



General Government Division

B-282315

March 22, 1999

The Honorable Ken Calvert
Chairman, Subcommittee on Energy and Environment
Committee on Science
House of Representatives

Subject: NOAA Fleet: Responses to Post-Hearing Questions

On February 24, 1999, we testified before your Subcommittee on two National Oceanic and Atmospheric Administration (NOAA) issues—National Weather Service modernization and NOAA's fleet of research and survey ships.¹ Both of these issues also were highlighted in our recent performance and accountability series report on the Department of Commerce.² In the NOAA fleet area, NOAA continues to own, operate, and plan investments of hundreds of millions of dollars in its aging fleet of 15 ships that are used to support its programs in fisheries research, oceanographic research, and hydrographic charting and mapping. NOAA's fleet is managed and operated by a NOAA Corps of about 240 uniformed commissioned officers who, like the Public Health Service Corps, perform civilian rather than military functions but are covered by a military-like pay and benefits system. For more than a decade, our office and others have urged NOAA to aggressively pursue more cost-effective alternatives for acquiring needed marine data. While NOAA has increased its outsourcing for these services, it continues to rely heavily on its aging in-house fleet of ships—many of which are costly and inefficient to operate and maintain and lack the latest state-of-the-art technology—and still plans to replace at least some of these ships.

Following the February 1999 hearing, you asked us to respond, for the hearing record, to several post-hearing questions regarding the NOAA fleet. This letter responds to your questions. Our responses are based on our prior work on NOAA fleet and NOAA Corps issues, Commerce Inspector General (IG) reports and testimonies on these issues, and our reviews of the Department of Commerce's strategic and performance plans required by the Government Performance and Results Act of 1993 (Results Act). Your questions and our responses are contained in the enclosure to this letter.

¹ Department of Commerce: National Weather Service Modernization and NOAA Fleet Issues (GAO/T-AIMD/GGD-99-97, Feb. 24, 1999).

² Major Management Challenges and Program Risks: Department of Commerce (GAO/OCG-99-3, January 1999).

B-282315

As agreed with your office, we will make copies of this letter available to others upon request. If you have any further questions or wish to discuss our responses, please call me at (202) 512-8676.

Sincerely yours,

A handwritten signature in black ink, reading "L. Nye Stevens". The signature is written in a cursive style with a long horizontal stroke extending from the end of the name.

L. Nye Stevens
Director, Federal Management
and Workforce Issues

Enclosure

Subcommittee Questions and Our Responses

1. You included the NOAA fleet in your recent performance and accountability series report as one of four performance and management challenges facing the Department of Commerce. Could you briefly tell the Subcommittee why GAO considers the NOAA fleet issue to be one of Commerce's major challenges?

Answer: The NOAA fleet was first identified as a policy and management problem more than a decade ago. At that time, most of NOAA's fleet of research and survey ships were approaching or past their 30-year life expectancies. Following reports by our office and others, the Department of Commerce identified the NOAA fleet as a material weakness in its Federal Managers' Financial Integrity Act (FMFIA) report for fiscal year 1990. In 1993, the National Performance Review (NPR) recommended that NOAA experiment with public/private competitions to help fulfill its minimum number of days-at-sea requirements. However, NOAA has experienced significant difficulties in its efforts to plan and implement solutions, and the NOAA fleet remains one of the Department's material weaknesses.

In a 1996 program evaluation report on NOAA's 1995 fleet modernization plan, the Commerce IG recommended that NOAA terminate its fleet modernization efforts; cease investing in its ships; immediately begin to decommission, sell, or transfer them; and contract for the required ship services. The Commerce IG believes that NOAA's fleet remains a major management problem and is concerned that NOAA may not be pursuing outsourcing strongly enough or viewing the fleet issue in a broad enough, governmentwide context. Also, the IG is concerned that NOAA's fisheries research acquisition plan and strategy may not be the best available option for acquiring these ships and may not be fully consistent with the findings and recommendations in a recent review done for NOAA by a retired Navy admiral. For these reasons, the Commerce IG included the NOAA fleet issue as one of the 10 most serious management challenges facing the Department of Commerce in its December 1998 report to the House leadership.

We have concerns about the Department's implementation of OMB Circular A-76, "Performance of Commercial Activities"; the adequacy/completeness of NOAA's ship cost comparisons with private sector and other available ships; and its inherent preference for operating its own ships, rather than contracting out more with the private sector and other public entities and relying more heavily on them to come up with the ships and/or marine data that NOAA needs. For example, Commerce has not done a Circular A-76 inventory of its commercial activities since 1983, and congressional and other pressure accounted for the single A-76 study it did of one of its ships last year. Over the years, NOAA has been reluctant to give serious consideration to the many innovative and more modern ways that the private sector and University-National Oceanographic Laboratory System (UNOLS) potentially could meet its basic marine data needs.

2. We understand that there are several recent studies on NOAA's fleet modernization and NOAA's plans for its hydrographic and fisheries research missions. Has GAO reviewed the latest available studies of NOAA's fleet and modernization efforts or NOAA's acquisition plan for its fisheries research mission, and if so, what have you found?

Answer: We have not had an opportunity to review the latest study of NOAA's fleet modernization or NOAA's acquisition plans for its fisheries research and hydrographic missions. We asked NOAA for these studies and plans to prepare for the Subcommittee's February 24, 1999, hearing. However, NOAA did not give us access to these studies and plans because it said that they were still under review at the Office of Management and Budget (OMB) and had not yet been made public. We do take some encouragement from the fact that, according to its fiscal year 1999 and 2000 performance plans, NOAA now envisions meeting at least one-half of its hydrographic data needs from private sector and UNOLS resources. Also, it should be noted that NOAA's long-term plans seem to rely more heavily on its own ships in the fisheries research area, where the availability and suitability of other alternatives is the least apparent, and to outsource for most of its data requirements in the oceanographic and mapping/charting areas.

