

STATEMENT
OF ADMIRAL JAMES S. GRACEY
BEFORE THE HOUSE COMMITTEE ON
MERCHANT MARINE AND FISHERIES
SUBCOMMITTEE ON
COAST GUARD AND NAVIGATION
9 OCTOBER 1985

MR. CHAIRMAN, I AM PLEASED TO HAVE THE OPPORTUNITY TO MEET THIS MORNING WITH YOU AND THE OTHER DISTINGUISHED MEMBERS ON THIS COMMITTEE TO DISCUSS CONTRACTING OUT OF COAST GUARD SERVICES. I HAVE A BRIEF OPENING STATEMENT I WOULD LIKE TO MAKE THAT ADDRESSES SPECIFIC AREAS IN WHICH YOU HAVE EXPRESSED INTEREST. AFTER THAT, I WILL BE HAPPY TO RESPOND TO ANY QUESTIONS YOU MIGHT HAVE.

A-76 GENERALLY

IN TERMS OF COAST GUARD EFFORTS TO IMPLEMENT THE PROVISIONS OF OMB CIRCULAR A-76, I FEEL WE ARE MAKING GOOD PROGRESS. INITIALLY, WE CREATED A HIGH-LEVEL, HAND-PICKED STAFF AT HEADQUARTERS TO GET THE PROJECT OFF THE GROUND . . . TO DESCRIBE BASIC - OR GENERIC TYPE - PERFORMANCE WORK STATEMENTS THAT WE COULD FARM OUT TO THE FIELD. IN FY 1985, WE COMPLETED A-76 REVIEWS OF 19 ACTIVITIES INVOLVING 145 BILLETS/POSITIONS. OUR FOCUS WAS ON MID-SIZED FOOD SERVICE OPERATIONS, BUOY MAINTENANCE, AND AUTOMATED DATA PROCESSING. AS A RESULT OF THE REVIEWS, 16 ACTIVITIES WERE CONVERTED TO COMMERCIAL CONTRACT WITH 115 BILLETS/POSITIONS IDENTIFIED FOR REDUCTION AND

PROJECTED AVERAGE ANNUAL A-76 SAVINGS OF \$1.6 MILLION. IN FY 1986, WE PLAN TO COMPLETE REVIEWS OF 1,470 BILLETS/POSITIONS. OUR FOCUS WILL BE ON NATIONAL FOOD SERVICE, FACILITIES ENGINEERING, INDUSTRIAL OPERATIONS, LORAN/OMEGA SYSTEMS, AND SUPPLY SUPPORT.

CONTRACTING FOR LORAN/OMEGA

IN MY CONGRESSIONAL NOTIFICATION OF JUNE 26, 1985, I ANNOUNCED OUR INTENTIONS TO REVIEW THE OPERATION AND MAINTENANCE OF LORAN AND OMEGA STATIONS UNDER THE A-76 PROGRAM. THIS INITIATIVE IS PROCEEDING, WITH THE ACTUAL REVIEW SCHEDULED FOR COMPLETION IN FY 1987. WE WILL DEVELOP A SPECIFICATION DESCRIBING THE COAST GUARD'S CRITERIA FOR CONTRACTOR OPERATION AND MAINTENANCE OF THESE LORAN AND OMEGA SYSTEMS. THOSE STATIONS ALREADY OPERATED AND MAINTAINED UNDER EXISTING CONTRACT OR AGREEMENT WITH OTHER NATIONS WILL BE EXCLUDED FROM THIS A-76 REVIEW. IF THE A-76 REVIEW DETERMINES THAT CONTRACTOR PERFORMANCE IS MORE ADVANTAGEOUS AND LESS COSTLY TO THE GOVERNMENT, FACILITY OPERATIONS AND MAINTENANCE WILL BE CONVERTED TO CONTRACT ON A PHASED BASIS.

