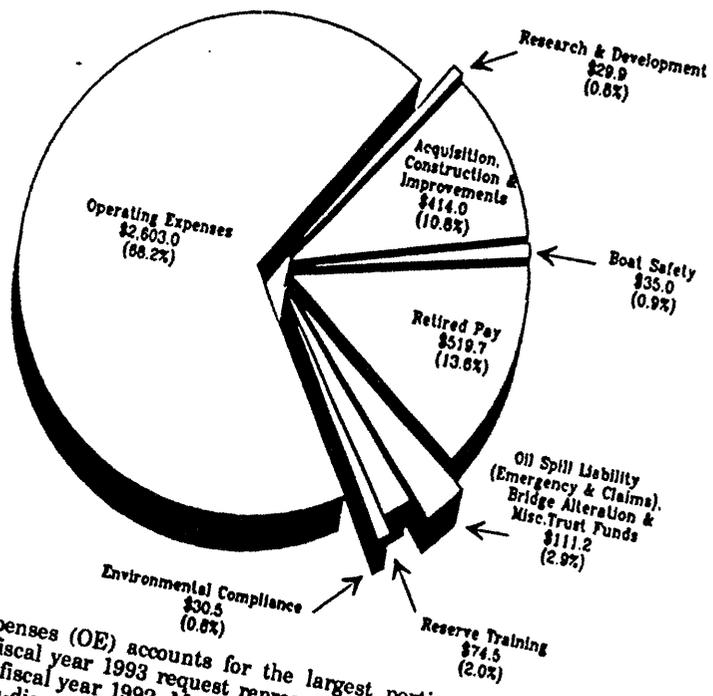
Our Maritime Law Enforcement role, shaped in large part by the National Drug Control Policy, continues to be a major effort and is now directed at holding the line on maritime drug interdiction. Other influences on our law enforcement activities include a growing awareness of the need for fisheries resources conservation, and international events which have highlighted our role in illegal migrant interdiction.

Other external factors influencing our budget request are the result of congressional action. Like last year, we have prepared a budget request which adheres to the goals of the Omnibus Budget Reconciliation Act of 1990. Our budget also continues to be heavily influenced by OPA-90, which created many new responsibilities for the Coast Guard.

In order to achieve our organizational goals and respond properly to emerging national priorities, I seek your support for full funding of the President's requested budget for the Coast Guard in fiscal year 1993. This request essentially maintains the current level of services: a modest increase of six percent over our fiscal year 1992 enacted level reflects a new Cost Of Living Allowance, other non-discretionary requirements, and a limited number of high priority new initiatives.

1993 Budget Request by Appropriation

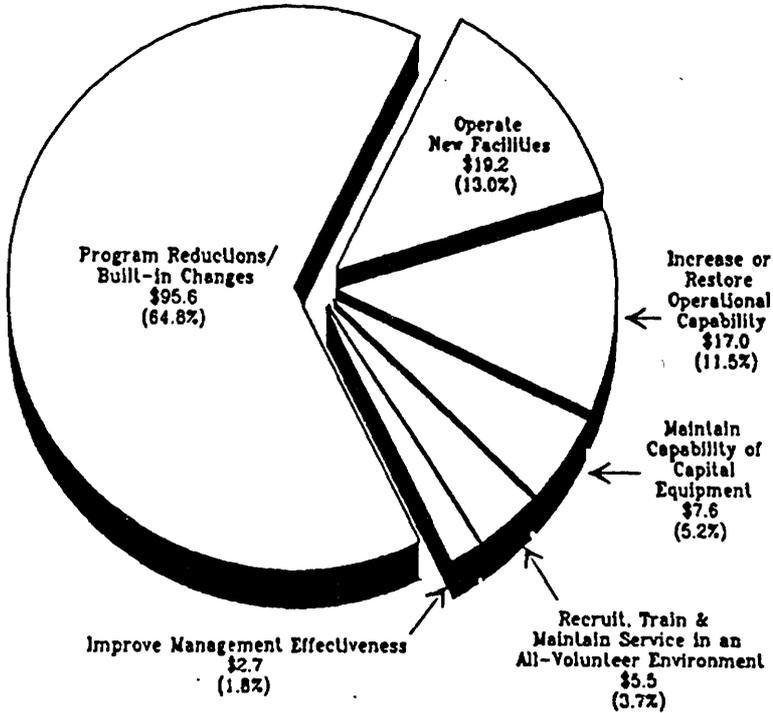
Total Request: \$3,817.8
(Dollars in Millions)



Operating Expenses (OE) accounts for the largest portion of the Coast Guard budget and the fiscal year 1993 request represents a increase of five percent above levels enacted in fiscal year 1992. Most of the increase within the OE appropriation is made up of non-discretionary items, with the discretionary portion of the request representing only about 30 percent of the total increment. Most of these discretionary initiatives represent our response to emerging national priorities.

Operating Expenses

FY 1993 Incremental Increase: \$147.6
(Dollars in Millions)



Returning to my Strategic Agenda, the first basic theme is PEOPLE. When I took this position in the summer of 1990, I was strongly convinced that we needed to do a better job of taking care of our own—placing a greater emphasis on our most valuable resource: the active duty, civilian, reserve, and auxiliary men and women who are directly responsible for the Coast Guard's high level of performance and effectiveness. While travelling throughout the country, I witness first-hand the dedication and expertise, as well as the needs of our people; this has only reinforced my commitment to this major emphasis.

Our men and women are professionals, committed to excellence, well-trained, and willing to make personal sacrifices for their service and country. In turn, we owe them a rewarding career, adequate pay and benefits, and a decent quality of life, both in their living and working environments.

In order to attract and retain quality personnel in today's highly competitive market, I must provide our people with adequate support services and family living conditions. To that end, I find it imperative that we continue with improvements in housing, health care, family services, and the full spectrum of personnel support measures. We have concluded a series of studies in the areas of Work Life, Health Care, and Women in the Coast Guard which firmly support the importance of these kinds of initiatives. We must also not overlook the importance of quality working conditions; when we ask our people to stand arduous duty and send them into harm's way, they deserve a quality work environment and safe, reliable operating platforms.

Although I am encouraged by the increase in first-term reenlistment rates over the past year—from 42 to 55 percent—there is still much progress to be made. We simply cannot sustain our performance levels without aggressively recruiting the

quantity and quality of people we need. In recognition of the changing nature of the employment pool in our country, I must position the Coast Guard now to compete for and retain talented employees who represent the rich diversity in our nation. The successful workforce of the future must be one that is balanced in gender, culture, and race.

Over 60 percent of the total Coast Guard budget is required for pay and other personnel-related expenses, with the largest share of our current budget request simply devoted to maintaining current services. However, in order to target some of the crucial personnel issues I have outlined, this request includes funding for programs which are designed to either recruit or retain a highly professional and more broadly diversified work force.

- The OE request includes an incremental increase of approximately \$12 million to address PEOPLE issues such as: health care, safety and environmental health programs, workforce diversity initiatives, and efforts to sustain the workforce.

- Personnel needs are similarly addressed in our AC&I request. Along with providing our men and women with quality equipment through various capital plant acquisition and renovation projects, AC&I funding will provide a direct benefit in the form of \$30 million to construct or expand family housing units, to provide our people with clean, safe, and affordable living conditions. Additional personnel-related projects in the AC&I request include construction of a child care center at our facility in Alameda, California, and much-needed barracks upgrades at various locations.

Today's investment in our people will return dividends in readiness and mission performance for years to come. With this budget request I feel we are being proactive and innovative in our workforce management; this will allow us to meet the rising challenges of the 21st century. I will need your continued support to move forward in these vital areas.

The BALANCE of emphasis and resources among our missions remains a fundamental theme in my strategic agenda. As the nation's primary maritime operating agency, our missions span a broad spectrum of national priorities. All of these missions fall within one of four primary roles where they compete equally for resources: Marine Environmental Protection, Maritime Law Enforcement, National Security, and Maritime Safety. I feel that the President's budget request allows us to maintain our current level of services to the public as well as address emerging national priorities in these mission areas.

Our role in MARINE ENVIRONMENTAL PROTECTION (MEP), continues to be a highly visible function because of national concerns over ocean dumping, coastal and riverine pollution, Exxon Valdez and other oil spills, hazardous chemical incidents such as the recent arsenic trioxide spill from the SANTA CLARA off the New Jersey coast, as well as events like Iraq's ecological terrorism during the Gulf crisis. Building on the momentum started by OPA-90, we are making considerable progress in improving America's ability to prevent and respond to marine pollution incidents.

There are currently 80 projects underway as a result of OPA-90, including the formulations of regulations, studies, and reports. For example, the National Strike Force Coordination Center has been established at Elizabeth City, North Carolina, and a third strike team was recently activated at Fort Dix, New Jersey. In addition, nineteen locations around the country have been selected for prepositioned oilspill response equipment and the necessary steps to provide outfitting have begun.

As we further implement the provisions of OPA-90, actively protect the marine environment, and preserve our natural resources, we seek funds to continue the initiatives we have already begun.

- In the OE appropriation, a portion of our incremental request will enhance marine environmental protection efforts by providing additional marine inspector positions, resources to enforce the Nonindigenous Aquatic Nuisance Species Prevention and Control Act of 1990, and the development of a Marine Safety Training and Assistance Team that can advise other nations in the prevention and abatement of pollution. OE incremental funds will also be used to provide storage and maintenance capabilities at the sites selected for pre-positioned pollution response equipment.

- Environmental protection projects under the AC&I appropriation include \$4 million to procure additional pollution response equipment for the three National Strike Force teams; \$14.3 million to establish a Vessel Traffic Service (VTS) in New Orleans; \$10 million to begin establishing or enhancing VTSs at other locations, based on the findings of the 1991 Port Needs Study; \$2.5 million to continue upgrades at VTS San Francisco; and \$4 million for numerous aids to navigation improvements in waterways throughout the nation.

- The importance we place on improving our future ability to both prevent and respond to marine pollution incidents is reflected throughout the Research, Develop-

ment, Test and Evaluation (RDT&E) request; it represents nearly 20 percent of the total RDT&E request.

• We are making our operations more environmentally sound and, where necessary rectifying past mistakes. The Environmental Compliance and Restoration (EC&R) account has allowed us to take preventive measures as well as remedy ecological errors which resulted from the construction and operation of former and current Coast Guard facilities. At some of our air stations like Cape May, New Jersey; Kodiak, Alaska; and Traverse City, Michigan, we have made substantial upgrades to fuel storage tanks, undertaken contaminated water table restoration, and taken remediation steps at hazardous waste sites. Our request of \$305 million will fund prevention programs as well as further progress in correcting environmental damage caused by past activities. It will also permit earlier identification of previously undiscovered problem areas at other facilities.

MARITIME LAW ENFORCEMENT (MLE) has been a function of our service since 1790 and will remain a priority mission in the 1990s. MLE impacts virtually all program areas and currently involves a dynamic balance among alien migration interdiction, anti-drug operations, and fisheries enforcement.

Since October 1991, we have seen a steady stream of refugees fleeing Haiti. Consequently, our cutters and aircraft have worked significant overtime in that region: thus far, we have intercepted over 15,000 migrants—performing a humanitarian role by rescuing them from their unseaworthy vessels and enforcing immigration laws by preventing their illegal entry into the United States. While this emergency has required as many as 20 different Coast Guard units to be in that region at the same time, we continue to perform drug interdiction patrols to intercept and deter the supply of contraband.

Although we have seen a steady reduction in the maritime transport of marijuana, we still are faced with a determined cocaine market—which is responding to a continuing domestic demand. As a recent indication of this, in January 1992, one of our cutters intercepted a vessel south of Cuba which was heading toward the United States with a cargo that included 45 tons of cocaine—the second largest cocaine seizure in Coast Guard history.

