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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

October 15, 1976

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B-115398

To the President of the Senate and the
Speaker of the House of Representatives

On September 22, 1976, we received copies of the President's second special message for Fiscal Year 1977 which was transmitted to the Congress pursuant to the Impoundment Control Act of 1974. The special message includes three rescission proposals and one supplementary message to a previously proposed deferral for Fiscal Year 1976.

Our comments on the information submitted in the special message of September 22, as required by the Impoundment Control Act of 1974, are enclosed.

James P. Heath
Comptroller General
of the United States

Enclosure

ENCLOSURE

GAO

COMMENTS ON THE PRESIDENT'S
SECOND SPECIAL MESSAGE
FOR FISCAL YEAR 1977

Except as noted below, we conclude that the information provided in the three new rescission proposals and revised deferral proposal is correct and that the actions proposed have been clearly and accurately stated. The message of September 22 does not require modification of our comments on previously proposed deferral D76-6/6A, which is now the subject of the supplementary report. This deferral, as did all those proposed for Fiscal Year 1976, terminated on September 30, 1976, pursuant to section 1013 of the Impoundment Control Act.

We note that pursuant to section 1011(5) of the Impoundment Control Act, the 45-day period specified in the Act will begin on the second day of the first session of the 95th Congress. Because we do not know the schedule for the new Congress, we are unable, at this time, to state when the 45-day period will end.

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DEPARTMENT OF THE ARMY

R77-2 Corps of Engineers, Civil
Revolving Fund, COE,
Civil 96X4902

In our report issued to the Congress on May 23, 1972, entitled, "Observations on Dredging Activities and Problems," B-161330, we recommended that the Corps of Engineers undertake a comprehensive study of national pipeline dredging requirements for the next few years and consider various alternatives for meeting those requirements in the most economical manner. Based on this recommendation, the Subcommittee on Public Works of the House Committee on Appropriations placed a moratorium on all proposed plans for the replacement or modification of dredges, including hopper dredges, pending completion of a comprehensive study on national dredging needs. The Senate Subcommittee on Public Works concurred with the House action. As a result of the congressionally imposed moratorium and the administration's policy to encourage industry to construct and operate its own hopper dredges, the Corps has not had any new hopper dredges constructed in recent years.

In 1973 the Corps contracted with the independent management firm of Arthur D. Little, Inc., for a comprehensive

national dredging study. The study predicted that the Corps' dredging program would grow appreciably over the next decade and concluded that, "9 to 11.5 new hopper dredges, in addition to the current 15 vessels or one additional hopper dredge per year with an average capacity of 3,000 cubic yards will be needed during the period of 1975-1983 to meet the workload requirements." The dredging study also concluded that, "the industry as presently constituted has limited financial resources which make it difficult, with a few possible exceptions, for companies to acquire self-powered hopper dredges."

The existing fleet of hopper dredges consists of 15 vessels, all owned and operated by the Corps, with an average age of 30 years. The fleet consists of two large class hopper dredges built in 1928 and 1950, seven medium class hopper dredges built between 1939 and 1967, and six small class hopper dredges which were all built prior to or during 1945. Based on a 40-year salvage, 12 of the currently operating vessels should be retired by 1987. Corps officials stated that the present fleet is basically obsolete and inefficient. They also indicated that the safety and habitability conditions on the dredges were questionable; for example, most of the dredges in the fleet lacked air conditioning and the noise levels on the small class hopper dredges caused measurable

hearing loss to the crew members. For rehabilitation of the existing fleet in future years, the Corps has proposed to spend in excess of \$5,000,000 from non-appropriated funds received for user charges on Corps projects.

Corps officials told us that the statement in the rescission proposal that, "the private dredging industry now has one hopper dredge currently working under contract for the Corps" is not accurate. According to the Corps officials with whom we spoke, private industry at this time does not have any vessels that would meet the requirements for classification as a hopper dredge. The officials stated that private industry presently has one medium hopper dredge under construction (scheduled for completion in January 1977), two large hopper dredges presently under design; and one large barge built in 1971 which is scheduled to be redesigned to hopper dredge capabilities.

Corps officials stated they have no evidence suggesting that private industry desires to build a small class hopper dredge or that industry desires to increase its fleet of hopper dredges over the four presently proposed or under construction. However, the Corps projects that industry will build four medium size class hopper dredges between 1985 and 1991.

The Public Works for Water and Power Development and Energy Research Appropriation Act, 1976, provided \$700,000 in Fiscal Year 1976 for the design of hopper dredges and \$950,000 for the Transition Quarter for the design and construction of hopper dredges. A Corps official stated that these amounts have been made available and are being used for the design of three hopper dredges. The Public Works for Water and Development and Energy Research Appropriation Act, 1977, provides \$5,600,000 for the design and construction of one vessel of each class:

--The medium class, Dredger Mackenzie, scheduled for completion in 1980, would replace the former dredger Mackenzie, built in 1924, which sank in November 1974.

--The small class, Dredger Shallow Draft, scheduled for completion in 1979, is of the size that private industry has shown no desire to build but for which a need may exist.

--The large class, Dredger LMVD, which has a proposed completion date of 1981.

As noted, the national dredging study predicted that the Corps' dredging program will grow appreciably over the

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next ten years. Current design and construction time for completion of a hopper dredge is estimated to be approximately 3 or 4 years. According to Corps officials, if industry fails to expand its hopper dredge fleet in the future, the dredging required to maintain the navigability of harbors and channels in open waters may be affected seriously during the period necessary to design and construct an expanded Federal fleet.

DEPARTMENT OF THE INTERIOR

R77-3 Bureau of Mines
Helium Fund
14X4053

This program was the subject of a rescission proposal last fiscal year. Contract authority of \$47,500,000 for the purchase of helium for Fiscal Year 1976 was proposed for rescission in the President's second special message for Fiscal Year 1976. Pursuant to this request, the Congress rescinded the contract authority by Pub. L. No. 94-111, October 13, 1975.

DEPARTMENT OF TRANSPORTATION

R77-4 Federal Highway Administration
Highways Crossing Federal Projects
697/90510

None of the \$35 million proposed for rescission presently has been apportioned to the States. The Federal Highway Administration is holding the entire amount in reserve pending the

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outcome of congressional action on this proposal. The reported \$5.6 million in estimated current outlay savings reflects the Federal Highway Administration's estimate of the amount the States will obligate in fiscal year 1977 if the proposed rescission is rejected.