HOWEVER, I WANT TO EMPHASIZE THAT RESPONSIBILITIES REQUIRING THE EXERCISE OF DISCRETION IN APPLICATION OF GOVERNMENT AUTHORITY . . . OR THAT REQUIRE VALUE JUDGMENTS . . . WILL CONTINUE TO BE COAST GUARD FUNCTIONS. THE COMMAND AND CONTROL ASPECT OF LORAN/OMEGA IS THE STATUTORY RESPONSIBILITY OF THE COAST GUARD AND CANNOT . . . AND WILL NOT . . . BE DELEGATED TO THE PRIVATE SECTOR. A-76 PROVIDES FOR THIS SEPARATION BETWEEN RESPONSIBILITY AND OPERATIONS AND I INTEND TO MAINTAIN IT.

CONTRACTING FOR OTHER AIDS TO NAVIGATIONS

WE ANTICIPATE HAVING THE AIDS TO NAVIGATION TRIAL CONTRACTS IN FIVE NONCRITICAL WATERWAYS READY FOR BIDDING EARLY IN FISCAL YEAR 1986. THE PURPOSE OF THE AIDS TO NAVIGATION TRIAL CONTRACTING PROGRAM IS TO DETERMINE IF THE PRIVATE SECTOR CAN PROVIDE ON-SITE SERVICING OF AIDS WITH EFFECTIVENESS EQUAL TO THAT OF THE COAST GUARD AND AT LOWER COST. OUR THIRTEENTH DISTRICT IN SEATTLE HAS COMPLETED A STATEMENT OF WORK AND IS PREPARED TO ISSUE A REQUEST FOR BIDS FOR PORTIONS OF THE SNAKE AND WILLAMETTE RIVERS. IN THE NORTHEAST, THE FIRST AND THIRD DISTRICTS . . . BOSTON AND NEW YORK . . . ARE NEARING COMPLETION OF THEIR STATEMENTS OF WORK FOR CONTRACTING IN THE MERRIMACK RIVER/IPSWICH BAY AREAS IN MASSACHUSETTS AND THE NEW JERSEY INTRACOASTAL WATERWAY. THE FIFTH DISTRICT (VIRGINIA INSIDE PASSAGE) AND THE TWELFTH DISTRICT (SACRAMENTO/SAN JOAQUIN RIVERS) ARE MAKING PROGRESS ON THEIR PACKAGES.

HOWEVER, THE HOUSE OF REPRESENTATIVES HAS PASSED HR 2466 WHICH WOULD AMEND 14 USC 81 TO PRECLUDE US FROM GOING FORWARD WITH OUR TRIAL CONTRACTING IN THE NEW JERSEY INTRACOASTAL WATERWAY. THIS IS THE LARGEST WATERWAY IN OUR TRIAL, WITH MORE THAN 400 AIDS TO NAVIGATION INVOLVED. THE EXCLUSION OF THE NEW JERSEY WATERWAY WILL INHIBIT OUR CONTRACTING EXPERIENCE BY REDUCING THE SCOPE OF THE TRIAL PROGRAM AND LIMITING THE COAST GUARD'S MANAGERIAL FLEXIBILITY. IN QUESTION HERE IS WHETHER AIDS TO NAVIGATION CONTRACTING WAS TO EXTEND TO THE ACTUAL PLACEMENT OF AIDS . . . OR WHETHER IT WAS TO BE RESTRICTED ONLY TO REPAIR AND MAINTENANCE. OUR READING OF THE CONGRESSIONAL DIRECTION WAS THAT IT INTENDED TO RUN A TRIAL ON ALL ASPECTS OF OUR A-TO-N WORK.

IT WAS WITH THAT PERSPECTIVE THAT WE CAREFULLY SELECTED THE FIVE WATERWAYS. IT IS ALSO OUR INTENTION TO MONITOR THE TRIAL CONTRACT ACTIVITY CLOSELY.