The Office of National Drug Control Policy (ONDCP) has established a national strategy of maintaining the current level of supply reduction efforts while generally applying new resources to the demand side of the problem. We will continue to link our efforts to this policy and strike a proper balance among our enforcement priorities. We will continue to work closely with the Department of Defense (DOD) and other law enforcement agencies to make it as difficult as possible to be in the drug-smuggling business.

Along with migrant and drug interdiction, enforcement of fisheries laws and regulations has become an increasingly important national priority, since in several areas over-fishing is depleting our natural resources. My efforts to rebalance resources within this arena and further enhance protection of the fisheries have included moving two high-endurance cutters from the east coast to San Pedro, California; and postponing the planned decommissioning of the CITRUS, one of our medium-endurance cutters homeported in Coos Bay, Oregon. These vessels are well-suited for operations in the vast fishing grounds of the Pacific Ocean. We are also installing APS-137 radar systems on our HC-130 fixed-wing aircraft which fly in support of fisheries enforcement.

Our fiscal year 1993 request will allow the Coast Guard to continue our current level of effort in law enforcement, including responses to increased enforcement needs where indicated. In Operating Expenses, there are incremental line items for: the reworking of the cutter CITRUS; operation of new aircraft, vessels, and shore facilities; and additional fisheries law enforcement staff to coordinate with the Department of State, National Marine Fisheries Service, and Regional Fisheries Councils. AC&I funds will pay for various capital investment projects for facility renewal, such as fleet modernization initiatives for 210-foot medium-endurance cutters, and an HH-60J helicopter procurement for Operation Bahamas and Turu & Caicos (OPBATIC) anti-drug operations. These funds will also enable us to continue facility upgrades at air stations in Miami and Clearwater, Florida, to support the increased number of aircraft being operated in that region. An MLE-related project in the RDT&E request supports our effort to improve surveillance and vessel search technology, as well as develop improved methods of collecting and analyzing intelligence. By adapting technological advancements to our operational methodology, this type of RDT&E project can provide our units with state-of-the-art equipment which ultimately results in more efficient use of our assets.

Because of our unique role within the Federal government, the Coast Guard is frequently tasked with important NATIONAL SECURITY responsibilities in supporting our nation's foreign policy and protecting our national interests. In 1991, as

in every American conflict since 1790, the highly dedicated personnel of the Coast Guard answered the call in the Gulf War, going in harm's way to provide vital service in support of national and international security objectives. The timely action by Congress in appropriating funds through vital Desert Storm Emergency Supplementals in fiscal years 1991 and 1992 was greatly appreciated and clearly demonstrated the level of public and congressional support that we experienced during this crisis.

The investment in the Coast Guard's national security mission paid big dividends during Operations Desert Shield and Desert Storm, both with our regulars and reservists. They provided port security both in U.S. ports and in the combat theater; assisted in the breakout of the ready reserve fleet, and in the search for qualified merchant mariners to man those ships; helped Saudi Arabia respond to the environmental threat created by the Persian Gulf oil discharge; and worked with the Navy to enforce the United Nations embargo against Iraq in the maritime region, which we continue doing today.

The Persian Gulf conflict, as well as our immediate involvement after the Haitian coup in September 1991, are events which underscore the unique and versatile role that we have in national security matters. It was in that spirit that General Powell remarked at the Coast Guard Academy's most recent commencement ceremony, "this shows how much the Coast Guard is an integral part of America's Joint Military Family * * * and Desert Storm will go down in history as one of the brightest chapters in Coast Guard history."

As we discuss the Coast Guard's National Security role, I must point out one notable departure from past budgetary procedures. In recent years, defense-related funding for the Coast Guard was provided from DOD sources, as the result of congressional initiative. In fiscal year 1993, for the first time, the President's budget requests \$203 million for certain Coast Guard defense readiness activities in OE, AC&I, and Reserve Training to be appropriated in the DOD Appropriation for transfer to the Coast Guard. For the Coast Guard to continue the current level of services we provide within today's budget constraints, it is imperative that Congress provide funding for the Coast Guard from both Defense and Transportation sources as requested.

Our fiscal year 1993 budget request provides funds for continued renovations of our multimission medium-endurance cutters to extend their service life, which will ultimately support our responsibilities in national security. OE funds will be used to maintain and operate our larger cutters, and also begin installation of satellite communications systems on our cutters. Our RDT&E request includes funds to initiate a communications research program which would investigate the use of advanced technologies to enhance secure communications as well as new systems for Command, Control, and Communications (C3).

Our Reserve Training (RT) request of \$74.5 million will support a Coast Guard Selected Reserve funded strength level of 10,850. This represents a six percent decrease from fiscal year 1992.

Our MARITIME SAFETY missions have been the hallmark of our humanitarian tradition and have resulted in our reputation as the world experts in Search and Rescue (SAR). Through our efforts in aids to navigation, commercial vessel safety, icebreaking, vessel traffic systems, and recreational boating safety, we seek to prevent accidents and promote safe maritime commerce and transportation. When problems occur, we will remain always ready to save lives and property.

Thanks to fiscal year 1992 and prior-year funding, we are making progress in several key areas which impact greatly on maritime safety: the acquisition process is underway to replace our aging fleet of buoy tenders with the next generation of vessels; new and expanded VTSs are being established in major shipping ports across the nation; enhancements in our commercial vessel safety program and fishing vessel safety regulations have been made based on industry input to our analyses; improved navigation technology is being made available to boaters through DOD's satellite-based Global Positioning System (GPS); SAR stations are being replaced or improved to strengthen our response capability along coastal and inland waterways; and the aging 44-footer fleet will be replaced by the new 47-foot Motor Lifeboat (MLB), which has the same heavy surf capability as the 44-footer, plus improved speed and communications equipment. The fiscal year 1993 budget request will continue these and other initiatives in the support of our maritime safety mission.

The fiscal year 1993 incremental request for OE includes initiatives in: improved navigation technology, such as Differential GPS (DGPS); operating and maintenance funds for new or enhanced shore and afloat resources; passenger vessel security specialists; operation of new SAR facilities; expansion of services at existing VTSs; and aircraft maintenance.

The AC&I request will promote maritime safety through further development of GPS, and installation of improved short-range distress and safety communications systems. Fiscal year 1993 funding will be applied to priority replacement programs for our buoy tenders, as well as smaller patrol boat alternatives. We will also comply with the International Safety of Life at Sea Convention (SOLAS) by beginning installation of special radiocommunications equipment, to participate in the Global Maritime Distress and Safety System.

The RDT&E request includes funding to improve search and rescue technology, advanced global positioning system development, enhancements in technology for short range ATON systems, commercial vessel safety initiatives, and researching the needs of future VTS systems.

To support our recreational boating safety program, we request appropriations for the Boat Safety account which parallel last year's request at the fully-authorized level—\$70 million, of which half will go to state recreational boating safety grants.

In addition to balancing our efforts among the four fundamental roles, we must also consider balance in a broader sense. This means striking an organizational balance between these operational programs and devoting adequate attention and resources to the Coast Guard's support activities.

We have embarked on a series of programs to provide improved personnel support and quality of life for our employees. We are making progress in this area and the fiscal year 1993 initiatives which I mentioned earlier will make that effort possible. Additionally, we need support for our capital plant—currently valued at over \$16 billion—to ensure that equipment is operated efficiently, to keep our facilities safe, and to prevent their deterioration.

Therefore, this budget request reflects a continuing focus on the importance of resource management and caring for the property and hardware we already have. Line items such as: maintenance of oilspill response equipment; maintenance personnel for 110-foot patrol boats; shore facility management personnel and funds; maintenance of Coast Guard-owned housing; vessel maintenance; and enhancements of support centers; all represent necessary investments in proper resource maintenance.

I continue to emphasize our pursuit of EXCELLENCE by continuous improvement in all that we do—to achieve the level of organizational excellence required under changing and often adverse conditions. We have committed ourselves to improving our performance as the world's leading maritime humanitarian and safety organization, and intend to give the American public the greatest possible return on its investment in the form of high-quality service.

I remain committed to the principles of Total Quality Management (TQM) as a leadership and management concept, helping us achieve greater efficiencies in serving our customers—the public. We have already seen measurable results which are encouraging to me:

- Quality improvement initiatives at our training center in Cape May, New Jersey have resulted in higher percentages of recruits qualifying in the use of firearms.
- The Coast Guard Yard in Curtis Bay, Maryland has changed operating procedures which have resulted in major reductions in water consumption, improved document processing, and fewer delays in ship repairs.
- Employing Quality Action Teams at our Maintenance Logistics Command, Atlantic, Naval Engineering Division, we have seen substantial improvements in the scheduling of ships for yard availabilities, resulting in fewer lost operational days for the cutters. This translates into additional cutter days for the fleet and long-term cost containment.

In the course of our daily operations, we are looking at ways to make management improvements and set a standard of excellence—working smarter as well as harder at what we do. In the current budget request, under the OE appropriation, we seek to improve management effectiveness through better accounting and control of personal property assets; and through implementation of Chief Financial Officers Act initiatives, which will provide better internal financial management controls. Within the AC&I appropriation, there are initiatives to: establish Management Information Systems (MIS) for personnel pay, logistics, marine safety, and health services; and automate control systems for our communications stations.

We are also making progress within our acquisition program by maintaining increasingly rigorous oversight of major system acquisitions to minimize cost growth, schedule slippage, and technical risk. Benefits have also been derived from improved standardization procedures and more direct involvement by senior managers. Mission Need Statements for major system acquisitions must now be approved by the Department's acquisition council prior to requesting funds in the budget. In addition, mission needs are now routinely reevaluated as we approach key decision points in major acquisitions. As an example of this, the Heritage-class project has

been suspended and proposed for cancellation due to changing requirements. Contracts for the ocean-going buoy tender and a fleet of motor life boats are major milestones and I am pleased with the progress being made.

In summary, the fiscal year 1993 Coast Guard budget request reflects my continued emphasis on PEOPLE, BALANCE, and EXCELLENCE. It acknowledges the fiscal realities facing this country and the need to control government spending; yet it is responsive to the public we serve, in that it enables the Coast Guard to continue to maintain essential services, as well as address emerging national maritime priorities.

With the resources requested in the President's budget, I am confident that the Coast Guard will be successful in carrying out the priorities of Congress, in implementing the National Transportation Policy, and in fulfilling our strategic vision.

I look forward to working together with you to achieve these goals. We have worked hard over the past months to improve our communications with and responsiveness to the committee members and staff, and I think we have made significant progress. I can assure you that this important effort will continue in the year to come.

Mr. Chairman, I will be happy to answer any questions you or the other members of the Subcommittee might have.

The CHAIRMAN. Well, Admiral, that is mutual. You save us and we save the Coast Guard because, right to the point, 25 years ago we had a very comprehensive Stratton Commission study which said that we need a separate agency for the oceans' atmosphere and marine affairs. Seven-tenths of the world's surface is in water, in the oceans. We need that independent agency with the Coast Guard as a lead portion of the agency. We had to emphasize that.

Everybody was up in space. We had to get down on the Earth and particularly into the oceans. And your testimony reflects a major problem; we have been stealing from the Defense budget.

Senator Stevens and I, we cannot get it over here. We authorize it; we cannot get it out of the blooming Office of Management and Budget. And Senator Stevens and myself, and you remember Senator Chiles, we would just go over to the 050 function and have to steal the money for the most competent of organizations to be fully funded.

So, I commend the administration on coming around now and at least including this couple of hundred million in your budget where it belongs. And I hope that we can move now that we have got a step-down of communism and the ascendance of capitalism, and we can emphasize your agency and the maritime.