3. NOAA claims that its ships are cost competitive with those of the private sector and other public entities and that, in many cases, its ships are less costly to operate than private charter ships and ships belonging to the University-National Oceanographic Laboratory System (UNOLS). Has GAO examined the cost efficiency or effectiveness of NOAA's ships or compared the costs of NOAA's ships with those of private or other available ships?

Answer: We have not reviewed NOAA's current cost claims. Our work in the costs area, which is about 5 years old now (Research Fleet Modernization: NOAA Needs to Consider Alternatives to the Acquisition of New Vessels, GAO/RCED-94-170, Aug. 3, 1994), faulted NOAA for setting unrealistic conditions for its evaluation of outsourcing alternatives and raised serious questions about NOAA's claims and the basis on which NOAA founded those claims. The Commerce IG has done more current and in-depth work in this area. In a 1996 report, the IG compared the costs of operating specific NOAA ships with the costs of charters available from the larger UNOLS fleet and from the even more extensive resources of the private sector. The IG's report made a convincing case that the outsourcing alternatives at that time were less expensive.

As a general proposition, we have found that, once federal assets like ships and airplanes exist, it seems cheaper to operate them than to contract for services, since the capital and associated fixed operating costs are already sunk. In the federal civilian passenger-carrying aircraft area, for example, OMB guidelines require only that federal agencies compare the variable costs of operating those aircraft with the costs of commercially available alternatives

in justifying the flight-by-flight use of the government-owned aircraft. Also, the more government-owned ships or aircraft are used, the more cost-effective they appear to be because usage lowers their average hourly or daily cost. Thus, the key question is whether to acquire the assets in the first place.

4. The President's budget for fiscal year 2000 proposes \$52 million for construction of a new replacement NOAA fisheries research ship and indicates that NOAA plans to spend a total of \$185 million for four new replacement fisheries research ships over the 5-year period ending in 2004. Has GAO reviewed these construction plans or the supporting NOAA analyses that were used to justify these new acquisitions, and if so, what have you found?

Answer: We have not reviewed these plans or analyses. NOAA told us in February 1999 that these plans and analyses were still under review by OMB and therefore not available for our review. As stated earlier, we had hoped to review these plans and analyses to help us prepare for the Subcommittee's February 24, 1999, hearing.

Although we have not reviewed NOAA's construction plans or supporting cost justifications, we understand that the Commerce IG has reviewed at least some of them. In any event, it seems to us that the key questions are (1) how does NOAA treat or consider capital costs in comparing the cost competitiveness of its in-house ships with those available on an outsourcing basis from private industry or UNOLS and (2) does NOAA express its marine data needs in terms that allow the private sector and other public entities to apply more efficient technologies and different ship configurations.

5. Your statement says the issue of replacing the NOAA fleet is entwined with the issue of the NOAA Corps. Please explain how these issues are interrelated.

Answer: The NOAA Corps is something of an anachronism, dating back to the 19th century when mapping and charting by government mariners were peacetime functions of the Army and the Navy. Today, the NOAA Corps exists primarily to manage and operate NOAA's in-house fleet of research and survey ships. NOAA Corps officers also do rotational shore duty in NOAA's five line offices. The rotational pattern of NOAA Corps officers is one-third of their career at sea, one-third on shore duty related to ship support, and one-third assigned to other NOAA billets. It should be noted that the Commerce IG has criticized the latter rotational pattern as not critical to or paid for by other NOAA missions.

If there were no NOAA fleet, there would be no justification for the NOAA Corps as a separate service. In 1995, NPR, noting that the NOAA Corps was the smallest uniformed service and that the fleet it commanded was obsolete, recommended that the NOAA Corps be gradually reduced in number and eventually eliminated.

6. NOAA says that it has downsized the NOAA Corps from over 400 officers in 1994 to about 240 officers at the beginning of Fiscal Year 1999 and achieved annual cost savings of at least \$6 million. Has GAO reviewed NOAA's reported downsizing of the NOAA Corps, and if so, what have you found?

Answer: We have not reviewed NOAA's reported downsizing of its NOAA Corps. However, in 1996 we (1) reported on the anomaly of NOAA (and the Public Health Service) being paid military benefits and allowances while not meeting the Department of Defense's criteria and principles for a military compensation system and (2) compared the costs of the NOAA billets that existed at that time with civilian pay and benefits for the same positions. In October 1997, we testified before a Senate Subcommittee on issues relating to the civilianization of the NOAA Corps. In December 1997, we responded to several post-hearing questions on NOAA's plan and proposed legislation to downsize and civilianize the NOAA Corps. These GAO products are footnoted in our prepared statement for the Subcommittee's February 24, 1999, hearing.

While we have not reviewed NOAA's downsizing of the NOAA Corps and claimed cost savings, the Commerce IG did review NOAA's 1997 plan and legislative proposal to downsize and civilianize the NOAA Corps. In this regard, the IG recommended downsizing the NOAA Corps to achieve significant cost savings and management efficiencies and expressed serious concerns about NOAA's plan and legislative proposal. Congress had its own ideas and, in Public Law 105-384, authorized a NOAA Corps slightly larger than today's.

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