DELEGATING COMMERCIAL VESSEL SAFETY FUNCTIONS

THE CURRENT DELEGATIONS TO AMERICAN BUREAU OF SHIPPING (ABS) ARE FUNCTIONING IN A SATISFACTORY MANNER. WE ARE IN THE PROCESS OF IMPLEMENTING MANY OF OUR OVERSIGHT PROCEDURES; AND WE HAVE NOW GONE THROUGH THE DESIGN-TO-LAUNCH CYCLE OF SEVERAL VESSELS WITH RECENTLY EXPANDED AREAS OF DELEGATION. THE RESULTS OF OUR OVERSIGHT AND AUDITS INDICATE THAT WE SHOULD CONTINUE TO EXPLORE ADDITIONAL AREAS OF DELEGATION BUT SHOULD NOT SPEED-UP THE PROCESS. OBVIOUSLY, WHERE PUBLIC SAFETY IS CONCERNED, WE SHOULD BE PRUDENTLY CAUTIOUS.

HOWEVER, THIS DOES NOT PREVENT US, FROM TAKING A LONG-RANGE VIEW OF THE PROCESS TO EXAMINE WHAT FURTHER PROGRESS WE CAN MAKE WHILE CONTINUING WITH OUR IMPLEMENTATION AND OVERSIGHT OF CURRENT DELEGATIONS.

THERE ARE OBSTACLES TO FURTHER DELEGATIONS TO ABS OR ANY OTHER CLASSIFICATION SOCIETY. A MAJOR ONE INVOLVES EQUITY. THERE ARE NOW SEVERAL REPUTABLE CLASSIFICATION SOCIETIES THAT ARE INTERESTED IN PURSUING AND PARTICIPATING IN THE SAME TYPE OF ARRANGEMENTS THAT THE COAST GUARD HAS WITH THE AMERICAN BUREAU OF SHIPPING. THEIR INTEREST IS LEGITIMATE AND THEY ARE PRESSING US TO DEFINE HOW YOU BECOME A "SIMILAR U. S. CLASSIFICATION SOCIETY." AS A RESULT OF THIS INTEREST WE HAVE BEGUN A RULEMAKING PROCEDURE TO DO JUST THAT. AN ADVANCED

NOTICE OF PROPOSED RULEMAKING ON THIS SUBJECT WAS PUBLISHED IN THE FEDERAL REGISTER ON OCTOBER 3, 1985.

CONCLUSION

IN SUMMARY, I CAN SAY OUR EXPERIENCE WITH BOTH CONTRACTING OUT AND DELEGATING FUNCTIONS HAS BEEN FAVORABLE SO FAR . . . BOTH OFFER OPPORTUNITIES FOR ECONOMIES AND BOTH ARE CERTAINLY AREAS WE WILL CONTINUE TO EXPLORE . . . WHILE AT THE SAME TIME CONTINUING TO RECOGNIZE THAT THERE ARE THOSE ACTIVITIES AND FUNCTIONS THAT ARE PURELY GOVERNMENTAL IN NATURE AND WHICH CAN NOT BE CONTRACTED OR DELEGATED. THERE ARE ALSO SELECTED PARAMETERS BEYOND WHICH WE CANNOT GO WITHOUT DAMAGING OUR BASIC MILITARY FORCE STRUCTURE AND THUS HARMING OUR ABILITY TO PERFORM OUR LAW ENFORCEMENT, DEFENSE READINESS AND SIMILAR OPERATIONAL MISSIONS. AS WE PROCEED TO REALIZE THE BENEFITS OF A-76 AND 3RD PARTY DELEGATIONS, WE ARE CAREFULLY MONITORING THE IMPACTS OF EACH ACTION TO BE SURE WE DON'T GO TOO FAR.

THAT CONCLUDES MY PREPARED STATEMENT. AGAIN, MR. CHAIRMAN, IT IS A PLEASURE TO BE HERE BEFORE YOU. I'LL BE HAPPY TO RESPOND TO ANY QUESTIONS YOU MIGHT HAVE.