In trying to do that, let me go right to the Reserve. I do not agree with the general approach being made by 050 or the Department of Defense to cut back the Guard and Reserve. Our whole militia is vital to the national defense of this country. We know this for a fact. General Schwarzkopf will tell you of their excellent performance in the Desert Storm operations.

Yet we are now at less than 50 percent of our mobilization requirements. And your budget calls for a 6-percent cut in the Coast Guard Reserve. I do not think it is justified. Tell me where I am wrong.

Admiral KIME. Well, Senator, let me say that we share your pride in what the Reserve has done, certainly because the Coast Guard Reserve distinguished itself during Operations Desert Shield and Desert Storm. And, the Coast Guard Reserve has another mission that perhaps Reserves of the other services do not have and that is to augment our other missions in time of peace.

Certainly a great part of the response to the *Exxon Valdez* was from our Reserve force. The hurricane that hit the State of South Carolina over a year ago—certainly the Reserves were a key part of response to that, just as they were after the San Francisco earthquake.

Let me step through, Senator, what is happening to the Coast Guard Reserve. Our funded Selected Reserve strength in fiscal year 1991 was about 12,000. That dipped down to about 11,500 in 1992 and the President's budget puts forth funding for 10,850 in 1993. That would be 10,850 who are totally trained and ready.

We recognize that this would reduce our capability somewhat. We would reach that level, though, through normal attrition—without having to RIF anyone from the Reserve program. Now having said that, let me talk a little bit about what is happening right now—and a great deal is happening—to look at just the issues that you talked about.

We are working very closely with the Department of Defense, faced with the new world situation where we are more concerned with regional instability and unrest than with total global conflict with the old Soviet Union. And, we are working with DOD on plans, and to determine how the Coast Guard would fit in to these plans; we are going to include our civil contingency functions in that effort.

We hope that we will begin getting results of that study this summer and have the study completed by next summer, in time to come forward with justification for exactly what the ultimate size of the Coast Guard Reserve should be.

The CHAIRMAN. Well, I hope everybody understands that answer.

We have got to build it back up, because I do not find an overload in the Coast Guard or in DOD. We know we had 12 million under arms in World War II, and now we have got less than 2 million and they have got three times more admirals and generals. We are looking at that picture and they are saying we are not looking at the strength of the defense; we are looking at the slots and that crowd trying to save themselves over there.

I just think that we have got to hold and not have a 6-percent cut in the Guard, because your answer does not justify a 6-percent cut. We need every bit of that Reserve. I know how it works. Before we had any air station—I lost one pilot that used to search for vessels in distress, so I know it intimately. But they would always come because if not we would have had to call all the way to Savannah.

If you waited for that 2 or 3 hours that was too much lost time, and so our Coast Guard Reserve would get out there in their vessels, and in their small planes, and everything else like that. And they are very active, and they are very proud, and they are very free. They do all of this; they pay for the gas and everything else themselves. And that is the kind of support you and I want to keep for the regular Coast Guard because we have a struggle as we have indicated right here now, just at the time the Guard is coming into its ascendancy.

I will touch on another thing. Senator Lott, a valued committee member here—he and I serve on the Budget Committee, and we did not want that black eye of the user fee. We did not approve it

here, but it was put on in this so-called summit, which incidentally I opposed. Now you have folks up at Lake Murray, who have never seen the Coast Guard and never will, being charged a user fee.

So, we put in there, in the budget report that is now being discussed and debated on the floor, that the money comes from the automated tariff filing and information system of the Federal Maritime Commission, so that we can replace the user fee.

I like the attendance here. Let me yield in a few minutes, but I want to first ask two questions about the icebreaker and the patrol boat. You have to tighten up your estimation section of the Coast Guard because you are way, way under or something is wrong with the icebreaker estimates, and having to cancel that—all the time wasted and what-have-you, on the one hand.

And the same thing we are cutting back on the patrol boat, the size and the need, and you say there is a change, but the change would seem to indicate longer rather than shorter vessels. Maybe I am wrong.

Let us stick with the icebreaker. Why are we 40 percent over in the bids from what we estimated?

Admiral KIME. Well, Senator, first let me say that the Coast Guard user fees do not apply on Lake Murray. This was one of the things that we discussed last year, and I think we have significantly resolved that issue. We certainly understand the concern of the committee on user fees and we understand what is going on and are working with the Congress on that.

Let me talk about the polar icebreaker replacement. As you know this is money that is in the DOD budget and we are working jointly with the Navy to contract for a third polar icebreaker that the December 1990 study that the President sent to the Congress indicated that we need.

This was going to be for a bid on a Coast Guard design verified by the Navy, costed out separately by the Navy and Coast Guard and found to be reasonable. These are difficult times for shipbuilding in this country, Mr. Chairman, and bidding on a one-of-a-kind vessel—where there is only one vessel to bid on, there is no learning curve, there are no follow-on vessels on which to recoup any losses—is considered by the industry to be a very risky thing.

As a result of that, there were not a great number of bids that were submitted and we feel that the bids that were submitted were very conservative. I know that is easy for us to say because we are not the owners of the shipyard risking the consequences of not properly bidding the job.

Still, we feel that there is a need for a third polar icebreaker. We are working very closely with the Navy. We do not think that the answer is more money. We think that this icebreaker can be procured, perhaps with a different procurement strategy, within the approximately \$339 million that the Congress has made available.

We are working right now with the Navy on a circular of requirements, and the approach that we will take this time is not to design a vessel, but rather present the circular of requirements to the shipbuilding community, and ask what does it cost to build it. We are going out with the requirements that went into the design of that vessel that we asked for bids on stated very clearly, looking at them very carefully to reaffirm that they are the right require-

ments and then going out with a circular of requirements. And on that basis, to see how the shipbuilding industry would propose to satisfy our need with a vessel design of their own.

This is a very similar strategy that we have taken with the WLB, the oceangoing buoy tender replacement, which appears to be working extremely well. We hope to have the circular of requirements on the street by just about this time next year, and by the following year we hope to be able to let a contract.

This will give us a chance to work with the industry very carefully, to be able to get what we need and a ship that can be built in a way that they have confidence in the price that they indicate to us and to take advantage of the techniques, the procedures that they have confidence in.

The CHAIRMAN. You will get the proposals ready next year this time and then the bids the following year, that is 2 years. I am reminded that the largest building that we know of, building No. 1, which is outside of Atlanta, at Marietta, the old Lockheed building now. It comprised over 3.5 million square feet, 79 acres under one roof, and had down in the cellar and in the regular floor and then up in the top part all the cranes, air condition, and heating. They gave it to a lieutenant colonel in the Corps of Engineers.

They told him on March 1 or February 1, 1942, to build a building and they dedicated the building and put it in operation on March 1, 1943, 13 months, and they were spitting out at the end of the war five B-29's a day.

Now, we hope a year from now to palaver and study and finally get specs and then a year from there to finally get bids and when are we going to get an icebreaker? The ice would melt by that time.

Why do we take so long to get something done in the Government today?

Admiral KIME. Well, I think we are all faced with Government procurement regulations, Mr. Chairman, that we have to abide by.

The CHAIRMAN. But you complied with all of those. You have had it out on the street.

Admiral KIME. We did. We took one approach to procurement—one we have used in the past, very successfully, and one that we used with the design and building of the *Polar* class icebreaker that I was personally involved in, and that was for a design to be developed by the Coast Guard, verified by the Navy, and put out on the street for bids.

In the shipbuilding climate that we face in this country today we were not able to get a significant number of bidders, mainly because there is only one ship involved. Unlike the plant in Georgia that is spitting out B-29's at a rapid rate, this is only going to be one ship.

The first one has got to be right. The shipyard has to make a profit on it, and therefore they are very, very much concerned about that. And if they do not make their profit, they are going to go under. Therefore, we got very few bids and they were very conservative. We think they were overly conservative.

We do not think in this budget climate the way to solve this is to go back and ask for more money. What we want to do is to approach it from a different procurement strategy, one that I articulated to you, and I think that is a reasonable way to go. This will

cause about a 2-year delay in the procurement of the icebreaker. Certainly, we are not happy with that, but we think that these are—in these budget times—the best management principles that we can apply to this procurement.

The CHAIRMAN. What about the *Heritage* class patrol boat? You canceled that, too, as I understand it. Now you are going to move to a different one after all the study and all the specs and all the hope-to-let contracts and now we are going back to the drawing boards. Is that correct?

Admiral KIME. Well, we think Mr. Chairman, that that is another exercise of good management and recognition that conditions have changed in the last 7 years. The decision to build the *Heritage* class patrol boat was one taken in the mid-1980's, and at that time it was an excellent decision.

The CHAIRMAN. What is the changed circumstance?

Admiral KIME. Let us look at what the patrol boats were going to be used for. It was assumed that they would be part of a significant military presence in various operations around the world, to counter the Soviet threat. In addition to that they would play a very major role in drug interdiction.

At the time, our 378-foot cutters were in FRAM. We had not received our 270-foot cutters that we now have 13 of. We were beginning to put the 210-foot cutters in midlife maintenance availability. Our 95-foot patrol boats were having an accelerated failure rate. We thought we were only going to get 12 of the *Island* class patrol boats. We were just starting to get those. There was a feeling that the *Island* class was probably a single mission boat that had a limited 10- to 15-year life availability. And finally, DOD was not really involved to any great extent in the war on drugs.

That has now changed. I now have 49 of the *Island* class patrol boats that are performing in an outstanding manner. We expect that they will have a service life of 20 years or possibly more. We are very pleased with them.

We have done a survey, too, of our patrol boat needs and we feel that that is all of the larger type of patrol boats that we need. We feel that the rest of our needs can now be met by something closer in size to the 82-foot patrol boat that we have, which would have a crew of perhaps 10 people compared to perhaps 18 people on an *Island* class patrol boat.

Now, why have we come to that conclusion? First, the Soviet threat is gone. Certainly there is a chance that the patrol boats may be asked to deploy, but we now have the *Island* class boats that can do that.

The Department of Defense is involved in drug interdiction in a very big way with a significant number of air and especially surface resources devoted to it. I now have all of my 378-foot cutters out of FRAM. I have all 13 of my 270-foot cutters. The midlife maintenance availability program is going very well. We are reengining some of our 82 footers. So, we think the situation has changed.

I like the *Heritage* class patrol boat. If the situation were still the same and if I did not have the *Island* class patrol boats we would probably go forward with that. But now we feel that it is more pa-

trol boat than we need for the changing circumstances. But, we do need replacement patrol boats.

We are determining now through a mission needs statement and sponsor's requirement document, what they ought to look like. And we hope to take the same procurement approach with those that we did with the *Island* class boat that has been so successful—and that is to survey the field of existing designs that have been built and operated successfully and use that as a basis for future procurement rather than try to design one from scratch.

We are very pleased with the work the Coast Guard yard did. We are pleased with the design. We just think the need for that particular boat has now been overtaken by events.

The CHAIRMAN. Very good, sir. In yielding, I stand corrected on Lake Murray, but Lake Moultrie and Lake Marion, when you come to South Carolina, I want to take you there, 100 miles inland to Lake Marion and introduce you around because they have not seen anybody from the Coast Guard other than the people who want to collect the fee. Senator Gorton has gone now. Senator Breaux.

OPENING STATEMENT OF SENATOR BREAUX

Senator BREAUX [presiding]. Thank you, Mr. Chairman. And thank you, Admiral, for being with us. The chairman has mentioned the Coast Guard fee. Just give us, maybe a summary—and I know they are working in another committee on getting rid of it, which I strongly support.

Can you tell me what type of participation we are having in paying of the fee and the collection categories? How much we have collected, how much could we expect to collect, and how many boaters have been charged with penalties for nonpayment. And I am not looking for the exact number, but I am looking for a recitation of how it is working, from an enforcement standpoint and payment standpoint.

