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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548



RESOURCES AND ECONOMIC  
DEVELOPMENT DIVISION

B-164497(2)

OCT 31 1972

Dear Mr. Secretary:

We have completed our review of the resources used by the U.S. Coast Guard to meet the transportation requirements of long-range navigation (loran) stations in the Pacific area.

We found that the in-house transportation resources used to provide logistics support to these stations were relatively expensive and that the Coast Guard could realize substantial savings by discontinuing the use of the logistics ship, "Kukui," and the air operation at Guam. Alternative methods of transportation were available to support the loran stations at a much lower cost to the Government.

After being advised of the results of our review, the Commandant of the Coast Guard ordered the decommissioning of the "Kukui" and the elimination of the air operations at Guam. The Commandant indicated that this action would be consistent with the President's program to reduce Government spending.

The actions taken by the Commandant have corrected the problem areas identified in our review, and we plan no further reporting on this matter.

A summary of the conditions existing at the time of our review and the actions taken to reduce loran logistics support costs follows.

LOGISTICS SUPPORT OF  
PACIFIC LORAN STATIONS

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The 14th Coast Guard District, with headquarters in Honolulu, Hawaii, operates 22 loran stations in the Pacific and the Far East. Eight of these stations are located in the Far East and receive logistics support from U.S. military facilities. Two stations in Hawaii and one in Guam are supported locally and present no transportation problem to the Coast Guard.

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B-164497(2)

The transportation resources of the 14th District were devoted primarily to supporting the remaining 11 stations located on the following islands.

French Frigate Shoals, Hawaiian Islands  
Kure Island, Hawaiian Islands  
Johnston Island  
Wake Island  
Kwajalein, Marshall Islands  
Eniwetok, Marshall Islands  
Saipan, Mariana Islands  
Yap, Caroline Islands  
Angaur Island, Caroline Islands  
Marcus Island  
Iwo Jima

The recurring logistics support required by these stations includes food supplies, mail, repair parts, and petroleum products. In addition, the stations also require such large items as generators, construction equipment, and building materials, but not on a recurring basis. In meeting the transportation requirements for these items, the Coast Guard has used a combination of commercial, military, Federal Aviation Administration, and Coast Guard resources. This report concerns the in-house transportation resources used to support these 11 stations.

SAVINGS BY DISCONTINUING  
THE USE OF THE "KUKUI"

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The Coast Guard could have saved over \$1.6 million in the 18-month period ended June 30, 1971, by discontinuing the use of its logistics ship, "Kukui," and by using alternative modes to transport materials and supplies to the Pacific loran stations. The Coast Guard's transportation requirements were not sufficient to permit effective utilization of this vessel.

The Coast Guard had operated the "Kukui" in support of loran stations for over 20 years. During most of this time, the ship had been the subject of controversy within the Coast Guard because of its high cost and inefficient use. In fact,

B-164497(2)

a comprehensive study made in January 1970 by the 14th Coast Guard District cited the costly operations and inefficient use of the "Kukui" and suggested alternative modes of transportation.

We found, however, that Coast Guard headquarters had taken no action to discontinue the use of the "Kukui." Instead, it had approved a project to renovate the vessel in fiscal year 1973 at an estimated cost of \$600,000. The headquarters response to the study stated that, with adequate maintenance and some modernization, effective operation of the "Kukui" through 1985 was considered feasible.

During the 18-month period ended June 30, 1971, the "Kukui" transported 5,450 measurement-tons of Coast Guard general cargo and equipment at an estimated cost of \$1.8 million, or about \$327 a measurement-ton. Using Military Sealift Command published rates and considering port handling costs, we estimated that, if the above cargo had been transported by the Military Sealift Command, the cost would have been about \$130,000, or about \$24 a measurement-ton. The difference, over \$1.6 million, represents potential savings.

Although Military Sealift Command service was not available to all loran stations, we believe that adequate alternate modes of transportation were available and that use of such modes would not have significantly affected our estimate of savings.

The high unit transportation costs of "Kukui" resulted partly because the Coast Guard's transportation requirements were not sufficient to permit effective utilization of the ship. During the 18-month period ended June 30, 1971, the "Kukui" was in an operational status only 31 percent of the time.

After our review was completed, we informed the Commander, 14th Coast Guard District, of the savings available by discontinuing the operations of the "Kukui" and we suggested that he consider the alternative modes of transportation which were

B-164497(2)

available. The alternative modes include commercial ocean vessels, Coast Guard bouy tenders, and Coast Guard aircraft.

The Commandant of the Coast Guard, considering the results of our study and complying with the President's program to reduce Government spending, ordered the decommissioning of the "Kukui" and several other vessels.

SAVINGS BY TERMINATING  
THE AIR OPERATIONS AT GUAM

The air station at Guam provided logistics support to three loran stations. Although infrequent flights were made for such purposes as search and rescue or support of other Government agencies, the primary justification for the two C-123B twin-engine aircraft based at Guam was the logistics support mission.

Generally, the Coast Guard's two C-123B aircraft provided one flight each week to Yap and Angaur in the Caroline Islands, serving both stations on the single flight, and one flight each week to Saipan in the Mariana Islands on another day. Most of the operating hours logged by the aircraft were for these logistics flights.

During the 15-month period ended March 31, 1971, these aircraft transported about 927,200 pounds of cargo between Guam and the loran stations at Saipan, Yap, and Angaur, at an estimated cost of \$538,000, or about \$0.58 a pound. This contrasts sharply with the applicable commercial air freight rates, as shown below.

<u>From Guam to</u>	<u>Rate per pound</u>
Saipan	\$0.04
Yap	.09
Koror (note a)	.14

a

There is no commercial air cargo service to Angaur Island; however, there is service to the island of Koror--30 miles from Angaur.

B-164497(2)

We identified commercial, military, and other Coast Guard transportation resources that could have been used instead of the Coast Guard aircraft stationed at Guam.

For comparative purposes, we estimated the cost of shipping weekly supplies--such as frozen food, mail, and movies--to Saipan, Yap, and Koror by commercial aid and the cost of shipping the remaining required supplies to these locations by commercial ocean vessels. We also estimated the cost of transshipping all cargo from Koror to Angaur by surface craft. These alternate modes of transportation would have cost less than \$100,000 and would have resulted in savings of at least \$438,000 during the 15-month period.

After being apprised of the results of our study, the Commandant of the Coast Guard ordered the termination of the operation of C-123 aircraft at Guam, as well as three other C-123s stationed in other areas.

As mentioned earlier, we plan no further reporting on the results of our work. We appreciate the assistance and the cooperation Coast Guard officials gave us during our review.

Sincerely yours,

*Henry Eschwege*

Director

The Honorable  
The Secretary of Transportation

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