Admiral KIME. All right, Senator. I cannot give you the penalty assessment figures now. I am going to have to supply those to you for the record, but let me give you some figures now for what we have done in the past, in calendar year 1991. And we decided, that based on our rulemaking, that this, the decal, would be enforced on a calendar year basis. We collected \$18.5 million and that was through the sale of about 495 decals. And in 1992 we have so far collected—

Senator BREAUX. Excuse me, 495.

Admiral KIME. 495,000. And \$14.2 million in 1992 through the sale of 381,000 decals. We began the sale of the 1992 decals back in November of this year.

Senator BREAUX. How many people have been fined or charged with violation due to the nonpurchase of the decals?

Admiral KIME. I will have to provide that for the record Senator, I do not have that information with me.

[The information referred to follows:]

Preliminary data shows that 795 recreational vessel fee violation cases have been opened to date throughout the Coast Guard. Together, these cases represent a potential total of \$39,750 in penalties.

Senator BREAUX. It looks like you have less response in 1992 than you did in the first year.

Admiral KIME. Well this is information up through the end of March, and we are just getting into the boating season. Also, to be very honest, Senator, there is a lot of confusion out among the boating public whether the fee is still in effect, whether it has been repealed, or whether it is going to be repealed. People up in the northern climates where the boating season really has not started have not come forward yet.

Senator BREAUX. Is it still true—and the Coast Guard, I think, had testified at a previous hearing, that the boating public could expect no difference in the degree or intensity or the variety of services that the Coast Guard provided, that none of these would be increased as a result of the fee?

Admiral KIME. That is correct, Senator. The basis for the user fee that was passed by the Congress was to charge the boating public for Coast Guard services that were already being supplied at no charge.

Senator BREAUX. In other words, the money that you have collected really has not gone into a special Coast Guard account that allows you to provide additional services.

Admiral KIME. No, it has not.

Senator BREAUX. Let me move to another subject.

Senator LOTT. Excuse me. Before you move to another subject could I ask one point on that? It, I believe, was projected at the time that this was discussed that it would product \$118 million over a 5-year period. That obviously, if my understanding is correct—that is, they have missed the target by quite a large sum. How did that happen?

Admiral KIME. Well, the initial estimates were based on the scoring by the Congressional Budget Office, and now based upon agreements between the Congress and the administration. That scoring is being done by OMB and I think the latest figure that we are talking about is between \$90 and \$95 million per year. This would go through 1995. I think there is a sunset provision in the law that it would expire in 1995, so that would be for 1992, 1993, 1994, and 1995, each.

Senator BREAUX. Let me ask about the Oil Spill Liability Program and the implementation of the program. I have been receiving information from the industry that raises some very serious questions with regard to the ability of the industry to purchase insurance to cover exposure that they are liable for under the Oil Spill Liability Program.

I mean the gist of the arguments that I am hearing from the industry is that the regulations being produced by the Coast Guard are not consistent with the terms of the law passed by Congress. I am also hearing that the proposed regs, in effect, require the P&I clubs to assume responsibility directly for any of the injuries, as opposed to being merely an insurer of the individual ships that fall under the requirements. What can you tell me about that?

Admiral KIME. Well, Senator, we have issued a notice of proposed rulemaking. I extended the comment period for an extra 60 days on that. We have gotten about 300 comments on the certificates of financial responsibility. There is a great deal of concern by the industry about whether or not they can obtain the certificates of financial responsibility as proposed by the regulations. There is

also an indication by the P&I clubs that, based on the existing language in OPA-90, if we gave them a pad of paper and a pencil, they could not write regulations that would permit them to become guarantors under the provision of the law.

Let me go back and state what I consider the intent of OPA-90 to be, and that was that if there is a spill and people are impacted, they will be reimbursed quickly, with certainty. Reimbursement would come from the spiller. The spiller pays, and the shipowner would pay first, backed up by the fund.

Now, traditionally, that has been done in the ways that we have proposed in the notice of proposed rulemaking that we have done under the Clean Water Act, and that have been done under other acts like the Outer Continental Shelf Lands Act amendments, and also as proposed in the international protocols on oilspill liability. And that is that there were several ways that you could, as a shipowner, show that you had assets to satisfy the intent of Congress. One is by self-insurance. There are very few companies the size of an Exxon or a Shell that can normally do that in the shipping business, with the liability limits we are talking about under OPA-90.

The second way is to get a guarantor. In the past, the P&I clubs have been guarantors under the Clean Water Act. And, also, they have indicated that if we had ratified the protocols, they would have been guarantors under the protocols. They are concerned about becoming guarantors under OPA-90 for several reasons, as follows:

One, there is direct access. In other words, a person who is impacted by a spill can go directly to the insurance company and claim reimbursement—he does not have to go through the shipowner.

Senator BREAUX. And one of the problems, is it not, is the fact that we do not have Federal preemption and many States have unlimited liability?

Admiral KIME. Yes, that is exactly right, Senator. The other concern that they have is that even though the Congress did put specific language into OPA-90 in section 1016(g), saying that if you write an insurance policy as a guarantor, you are limited only to the amount that you write the policy for, there is concern within the industry, since there is unlimited liability in the States, that by becoming a guarantor under the Federal law they could be brought in an in personam action for unlimited liability in State court. Also, they are concerned about policy defenses and they are concerned about some of the definitions of environmental damage.

That is what has caused the problem. We have been working very very hard, and are continuing to work very hard, to see if we can find a solution that will meet the intent of the Congress and provide for the coverage that the public is demanding, without an undue burden on the shipowner and within the existing insurance regimes that are available.

One alternative that has been proposed is the so-called California solution. That is to say that if you have an insurance policy, which all tanker owners do, for \$500 million, written by a P&I club, that that could be considered an asset for self-insurance. Now that raises some real questions. Is that an asset in terms of the intent

of the Congress, because you cannot have direct access to it? These are indemnification policies the shipowner must pay first.

This type of arrangement existed before the passage of OPA-90. All that OPA-90 would have done would be to lift the Limitation of Liability Act of 1851, which said that your liability is limited to the act or the value of the ship and the cargo after the incident, and allow the States to have unlimited liability.

So, it is not clear to me that this proposal meets the intent of the Congress. We are not ready to say it does not, but we are still looking at it and we are still searching diligently all around the world for a proposal that will both satisfy the intent of Congress and meet the ability of shipowners to meet their responsibilities.

Senator BREAUX. This is a problem that has got to be fixed, or we are going to shut down the shipping industry. Do you think we need to have legislative action by the Congress to clarify what we thought we said, or a congressional fix?

Admiral KIME. There may be, Senator. And that is one of the things that we are looking at in exploring these—to see if there is any kind of surgical fix that might be necessary in the bill to satisfy the intent of Congress. And we are working very very diligently to come up with that.

The Coast Guard is not moving forward in great haste to do this. We are moving as quickly as we can, but we want to make sure that it is the right decision. Because I think the Congress spoke by voting 535 to 0 what they wanted to do. And at the same time, as you said, we cannot bring this country to a halt and stop all shipment of petroleum into the country. We need to find something that meets the intent of the Congress in a practical way.

Senator BREAUX. Thank you very much, Admiral. I see by the order of arrival it is Senator Kasten.

OPENING STATEMENT OF SENATOR KASTEN

Senator KASTEN. Mr. Chairman, thank you. Let me first of all ask that my entire statement and opening statement appear in the record at the appropriate place.

And Admiral, let me just kind of begin with where you ended up with Senator Hollings. I see Senator Stevens is just coming in.

You said that what you are concerned about is the reason the costs went up on this polar icebreaker. Because it is a one-time only acquisition, and the shipbuilding industry is right now in a difficult period of time, you did not get as many contracts.

What makes you think that you are going to have the shipbuilding industry in a better circumstance, so that you are going to have more contractors next year or the year after next year? It seems to me that you have a shipbuilding base that is shrinking, not growing, in the United States. What is it that makes you think you are going to do better 2 years from now than you can do right now?

Admiral KIME. Well, we hope that some of the initiatives that Secretary Card is taking will have a positive impact on the shipbuilding industry, along with some of the initiatives that are being considered by the Congress. We are taking a different procurement approach. What we did was to design a vessel that met our needs and presented that detailed design to the shipbuilding industry and

said, "Now tell us what it will cost you to build one of these." And that is what the industry did.

A good number of shipyards did not want to respond, because they were concerned that if they made a mistake, there were no follow-on ships such as with many classes of cutters we build, where you could recoup any losses that you made through a learning curve.

Senator KASTEN. I understand that.

Admiral KIME. Because of their financial status, these bids were very conservative bids. I am not privy to the details of them, that was done by the Navy. But I understand that they were extremely conservative in terms of amount of profit assumed, and also the amount of man-hours that would go into it.

What we are doing now is to say we have certain needs for an icebreaker. We will define those and refine them in a circular of requirements. We will say this is what we need. We will not tell you how to give it to us. We will say this is what we need, now you come in with a ship design that you are comfortable with building, have experience with perhaps, and tell us what the price is. Also, to go to a costs-plus type of contracting instead of a fixed price; costs plus with the constraints that DOD normally puts on those.

Senator KASTEN. Did the Navy make these specs so tough that they had to increase the price over the \$339 million that was appropriated? Are you and the Navy working together, or are there two agendas here? They did not want this ship in the beginning, I am not sure you did. I mean what is going on here? This is nuts.

You have people out there in the shipbuilding industry—not in Wisconsin, though there are some people that may be in the propulsion part of this business that may be from Wisconsin—out there that were planning on a certain amount of work. Now you are telling us that you are going to send a circular out for a year or so, and then you are hopeful that you will get all this worked out in the next year or so. Finally, 2 or 2½ years from now we might be in the business of getting ready to, in fact, build the ship.

Now the people that are doing the shipbuilding, I think, are going to be in less, not greater, shape—or have less, not better capacity at that time. I do not know what is going to happen to the engine people during that period of time. You are saying something that we had planned on for today is going to maybe be about 2 or 2½ years from now. What is going to be better then? It seems to me that the whole infrastructure, the whole ability to manufacture this product is going to be worse, not better.

Admiral KIME. Well, Senator, you have asked a lot of questions. Let me try to hit each of the points you made. First of all, the Coast Guard very much supports the need for a third icebreaker. A study was submitted to the Congress by the President in December 1990, done jointly between the Department of Defense, the Coast Guard, and the National Science Foundation.

Senator KASTEN. The need for a third icebreaker. This third icebreaker as it was speeded out, or something different than this icebreaker as it was speeded out?

Admiral KIME. An icebreaker with these kinds of capabilities, that is what it said. The procurement strategy was to present a design to the shipbuilding industry, get bids on it, and then build the

icebreaker. The cooperation with the Navy has been extremely good. We want the icebreaker.

I have spoken personally to the Secretary of the Navy on three occasions, and there is no disagreement; there is no effort to try to take this money or to keep us from building this icebreaker. The Navy has not tried to delay it—there was an increase of funds provided last year to give us the \$339 million we have available to spend for a new icebreaker. Now, the Navy did not object to that, they went along with that.

We feel that the specifications for the icebreaker are for a low-risk design. I am a naval architect, I did the structural design and all of the spec and drawing review for the *Polar* class icebreaker, and it is my consensus, also, that that is the case. However, the shipbuilding industry in the state it is in today, trying to bid on one, was not ready to follow that procurement strategy.

Senator KASTEN. I understand that.

Admiral KIME. Instead of telling them what to give us, we will let them tell us what they can give us that meets our need, which is the way the Navy is going about it; the same way we have gone about it with our replacement buoy tender fleet—the oceangoing buoy tender fleet. That is why we are optimistic that this is a better way to go.

Certainly, we are frustrated by the delay, but we are faced with the conditions that exist in the shipbuilding market. And the fact is that I do not feel comfortable coming back up to the Congress and asking for additional funds, when I am not satisfied that we cannot meet the needs of this country with the funds that have already been appropriated by the Congress.

Senator KASTEN. Let me shift subjects. Can you give me a status report on the replacement seagoing buoy tender? You have talked about the way that this is going to be working. In this case there is a Wisconsin company—Marinette Marine is in the running. What is the current status of this project? When will the selection of the shipyard that will build the lead ship be made? You are using this as an example of what you hope to do with the other equipment?

Admiral KIME. We hope to make the selection in the second quarter of fiscal year 1993, Senator. We have gone through a stage whereby we gave shipyards a circular of requirements. We distributed a circular of requirements saying, "This is what this vessel should do, this is how we are stating that." They commented on it. We reached agreement on it and then went out in the first stage of the process.

A number of shipyards then came in with preliminary designs that they indicated met that circular of requirements. We evaluated their submissions and then awarded contracts to three yards to go out and develop a contract design, a detailed design for submission to us for our evaluation and to allow us to let a contract for a lead ship and some optional vessels. We are optimistic that we will be able to make that award in the second quarter of fiscal year 1993.

Senator KASTEN. All right. We look forward to working with you on that.

Last, let me just make a comment. You have both oceans represented here, and I am the only representative of the Great Lakes on the committee. You do important work in the Great Lakes, and I thank you for that. We need to continue to recognize the important role that the Coast Guard plays in terms of law enforcement, vessel inspection, environmental protection, and the other work that you are doing, including the navigation aids.

I want to talk just briefly about the ice operations now with the *Mackinaw*. The Coast Guard began a renovation project to extend the useful life of the *Mackinaw* for, I believe, at least another 15 years—\$1 million was appropriated to begin this project. You are at \$1 million now and an additional \$2 million for 1993 and then \$3 to \$3.5 million evidently in 1994.

Is that the way—I mean, to start small now and go larger in the end. Is that the way to do it? It seems to me that you ought to be frontloading it instead of backloading this project. I could see somebody down at OMB saying that you should do it the other way, and somehow sneak through and be able to work this out.

But is this the right way to do it? Do you have the dollars available? Was this your original request, to go \$1, \$2, \$3 million? Or was that the result of negotiations that you had with the Office of Management and Budget?

Admiral KIME. It was our idea of doing it this way and the administration went along with it; we have received the funding from the Congress in fiscal year 1992 and we are looking for more money in 1993 and will be coming forward with additional requests in fiscal year 1994. Our strategy is based on not taking the *Mackinaw* out of service for an extensive maintenance period. It is the only large icebreaker we have on the Great Lakes.

The survey you talked about that was done by the Coast Guard looked at three distinct levels. One level was to correct the safety concerns—to make safety and survivability changes in the Coast Guard cutter *Mackinaw* that would keep it in service until 1996.

We plan another survey in 1995, which is when the next detailed survey will be done of the hull and machinery is due. That will determine the level of funding that would be necessary to keep it in service an additional 15 years. Then, there was a third level that would have automated the operation of the vessel. I think the expense of automating the vessel is something like \$41 million. At least for now, we do not think that we will be able to attain that level.

We are embarked on the first phase of this effort to keep the *Mackinaw* in service until 1996, when we will do another detailed machinery and hull survey, and we are concentrating on safety and reliability changes. And we have preliminary design work that is in progress. We have ordered long lead time items. You gave us \$1 million in fiscal year 1992. I am asking for \$2 million more in 1993, and we will probably ask for around \$3, \$3.1 million in 1994 to complete that work.

What we are trying to do is to modify the electrical distribution system so that it can be isolated, and so it is safe; to change the habitability, to provide for female berthing; to remove some environmental hazards from the vessel; restore the heeling-trimming

system on the vessel to make it more effective; repair some of the shell plating and tanks; and to install a new firefighting system.

Senator KASTEN. Thank you very much. I look forward to working with you on this particular item. The *Mackinaw* is a 47-year-old vessel right now. I have no idea whether there are any similarities between what you are trying to do with the polar icebreaker and what you are trying to do with the *Mackinaw*. I am sure that the polar icebreaker is much more sophisticated and has to be a whole lot bigger and stronger. But maybe there are some ways that you can combine these two different projects that are going on right now in the icebreaking area.

Admiral KIME. We are trying to take advantage of one of the great benefits of the Great Lakes and that is fresh water. Of course, many of the ore carriers up there are quite long of tooth, too, but still sailing satisfactorily. The vessel is basically in very good condition, and it is extremely suitable for the type of work we are trying to do.

I have been aboard the vessel since I have been Commandant, looked at it, and talked to the people up there. We recognize the importance of this vessel to the Great Lakes. I think we are moving forward in a proper way to ensure that it remains operable for the foreseeable future.

Senator KASTEN. Thank you, Admiral.

[The prepared statement of Senator Kasten follows:]

PREPARED STATEMENT OF SENATOR KASTEN

Mr. Chairman, today we are to hear from the Coast Guard as we prepare for the reauthorization of its programs and their FY 93 budget.

This branch of the Armed Forces serves this country with distinction in important missions that are often not appreciated by the general public. Whether serving as an accomplished military branch with their small boat and coastwise experience, as in Vietnam or recently in the Gulf, or performing the important civilian missions we continue to ask of it, they are always equal to the task.

The other Senators on this panel know the Coast Guard for their work off of our coasts. Representing Wisconsin, we appreciate the work they do on our fourth coast—the Great Lakes.

Their tasks in the areas of search and rescue, maritime law enforcement and inspection, marine environmental response, navigation aids and ice operations among others are crucial.

The Administration has requested \$3.8 billion for FY 93, which represents a six percent increase over the FY 92 appropriated amounts. It also recognizes the important contributions that have been directed by Congress to this service from the Defense budget thanks to the cooperation of Senators Stevens and Inouye.

Several programs are of particular interest to me. First the Coast Guard Cutter MACKINAW is important to the Great Lakes for its icebreaking services that provide added weeks of shipping availability to commerce in the central part of our country. This 47-year old workhorse is in need of repair and \$1 million was appropriated last year to plan for, and commence, this renovation with all deliberate speed. I would like to know the current status of this project.

Several shipbuilding projects are also important as they mean business and employment in my state in an industry that has seen such difficulties lately.

The Polar Class Icebreaker project is on hold after bids solicited by the Navy recently exceeded the \$274.8 million appropriated to the Department of Defense. Though neither of the two bids were from Wisconsin yards, a Wisconsin company would supply propulsion equipment for either. I am distressed that even the design phase of this important project could now be several years off.

Marinette Marine of Marinette, Wisconsin, is one of three shipyards which has been selected to develop the design for replacement of our seagoing buoy tenders. One of these yards will be chosen to build a lead ship in FY 93 and I would like an update on this.

Mr. Chairman, in the Budget Committee last week we passed unanimously Senator Lott's amendment to repeal the recreational boat user fee tax. I think the full Senate will agree with this, and we can see the two full time military positions that were to be directed to collecting this fee put to much better use in performing some of the other important missions of the Coast Guard.

So, Mr. Chairman, I join you in welcoming Admiral Kime, and I also look forward to the testimony of Commander Legg on the Reserve issues.

Senator BREUX. Senator Lott.

OPENING STATEMENT OF SENATOR LOTT

Senator LOTT. Thank you, Senator.

Admiral, first I want to say that we do appreciate the work that you are doing and that the Coast Guard does in the gulf. Your search and rescue, your enforcement of the laws, your drug interdiction efforts all are well done and we appreciate that effort.

I want to touch briefly now on this Coast Guard user fee issue, because I think the chairman and Senator Breux both made it very clear that we are not happy with it. It was a mistake in the first place. It has produced a very small amount of money, a lot of inconvenience, and it goes into the dark, deep hole of the general Treasury.

I would want to make note, on the record here, that the Budget Committee last week voted 21 to 0 to do away with that user fee. And I want to state publicly my intent to work in a bipartisan effort to get this repealed as a part of the Coast Guard authorization. I just want to put you on notice of all that we are doing to try to eliminate this fee.

There have been some concerns about the diversion of your vessels in the interdiction of the Haitian refugees, that it has reduced your assets and your ability to enforce and assist the fishery laws and assist the fishermen in the gulf area—and in the Atlantic, for that matter, I guess. So, what is the situation there? Is this causing such a diversion of your assets that you are not able to do other things that the laws require in the gulf around Florida?

Admiral KIME. Senator, it is true, this has caused a diversion of our assets. About 731 cutter days have been diverted from regular law enforcement of all types, including drug interdiction and our other missions.

Let me first say, though, that we have not diverted any ships from any urgent SAR cases. Having said that, let me also say that we feel that the Haitian interdiction operation is, in fact, a humanitarian operation, a search and rescue operation, because of the overcrowded conditions on these boats. And we think the emphasis is being placed by the Coast Guard where it should be.

At the height of the operations, we had as many as 23 ships down there. Right now we have about three vessels and about six aircraft involved. It has made an impact on the Coast Guard.

First, let us talk about drug interdiction. We have had to pull Coast Guard assets back from Task Force 4.1 operating down off the northern coast of South America. However, because of the DOD resources that have remained in place, we have been able to maintain, I think, a very effective drug interdiction program.

In fact, if you look at the statistics, we have seized more marijuana and cocaine in the period from October 1991 to the present

time in 1992 than we did in the comparable periods a year ago and 2 years ago.

My big concern about this is twofold. One is that I am using up resource hours that may have an impact in the future. I have not had a significant impact in fisheries enforcement off Georges Banks and in the Gulf of Mexico at this particular time, and certainly no impact in the Pacific, because we have not brought resources around.

I am concerned about that in the future because there is a limited number of hours and days, that I can keep these vessels away from home port because of crew considerations and, just as importantly, because of the need to maintain the vessels.

Funding is another issue of concern to us. The cost of the operations to date, the incremental cost, has been about \$2.16 million. That is the cost over and above what we have these vessels programmed for. And the average cost per month has been about \$470,000 to arrive at that \$2.16 million figure. If you ask me what it is going to cost me per month in the future, I do not know. It depends because it is driven by the number of refugees. We estimate between \$150,000 and \$350,000.

Senator LOTT. Thank you, Admiral. Let me go to another question.

Unfortunately, you are charged with the responsibility of enforcing the Turtle Excluder Device regulations in the gulf and I was just wondering, what have been your recent experiences in that area?

Admiral KIME. Well, the compliance rate in the gulf is at about 90 percent right now, Senator, and that is in the face of an increase in enforcement. We have increased during this current fiscal year over the previous fiscal year our number of boardings by about 12,000.

Senator LOTT. Well, there have been some complaints.

Admiral KIME. At the same time, the number of violations have gone down by about 268.

Senator LOTT. Well, that is an interesting statement right there. I mean, why have the boardings been going up, while your violations are going down?

Admiral KIME. I think we are having a deterrent effect. I think our boardings are being targeted to regular patrols and pulse operations around shrimp openings. A 90-percent compliance rate is good—much better than it was in the past. And we find that most of the violations that we see today are flagrant violations where it is very clear that the person knew that they were violating the law.

We are still embarked on an educational program. We are working very closely with the National Marine Fishery Service on this issue. If there is a different type of device that could be approved, that could be utilized other than the TEDS, different than we have right now that would not only meet the concerns of the National Marine Fishery Service but also the shrimpers, we certainly would be willing to work on the development of that.

Senator LOTT. We will continue to look for that. You do have to enforce the regulations, but I hope that you will also strive not to be a nuisance. If you are getting good compliance, I hope that you

will not get in the way of people that have work to do to make a living unless it is a flagrant violation.

Admiral KIME. We can assure you of that, Senator.

Senator LOTT. There have been some complaints by small charter boat operators with regard to the vessel inspection fees. The small charter boat operators complain that the proposed fees for their vessels are disproportionate to the larger vessels and are financially very burdensome.

What can you say about that particular problem?

Admiral KIME. We have received those comments, Senator. First, talking about licensing, we did reopen the comment period for the licensing user fee, and have received additional comments. They are being looked at right now.

I think the big concern is for the vessel inspection fee. We have reopened that rulemaking, and it will stay open until near the end of May. And in addition, we have scheduled nine public hearings around the country to look at the concerns. Many have been expressed by the smaller passenger vessel operators.

We have asked them specifically for data to document the adverse impact that is going to make on the industry. Certainly, it is not the desire of the Coast Guard to place the industry at a significant economic disadvantage. And that is being looked at very, very carefully, both in the comment period and at the public hearing. So, these small vessel operators will have a chance all over the country to provide significant input to us.

Senator LOTT. One final point and I will yield, because I know Senator Stevens will want to pick up on this point. With regard to your icebreaker, one of the shipyards that submitted a bid was Ingalls Shipyards in my hometown of Pascagoula. Ingalls has about 7 billion dollars' worth of Navy work; there must be something out of kilter here if they couldn't submit a bid within the money. Either the money is not adequate or what you are looking for on this vessel is more than what you can get for the money you have.

I think you are headed in the right direction. You are asking them what can you do for the money we have. But the problem with that is, the only word of caution I would give you is, look, there are a lot of people that are interested in this, concerned about it, they need it, do not let it drag out interminably. Put some limits on how long they can massage the thing and you can massage it and make a decision and get somebody to build a ship.

Admiral KIME. We agree with you, Senator. We want to move just as quick as we can under the procurement law. And I am going to ensure that we do that.

Senator LOTT. Thank you.

Senator BREAUX. Or let us build it in Louisiana. [Laughter.]

Admiral KIME. I think I will duck that one, Senator.

Senator BREAUX. Senator Stevens.

OPENING STATEMENT OF SENATOR STEVENS

Senator STEVENS. Of course, we are just primarily interested because it is our people that get caught in the ice and need the service. I was interested to read one story that described that as frozen pork for Alaska to have a Coast Guard icebreaker. As you know, it will not be home-ported in Alaska and it would not have any eco-

conomic impact on Alaska at all. It is a service we need. It is—I do not know what I would compare it to, but that did surprise me.

Admiral KIME. That is misplaced criticism, Senator.

Senator STEVENS. I do join, though, in the comment that Senator Lott has just made, and that is, I have got to tell you I feel that if you do not publish the RFP by July, we will not be able to hold that money in this budget cycle for the cutter.

As you know, it was a last-minute decision that kept the money for it, and that money is going to be sought after by the Appropriations Committee starting in July, first week of August. We will finish—I think we will get our appropriations bills done in September this time because it is an election year. And I really believe you cannot hold it until April 1993, as my assistant, Mr. Comstock, tells me you stated before I came in.

I would urge you to—is it possible to accelerate the RFP to get it done before midyear this year?

Admiral KIME. We are working on this right now, Senator; we feel it is going to take about 12 months to go on the street with the circular of requirements that can be accepted and then go out for an RFP and deliver a contract before the money expires. Of course, the money, if it is not acted on by the Congress, is good until 1994.

We are moving this as quickly as possible, and I share your sense of urgency for the reasons you have stated, and also because of the need I have for an icebreaker. But I also want to make sure that I can do this in a way that is going to give us the product that we need within the money that is available. I will take your message back to the people doing this job.

Senator STEVENS. Even within the defense budget, \$339 million that is available this year without any budget point of order and within the outlay and authorization ceiling, is just an invitation for someone to latch onto, and I believe we will lose it. We just barely kept it last year. And I am in accord with what you are saying, but it does seem to me that we had an agreement on the design; we had an agreement on the RFP.

I am not sure that it would not be worthwhile going back again and asking if you have their best offer, because I do think that it is possible under your regs to do that. I think that, as Senator Kasten says, there are people out here that would like to have something to keep them going for another couple of years and see what happens to the economy. This is one of those things that would do that. I do not know.

I am really here for another subject, though, as I am sure you know.

Admiral KIME. Senator, we did go back for best and finals, of course, and the best and finals of the bids that came in, I was told by our acquisition people, were exactly the same bids that had been submitted before the request for best and finals.

Senator STEVENS. Senator Kasten.

Senator KASTEN. If you were to go ahead and build this, how much money would you be coming to ask us for? You said two or three times this morning, I do not feel right about asking for additional appropriated funds. Even though you do not feel right about asking for additional appropriated funds, how much additional ap-

propriated money would that be in order for you to move forward with what now is your best and lowest bid?

Admiral KIME. I think we are talking pretty close to \$150 million, Senator.

Senator KASTEN. Over and above \$274 million, or over and above \$339 million, or whatever?

Admiral KIME. Over and above \$339 million.

Senator KASTEN. Thank you.

Admiral KIME. I will give you an exact figure for the record, though.

[The information referred to follows:]

The Naval Sea Systems Command (NAVSEA) could not move forward with any of the bids it previously received. The solicitation was canceled on 16 March 1992 subsequent to receipt of best and final offers. Procurement law precludes reopening a canceled solicitation; hence, a new solicitation effort is required.

We estimate that an additional \$140 million would have been required, in addition to the previously appropriated \$339 million, for NAVSEA to have awarded a contract under the Department of Defense's full funding policy. However, since an award could not be made with the available funds, no final selection of an awardee was made and no exact figure was determined.

Senator STEVENS. That is surprising. The National Science Foundation is going ahead with theirs and they are going to be within their budget as I understand it.

Admiral KIME. Well, they are taking a very similar approach in ordering the vessel to what we are doing with the new approach with the circular of requirements. And, of course, the type of vessel they are building is much different. They are building an ice-capable vessel. We are building a vessel that will be able to do a significant amount of scientific research in the Antarctic and the Arctic and much greater icebreaking capability is required.

Senator STEVENS. Admiral, I am going to send you a letter this afternoon concerning again the subject of the Anti-Reflagging Act rebuild grandfather clause. As you know, I was the chairman of the subcommittee at the time that the Senate handled that matter. We held back for a considerable period of time because of the feeling that such a provision could get out of hand. We finally agreed to a provision from the House on the basis of some very, very firm legislative history—which we have now dug out and are going to send to you this afternoon—indicating congressional intent to limit that foreign rebuild provision very severely.

We have had correspondence, you and I. I know that you are bound to follow your lawyers. Without impugning them—and I hasten to say I have been a lawyer for a long time, and I remember what an old judge told me, that in any courtroom, one-half of the lawyers are wrong, and we sometimes forget that when we deal with one or two lawyers.

The difficulty that I have is that the Coast Guard maintains the position which is directly contrary to congressional intent, and it has led to a severe overpopulation of the harvesting vessels within the 200-mile limit. I am convinced that those vessels would not be there if they had had to pay domestic shipbuilding costs, and it was a limited foreign rebuild authorization we attempted to pass.

I am going to send you this afternoon a letter that will request copies of all the letter rulings and legal opinions that were issued by the Coast Guard on all issues directly related or indirectly relat-

ed to the issues surrounding the enactment of the Commercial Fishing Vessel Anti-Reflagging Act in 1987 and 1988; the letter rulings that your agency issued in 1987, 1988, and 1989, under volume 46 of the Code of Federal Regulations; and copies of the certificates of documentation of all vessels converted in foreign shipyards for use in U.S. fisheries in the 4-year period covered by that process, 1987 to 1991.

We need to know the name of the owner which purchased or contracted the purchase of the vessel, the owner which sought the specific letter rulings from the Coast Guard, the owner which entered into the shipyard contract, and the owner which took delivery of the vessel, and copies of the contract showing the specific intent required under the act, which the Coast Guard reviewed to determine compliance with the plain language of the statute.

You know there were a series of gates through these vessels' owners had to pass in order to qualify, and I have articulated those in the letters I have sent to you. Having been the one that insisted on those gates, I am disturbed that the Coast Guard continues to allow vessels to operate in the waters off my State which did not comply. In order to be documented, the same owner had to purchase, contract, and seek the letter ruling, and enter into the shipyard contract, and then take delivery of the vessel and put the vessel into operation in the fishery.

Now, that is a very limited window for foreign rebuilt vessels to enter into a fishery that was already overpopulated at the time.

And I now regret—I think it is one of the great mistakes I have made in the U.S. Senate that I did not continue to oppose that act. I should have, but we were under tremendous pressure to get a series of acts through that year, and I finally agreed as the subcommittee chairman here and talked the chairman into supporting the final version that was agreed to in the House.

But I do not understand the Coast Guard's continued position. I do not want to argue with you here because I know I have your letters, but I want you to know and I want the committee to know that we are requesting this information, because I think we are going to have to have an independent examination of the actions of the Coast Guard, and I intend to submit those to the GAO and ask the GAO for their opinion.

I also am going to submit it to the Department of Justice and ask them why they continue to represent the position taken by the Coast Guard in these legal actions, in view of the legislative history and in view of the fact that many of these vessels out there do not meet the requirements of that act.

I am seriously considering introducing legislation to put into the law those restrictions that were in some of the committee reports and statements made by the managers on the floor, which I consider to be binding as far as legal intent but may not be considered so by the Department of Justice. My legal advisors and, based on my own experience, I believe that Congress can retroactively enact the restrictions that they intended to be applicable to a particular act of Congress, and I may ask the Congress to do that.

The people here who represent the shipbuilding industry ought to take note, because had those exceptions not been granted by the Coast Guard, some of these vessels might have been built in do-

mestic shipyards, and we have seen just an avalanche of vessels come in under the rebuild grandfather clause.

We had a list that was given to me at the time, of the number of vessels that complied. It was a very limited list. We had the names of them. It is too bad we did not put them into the record. That is another major error on my part.

But I want you to know that I do not think anything has disturbed me as much in my service in the Senate, about my relationship to the Coast Guard as much as this. I do not say it to disturb you or in any way offend you, but this issue is one that just runs totally contrary to the intent of Congress.

Incidentally, we passed that act at the time the Canadians had passed an act to condemn vessels in the Pacific, and pull them up to the beach and burn them because there were so many vessels out there at the time. We should never have passed the act—would not have passed it—if we had known it would lead to literally a multitude of vessels, enormous factory trawlers coming into our fishery. This is an ongoing process.

I think there are some people here in the audience who represent those factory trawlers, and they know how I feel about them. I think they are worse than drift nets. They are committing more waste than the drift nets did, and we finally had to take the drift net issue to the U.N. to defeat them. I do not know where we would take this issue.

I am going to get some film and show members of this committee what the factory trawlers do. They are wasting more fish than any other harvesting mechanism on the sea today, and wasting so much that now the people involved in the ocean mammal management are telling me that we are going to have to restrict commercial fishing now in order to ensure there is an adequate food chain for ocean mammals because the factory trawlers are wasting so much.

I think we would never have had this problem had the Coast Guard followed the original intent of the Congress on the grandfather provision for the foreign rebuilding of those vessels. I am sorry to say that, as I have, that I have not seen a decision of the Coast Guard that went so far against the congressional intent as it has on this issue, and I regret that deeply.

Thank you, Mr. Chairman.

Admiral KIME. Senator, if I could respond. I certainly understand the concern you have. I understand the importance of this issue. As you have said, you and I have spoken about this and we have agreed to continue to look at everything that can be presented to us on this issue. I welcome your letter and the information that you are going to be sending with it.

As you know, there is litigation on this law. Based on what you have just discussed, I do not think that impacts significantly on the issue of your letter. We will have to see if there are any constraints we have there because of litigation. Outside of those, we will respond just as quickly as we can in the detail that you have asked for, to try to resolve this issue. We understand the concerns that you have and we do want to be responsive to those concerns, and to those of the Congress.

Senator STEVENS. Well, thank you.

The last comment would be that we have examined the record of that litigation, and I am constrained to say I do not think anyone, including the Coast Guard, has disclosed to the court the extent of the congressional intent in limiting that rebuild grandfather clause, and that is one of the reasons I am sending you this letter.

I do believe it is incumbent upon Government agencies in particular to try and convey to the court the congressional intent at the time it passed specific legislation such as this. And I believe over one-third of the vessels that are out there should not be there under that clause.

Now the owners, if they want to participate, ought to go to Louisiana and Mississippi, and a few other places and build some domestic vessels, because that is our law. This was an exception to that law. It should have been very narrowly construed. It still should be very narrowly construed as far as the Coast Guard is concerned.

I thank you very much and look forward to our correspondence.

Senator BREAUX. I thank you, Senator.

We are pleased to have with us the distinguished chairman of the Foreign Affairs Committee from Rhode Island, Senator Pell, for any questions he may be interested in asking.

STATEMENT OF HON. CLAIBORNE PELL, U.S. SENATOR FROM RHODE ISLAND

Senator PELL. Thank you very much. As a captain in the Coast Guard Reserve, I wanted to come by and wave the flag and just congratulate the Coast Guard for the job they do, particularly in my State.

I had a couple of other general questions. Years ago, when we talked about icebreakers, the next step was the nuclear icebreaker. I was curious what had happened to that concept of the Coast Guard having a nuclear icebreaker.

Admiral KIME. Senator, we did a rather extensive study back in the mid- to late 1960's, concerning the future of the icebreaking fleet in this country. One thing that was looked into very carefully was nuclear icebreakers. And we felt that based on the needs of this country, and the number we would therefore have, that it is just not economically feasible or operationally necessary to have a nuclear icebreaker. So, that was the decision we made back at that time.

We have since relooked at that and have not changed our position. Just the inherent cost of a nuclear icebreaker, the training cost of the crew, especially when you only have one vessel to rotate people through, the problem with getting nuclear vessels into foreign ports, and all of those issues, I think, balanced against the type of icebreaking needs we have, dictate, in our minds at least, to not having the need for a nuclear icebreaker.

Senator PELL. What is the position of the Coast Guard vis-a-vis the Law of the Sea, which as you know, is a treaty that is hung up at this point. The question of the use of the seabed is the question that is holding it up. Does the Coast Guard have a view that the rest of the treaty is of such merit that perhaps we should move along with that, leaving aside the section 11 issue?

Admiral KIME. We recognize that we certainly do not have the lead responsibility in this for the administration, but we feel there are many good things in there. The deep sea issue is certainly one that is being looked at by the Congress and by other parts of the administration.

I do not think there are any other major areas in there that we have any objection to. We see so many good things and, as you know, President Reagan indicated that with the exception of deep seabed mining, this is generally going to be the interpretation of international law for the United States.

We are currently working very closely with the Congress on proposed legislation to extend our territorial sea and contiguous zone to be consistent with the Law of the Sea convention, and that effort still goes on.

Senator PELL. When you say extended, do you mean beyond the 200-mile zone?

Admiral KIME. No, sir. Our territorial sea right now is 3 miles and the contiguous zone goes out to 12 miles. If we were to adopt the provisions of the U.N. Law of Sea, our territorial sea would go out to 12 miles and the contiguous zone out to 24 miles. And, because we have so many laws that are based on that, we are working very, very closely with the Congress on just how that part of it would be implemented.

Senator PELL. But is there not an economic zone that goes out 200—

Admiral KIME. The exclusive economic zone would still go out to 200 miles, and I think that is consistent with the wording in the U.N. Law of the Sea right now.

Senator PELL. Thank you. There is one other question that concerns me and that is in the funding of the Coast Guard, you find you are in direct competition with other branches of the Transportation Department, for example, Amtrak which many of us have a very real interest in and we find we have to choose between one or the other.

Do you feel you would do better if you were placed in a different agency?

Admiral KIME. No, sir. We agree with the recent GAO study that said we are where we should be. I firmly believe that the Coast Guard should be in the Department of Transportation, and you know the things we do in the maritime modes is what the Department of Transportation does in all the other modes with two exceptions: one we have talked about at great length and that is polar icebreaking, and the second one is national security, our military readiness mission.

But I think we are where we should be and I think the GAO study said that we would not have fared any better if we had been elsewhere. As I said, I think we are where we should be. We hope that the inclusion by the President, in his budget, of \$203 million in his proposal from function 50 will help to solve this ongoing problem and the uncertainty that has resulted from this competition with other modes that you talked about.

Senator PELL. Thank you very much indeed, and again, congratulate you and the Coast Guard on the superb job you do, par-

ticularly in my own State, and I just wanted to put that in the record.

Admiral KIME. Senator, let me thank you, as chairman of the Foreign Relations Committee, for your efforts in advice and consent to two treaties, the OPRC-90 and the Salvage Convention. Those were deposited on April 3, 1991, by Ambassador Seitz, our ambassador to the U.K., at the IMO. We were the first country to ratify the OPRC-90 treaty and we are very pleased with that.

Senator PELL. I wish we could have the same success with a whole lot of others too, thank you.

Admiral KIME. I could name several, Senator, yes.

Senator BREAUX. I could name several also, and I am glad we did not.

Thank you, Mr. Chairman, for your questions.

Let me ask a couple of questions, Admiral. Every day thousands of American citizens board ships of foreign flag registry on cruises. Many of these passengers are women and children and elderly citizens.

My question is, Does the Coast Guard have adequate authority to inspect those cruise ships in order to protect the safety of American citizens on board those ships?

Admiral KIME. We think it is, Senator. There is one piece of legislation that I mentioned in my opening remarks that we were looking for and that is the ability for Coast Guard inspectors to be compensated by the shipowner for inspections in foreign yards when some of these passenger vessels are being built. The reason for that is that it is much easier to find problems during the construction phase than it is once the vessel is built or by just doing a plan review without looking at the vessel.

Senator BREAUX. Do you currently have the authority to do that?

Admiral KIME. We do not. We could go over there and do it, but we would have to bear the expenses. When we inspect a foreign flag vessel overseas, the law does allow us to take compensation in the form of meals, lodging, and airline tickets.

Senator BREAUX. Wait a minute, did you make a slip of the tongue? You do not get compensated for inspection of a foreign flag vessel—

Admiral KIME. For a U.S.-flag vessel.

Senator BREAUX. You had said foreign flag.

Admiral KIME. I am sorry, for a U.S.-flag vessel we do. We are looking for that same provision for foreign flag vessels. Now having said that, we have a rather ambitious inspection program underway for foreign flag passenger vessels.

We do look at the drawings during the design phase. What I just talked about, this change in the law, would augment our ability to do that by providing on-site inspection and then the vessel is given a very thorough inspection when it first comes to a U.S. port. It is inspected quarterly and annually after that and any deficiencies that are found based on the Safety of Life at Sea Convention have to be corrected, and we can in fact prevent a vessel from loading passengers until they are corrected, and we have done that in several instances.

Senator BREAUX. What about the ability of the Coast Guard to inspect accidents at sea on foreign flag cruise ships?

Admiral KIME. We feel that the current IMO resolution that encourages joint investigations of accidents is working very, very well. We have participated in looking at the *Sovereign of the Seas*, the *Starship Majestic*, the *Britannis*, and the *Song of America*, with other flag administrations such as Liberia, the Bahamas, et cetera, and actively participated in their investigations, and we think that is really the way to go. We feel that they have been extremely cooperative in that effort.

Senator BREAUX. So, the bottom line, with the possible exception of having to pay for the cost of inspecting a foreign flag cruise ship while it is under construction in a foreign yard, is that the Coast Guard feels that the ability and in fact, the factual inspections that occur of foreign flag cruise vessels is adequate?

Admiral KIME. Yes, we do, Senator, and in areas where we uncover any design considerations we have been very, very pleased with the actions of the International Maritime Organization to bring international standards up to what we think they should be, and we also are even more pleased with the assistance we are getting from some of the major maritime nations in helping us to adjust the standards, where they are found to be lacking and need to be brought up to a sufficient level.

Senator BREAUX. A couple of days, well, probably about 10 days or so ago, the Mexicans fired on a U.S. shrimp boat, alleged to be illegally fishing in Mexican waters, and, as I understand, pursued the vessel into U.S. waters.

Can you bring me up to date on that incident and what the Coast Guard might be doing about it?

Admiral KIME. We are currently investigating the incident, Senator. We have been in discussions with the State Department and we have talked to the master of the fishing vessel.

The Mexicans have admitted that they did fire upon the vessel. They claim they did it in Mexican waters. We have video film from a Customs agent, who was involved with something else, that we are looking at to see if that substantiates the claim of the ship vessel master that he in fact was in U.S. waters.

Senator BREAUX. Why did they fire on it? I mean, is that the normal way of stopping boat that is shrimping?

Admiral KIME. It is certainly not the way that the use of force policy we have in the United States. To fire warning shots on a fishing vessel during an enforcement incident under the Lacey or Magnuson Act in the United States, it requires the approval of the district commander and it requires my personal approval to fire disabling fire.

And there are going to be bilateral discussions that the State of Department will lead. Assistant Secretary Colson will lead the delegation in June to Mexico for these discussions. There will be a Coast Guard presence there, and this is one of the issues that we do want to talk with the Mexicans about very seriously.

Senator BREAUX. Do we know who fired on the vessel? Was it the Mexican patrol boats, official boats?

Admiral KIME. Preliminary indications are that it was a Mexican patrol boat.

Senator BREAUX. Were there any injuries?

Admiral KIME. To the best of our knowledge there were not any injuries.

Senator BREAUX. The final question is regarding our discussion on the icebreaker. We have discussed the original requests for proposals and bids and their being out of sync with what the Coast Guard expected. Now an approach has been made to basically say, we want a ship that does the following, how much does it cost to produce it. Why did we not do that the first time?

Admiral KIME. The icebreaker project was done quite awhile ago and the process that was used was the one that has been used many times before, including for the design and procurement of the *Polar* class breaker, and I think what we have seen is a change in the shipbuilding industry right now and made worse by the fact that we are only talking about one ship, which resulted in the types of bids that we were discussing here today.

Senator BREAUX. All right. Well, gentlemen, we thank you very much for your presentation. You had good attendance and a lot of good questions. There may be some other members who would like to submit some questions in writing. I hope you would respond to them forthwith. We commend the Coast Guard for their usual good job. While some criticisms were shown today, I think by and large, this committee is strongly supportive of the work that you do. We thank you all and the men and women under you who participate in making the seas a lot safer for the people who utilize the oceans of the world.

Let me excuse this panel and invite up Commander Bill Legg, U.S. Naval Reserve, Director of Naval Affairs with the Reserve Officers Association of the United States for any comments he might have.

STATEMENT OF COMMANDER WILLIAM E. LEGG, USNR, RETIRED, DIRECTOR OF NAVAL AFFAIRS, RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES, WASHINGTON, DC

Commander LEGG. Thank you. I have a formal statement I have submitted. I would just like to make a couple of comments and open myself to questions.

I was very pleased to see Senator Hollings reaction to the proposal on the Coast Guard Reserve that is in the administration's budget. ROA is primarily concerned about two things. The first one being the overall level of support for the Coast Guard.

We understand the need to seek funds from various sources, but I tell you, we are very nervous about having \$203 million in the DOD budget this year. We are concerned because the level has been cut, as you know, in DOD and the submission made by the administration is likely to be cut even further.

I know the Senate has resisted, but there is strong pressures in the House to cut it even further, and we are concerned that the \$203 million for the Coast Guard may not survive that action. So, our first recommendation is to try to reinforce that \$203 million and ensure the Coast Guard is adequately funded.

Our second concern is the proposal to cut the Coast Guard Reserve by 6 percent. We have recommended that it be frozen at the current level of 11,500 instead of the proposed cut to 10,850 and that an additional \$3.5 million be added for that purpose.

The Coast Guard Reserve is a special case in many ways. It provides more peace time support to its active component than any of the other components. It has never reached the level of requirements that the other components have. A study was done in 1988 that said that the war time requirements were 27,500.

The administration put together a 10-year plan to reach that level, but it never got implemented. We got the authorization to go up, but never had the funds, and in Navy parlance, we were granted liberty but there were no boats.

So, we want to see if we can freeze the Reserve now until the study that Admiral Kime talked about is completed because it is very inefficient and harmful to the individual to cut people today that you want to reconstitute the next day.

Although I do not know what the answer is going to be to the new study that is being done, I know it will not be 27,500 again. But, I feel confident it will be considerably above today's level.

So, that is, in summary, our message, and I am open to any questions you may have.

Senator BREAUX. That is a good suggestion and it makes a great deal of sense, and we should wait until we see what the results are before we make any substantial cuts.

I know that Chairman Hollings has some questions to which he would like to receive a response. He will send those questions to you so we can get your response in the record before we go to the markup of the authorization bill.

Commander LEGG. That would be my pleasure, sir.

[The prepared statement of Commander Legg follows:]

PREPARED STATEMENT OF COMMANDER WILLIAM E. LEGG, USNR RETIRED

It is my pleasure to address this committee concerning the Fiscal Year 1993 Budget request for the United States Coast Guard.

The Coast Guard continues to demonstrate its multi-mission capability and flexibility. The Coast Guard is truly a unique armed force, the only one with important peacetime functions enforcing a variety of our nation's laws, plus it has a significant role to play as a specialized branch of the Department of the Navy upon mobilization. Adequate authorization and funding to perform the spectrum of assigned tasks are essential. For too long the Coast Guard has been expected to do more and more without the necessary additional resources.

COAST GUARD BUDGET REQUEST

The Administration's budget request to support the Coast Guard in Fiscal Year 1993, in general, reflects a modest and rational growth over the level appropriated for Fiscal Year 1992. However, one cannot help but be concerned over the dependence of the budget request on more than \$200 million to be transferred from the Department of Defense to provide all the funding required for the Coast Guard.

ROA has been involved in the continuing saga of obtaining adequate funding for the Coast Guard, particularly over the past six or seven years. During this period we have seen the tasks and responsibilities of the Coast Guard increase and the manpower and funding decrease. We have seen relatively well-funded budget requests submitted by the Administration dramatically reduced and restructured by the Congress as resources were shifted within Function 400, Transportation, to permit funding of other transportation agencies at a level higher than in the President's Budget request.

In the past, the Coast Guard has been a major source of funds for the "plus ups" of these agencies by Congress. In turn, the Department of Defense has been the source of the funds needed to make up, at least in part, for the cuts from the requested level of Coast Guard appropriations that generated funds for these other agencies.

But, the Department of Defense budget is rapidly becoming smaller and, even at the reduced level in the Fiscal Year 1993 budget request, is not likely to escape the

Congressional process without being reduced further. Therefore, it certainly is reasonable to be concerned that the \$203 million in Department of Defense funds requested for transfer to the Coast Guard may also be less than requested by the Administration.

The budget request for Fiscal Year 1993, if approved, will provide modest growth for the Coast Guard. Most of the six percent increase over the Fiscal Year 1992 level is associated with inflation and cost of living increases in pay (military and civilian). However, there is some real growth in areas, such as personnel support, that are recognized by the Commandant and the Congress as needing additional resources.

Therefore, ROA supports the Coast Guard Budget request for Fiscal Year 1993 and will recommend that the \$203 million requested be provided from Department or Defense appropriations.

SELECTED RESERVE

However, ROA is concerned that the \$74.5 million requested for the Reserve Training (RT) appropriation will require a further reduction in Selected Reserve personnel to 10,850. The Coast Guard Reserve has not been below 11,000 personnel since, at the latest, 1959. It may be even longer ago than that, but our records do not go back any further than 1959. A further reduction in Selected Reserve end strength will keep the Coast Guard selected Reserve at a level significantly less than 50 percent of current mobilization requirements.

ROA was a strong advocate for the development of a plan to increase the size of the Coast Guard Reserve to at least the proportion of documented mobilization requirements achieved by the Reserve Components of the other Armed Forces. We were encouraged when a ten year plan to achieve 95 percent of requirements was finally endorsed by the Administration in 1988. Unfortunately, there has been no progress in meeting the incremental steps needed to achieve the goal by 1998. In fact, ever since this plan was released, there has been a steady decrease in Coast Guard Reserve end strength.

It is apparent, that at this rate, the Coast Guard Reserve Bill continue to move even further from its requirements. The withdrawal of US Forces from Europe underlines the need to increase the size of the Coast Guard Reserve in an orderly and meaningful manner. The major mission of the Coast Guard Reserve is port security. This mission will be even more critical in the future than it was under previous contingency plans. We must become able to send even more troops and equipment overseas than we had planned to before. The importance of the Coast Guard Reserve and its Port Security Units (PSUs) to this task was amply demonstrated during Operations Desert Shield and Desert Storm.

At the very beginning of Operation Desert Shield, several hundred Coast Guard Reserve volunteers provided essential capability in the load-out of military cargo from US ports. Soon after the President exercised his authority to call Reservists to active duty, the number of Coast Guard Reservists on active duty swelled to almost 1,500. Included in this total were all three of the existing Reserve Port Security Units, trained and equipped for overseas operations, which were deployed to the Persian Gulf. As it became apparent that additional PSU personnel might be needed overseas, new units were created with Coast Guard Reserve volunteers and placed on active duty for the specialized training needed for this mission.

Certainly it is reasonable to assume that the review of the Coast Guard's mobilization manpower requirements that is now in progress will result in a Selected Reserve requirement that is less than the 27,500 documented only a few years ago by the Administration. The military threat facing our nation has been significantly reduced and certainly has taken a different form. However, it must be remembered that the Coast Guard Reserve did not enjoy the growth or increased funding support that the six Reserve Components of the other Armed Forces achieved during the 1980's. While the other Reserve Forces attained manning levels above ninety-five percent of requirements, the Coast Guard Reserve never even reached fifty percent of their requirements. They missed the "ride up," but are certainly being programmed to "ride down," even before their destination has been determined.

Therefore, the Reserve Officers Association strongly recommends that the Coast Guard Selected Reserve be maintained at the strength projected for the end of Fiscal Year 1992, 11,500, at least until the on-going review of requirements can be completed and evaluated. Maintaining this strength level will require the addition of \$3.5 million to the Reserve Training appropriation request of \$74.5 million for a new total of \$78 million.

Unless these additional funds are provided, valuable trained personnel will be separated from the force before it is determined that they will not be needed. Reconstituting these trained personnel in the future will take considerable time and will

require significantly more funds than the small saving that will result from separating them now.

We are also concerned over the consistently low level of fulltime active duty military support personnel provided the Coast Guard Reserve. The less than 600 active duty military personnel supporting the Coast Guard Reserve result in a ratio of one military support person for each 20 selected Reservists, by far the lowest ratio in any of the seven Reserve Components. Budget pressures have caused the Coast Guard to plan on reducing the active duty support for their Reserve even further in Fiscal Year 1993.

ROA strongly recommends a phased increase in Coast Guard Reserve Full-Time Support (FTS) personnel in the future. This action will improve readiness and efficiency by enabling Reservists to spend time training for their mission instead of performing the many administrative support functions that are required today. Certainly there should not be any further reduction in Full-Time Support personnel in Fiscal Year 1993.

SUMMARY

In summary, the Reserve Officers Association strongly supports funding the Coast Guard at least at the level requested in the President's Budget submission, a relatively modest \$3.8 billion. ROA also recommends that \$3.5 million in additional funds be provided to maintain the Selected Reserve strength and associated Full-Time Support personnel at the Fiscal Year 1992 levels.

Thank you for the opportunity to present the position of the Reserve Officers Association on the Coast Guard Budget. I would be pleased to respond to any questions at this time.

Senator BREUX. We thank you for being with us and for being patient. There are no more questions. Thank you.

That will conclude our witness list for this morning and the committee will stand in adjournment until further call of the Chair.

[Whereupon, at 11:45 a.m., the committee was adjourned.]

APPENDIX

QUESTIONS ASKED BY SENATOR HOLLINGS AND ANSWERS THERETO BY THE RESERVE OFFICERS ASSOCIATION

Question 1. The Coast Guard's AC&I (Construction) budget has averaged around \$415 million over the last six years. In fact, for FY 1993, the administration is proposing funding the AC&I account at \$414 million. I'm not sure this level is sufficient in the long run to maintain the Coast Guard's assets. Does the Reserve Officers Association have a position on the Coast Guard's Construction account?

Answer. While the Coast Guard may be able to get by with a \$400 million AC&I appropriation in FY93, this level of funding will be totally inadequate for the timely and economically advantageous replacement of capital assets in the immediate future.

Over the past decade, if you include funding from the Department of Defense, the Coast Guard's AC&I budget has averaged around \$600 million. At this funding level, they have made good progress on aircraft modernization over the decade, replacing the aging helicopter fleet and adding fixed wing aircraft to the inventory. However, the Coast Guard has an estimated \$6.5 billion shore facility inventory. Utilizing the Department of Defense model on a fifty year replacement cycle, the facilities element of the AC&I request alone should be funded at \$120 million annually.

In addition, a review of individual projects in USCG FY 1993 AC&I request shows a substantial out year funding requirement; Seagoing buoy tender at \$800 million, Coastal buoy tender at \$180 million, new Motor Lifeboat at \$67 million, possible replacement of smaller 82 foot patrol boats at \$100 million, HH-60 helicopters for Operation Bahamas, Turks and Caicos estimated at \$147 million, and new Vessel Traffic Services and improvements and expansions at current locations at a cost yet unknown.

If the nation is to benefit from a safer maritime transportation infrastructure and a cleaner maritime environment, the Coast Guard must have capable platforms, efficient supply and support systems and up-to-date shore facilities.

If the Coast Guard is to carry out its statutory responsibilities in the most effective manner, it must have the capital assets to support the men and women of the service.

It is apparent that additional funding in the AC&I appropriation is essential to the future effectiveness of the Coast Guard.

Question 2. In your testimony, you state that the Coast Guard Reserve's manpower requirements are "less than the 27,500 documented only a few years ago by the administration." However, it is clear that you think that the administration's proposed level for FY 1993 of 10,850 is too low. What is the correct level?

Answer. We do not know what the "correct" level for the Selected Reserve will be when the ongoing review of requirements is completed by the Coast Guard. However, an educated guess would put the new objective for the Selected Reserve in the 15,000-17,000 range. It is obvious that the overall missions of the Coast Guard continue to expand and that the return of a major portion of our routinely deployed military personnel from overseas locations will place severe strains on our ability to safely and efficiently ship the necessary equipment and personnel to the next major foreign hot spot.

It is this type of analysis that leads to the inevitable conclusion that any rational new Selected Reserve requirement could not be less than even the 12,000 that were in the Coast guard Reserve as recently as 1990. Therefore, any additional reduction should be rejected and \$3.5 million should be added to the RT appropriation to support 11,500 Coast Guard Selected Reservists in FY93, the same number as F792.